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# Defense

approx.  
 $\rightarrow$   $\begin{matrix} -1.8\% \\ -1.3\% \end{matrix}$  for 1990....

B.O.  
 293.8  
 - 2.6  
 - 1.4

289.8  
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B.A.  
 \$10B from Reagan 90 305.6 (2%)  
 6.3 B. (0%)  
 ↓ 3.7 295.6

5/5	4/28	(CHARITY DINNER)	
5/5	4/28	PARKS & REC.	
5/13		ALCORN COMMENCEMENT ↙	13 → 24
5/13		MISS. ST. COMMENCE. ↙	
5/17	5/10	RETAIL FEDERATION	
5/21	5/14	B.U. COMMENCEMENT ↙	
5/24		COAST GUARD COMMENCE. ↙	
6/14	6/7	PRESIDENT'S DINNER	DAVIS
6/15	6/9	VERY SPECIAL ARTS	LANGE

Jun2 29, 1990

On the one side lofty abstractions. An American ideal.  
Enlisted to defend. *The undefensible.*

You know, it's a funny thing. Some of the people who've waged the loudest defense of this filth can't bring themselves to describe what it is they're defending. You hear a lot about the abstractions -- but you don't see the picture, hear the lyrics....

We all know why. And I'm not going to do that now. But in the last little while, I've made an effort to see these things, listen -- as I know some of you parents out there have done. / It's been an eye-opener. Some of the stuff is more than vulgar. The music: The filthy language -- the casual treatment of violence -- the degrading treatment of women -- the ignorant race hate. // And the so-called art: Christ on the cross submerged in a jar of urine. Depictions of sexual behavior that are so patently obscene they can't be printed in a newspaper or shown on television -- passed off as art.

It's important to know what I mean.... Not all art -- not all music -- has to have a message, some positive social impact. The last thing we want is .... And we know it's the nature of art to question, to make us think, to ask us to look at things differently. But -- just ask any American taxpayer -- it's too much to ask that we finance with public funds art that insults,

*set ourselves up as moral arbiters*


art that degrades -- art that attacks the fundamental values that hold this nation together....

So on the one side it's an abstraction -- on the other side, it's our kids.

It's not any easy problem -- and I don't have a snap answer. But it just seems to me that we ought to be able to find a way to protect the sacred principle of freedom of speech -- and to preserve our kids, and our society, against an assault on the moral values. Against the decency that makes democracy work....

When they grow up. Yes, we want our kids to think for themselves. Make up their own minds. / But we also want them to have a sense of good and bad. Of the dignity of every individual. Of the higher things that make life what it is -- and give this great nation of ours...

# ISSUES AND ANSWERS



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June 13, 1990

## **FREE TRADE WITH MEXICO: ANOTHER STEP IN THE RIGHT DIRECTION**

**by Angela Logomasini  
Policy Analyst**

Congress is currently considering proposals that could mean lower prices for American consumers and additional export opportunities for American businessmen. These proposals, which seek to advance free trade with Mexico, have been introduced in the House of Representatives by Reps. Bill Richardson (D-NM) and Jim Kolbe (R-AZ). Both proposals urge the president to begin negotiations with Mexico to establish an agreement that would liberalize trade and investment laws between the United States and Mexico.

Rep. Richardson's bill, H.R. 1360, recommends that the president establish a free trade and co-production agreement. This agreement would designate an area in which the United States and Mexico would pool their resources in joint enterprises. The materials imported for production, as well as the finished products, could be traded between the two nations duty free. Such an agreement would work to expand exports for both nations by promoting an efficient use of resources.

The agreement which Rep. Kolbe suggests in his bill, H.R. 59, would be similar to the free trade agreements the United States already enjoys with Israel and Canada. Under such a free trade agreement, all tariffs and other trade barriers between the United States and Mexico would be phased out over a specified period of time. Also, investment laws would be liberalized to promote cross-border investment opportunities for both Americans and Mexicans.

The U.S.-Canada Free Trade Agreement illustrates the positive results of this type of agreement. That agreement appears to have boosted the volume of trade between the United States and Canada. According to the U.S. Department of Commerce, trade between the two countries during the first six months of 1988 amounted to \$78 billion. This number grew to \$87 billion during the same period in 1989, the first year after implementation of the agreement.

Both Rep. Richardson's and Rep. Kolbe's proposals would build upon an already extensive trade relationship. Mexico is the United States' third largest trading partner, behind only Canada and Japan. Trade between the United States and Mexico has been growing, particularly because Mexico has worked to liberalize many of its trade and foreign investment laws. In 1989 alone, U.S. exports to Mexico grew by 21 percent to \$25 billion, while Mexico's exports to the United States grew by 15.5 percent to \$27.2 billion. Other evidence of the strong relationship between the two countries includes the fact that U.S. businesses provide approximately 65 percent of all foreign direct investment in Mexico. And the United States is Mexico's largest export market, absorbing more than 80 percent of Mexico's industrial exports.

Liberalized trade would mean that U.S. and Mexican exporters would no longer face significant hurdles to succeed in the other country's market. For example, a free trade agreement would eliminate Mexican import licensing requirements that currently apply to 70 percent of U.S. agricultural products. As a result, U.S. farmers could increase their exports to Mexico, while Mexican consumers would benefit by paying lower prices.

Mexican consumers won't be the only ones enjoying lower prices. A free trade agreement will mean lower prices for Americans as well. Because of high U.S. tariffs used to protect American textile manufacturers, Americans currently pay a high price for Mexican textiles, particularly clothing. Some of these tariffs reach as high as 45 to 50 percent. American consumers could profit significantly from an agreement that would eliminate these tariffs, while Mexican exporters would gain new opportunities to sell their products in the United States.

Free trade with the United States could help spur Mexico toward prosperity. After seven years of restrictive policies, excessive borrowing, and economic stagnation, Mexico has begun to liberalize its markets to promote economic growth. Some progress has been made towards recovery. Its economic growth, as a percent of gross domestic product, is up from 1.1 percent in 1988 to 3 percent in 1989, after adjusting for inflation. However, Mexico still has a long way to go.

Americans have a stake in Mexico's economic recovery. U.S. exporters would benefit from a prosperous Mexico because it would enable Mexicans to purchase U.S. products. And, since the Mexican population is large and will continue to grow, its citizens could provide U.S. exporters with a vast market for their products. It is estimated that by the year 2000, Mexico's population could reach as high as 100 million.

Furthermore, by creating a stable environment for investment, an agreement would put Mexico on the road to

financing its \$80 billion international debt. This is of significant importance to U.S. banks that hold almost one-third of Mexico's commercial debt.

With all these benefits in mind, it seems obvious that the United States should actively pursue an agreement with Mexico. However, no formal action has been taken. Some trade experts are reluctant to urge the U.S. government to act because they fear that bilateral agreements will undermine efforts in multilateral trade talks. However, it is undetermined, at best, as to whether this argument is true. What is clear is that free trade agreements produce tangible benefits. Our agreement with Canada is evidence of this.

Moreover, it is quite possible that bilateral agreements can actually promote multilateral trade liberalization. In fact, Jeffrey Schott, an economist at the Institute for International Economics, has noted that trade guidelines set by our agreement with Canada "were regarded as useful precedents" in recent multilateral trade negotiations.

Not only can bilateral agreements serve as useful precedents, they can induce other nations to liberalize their trade laws. For example, if U.S. and European governments agreed to remove all trade barriers on automobiles exported between them, Japanese automobile industries would be placed at a considerable competitive disadvantage in U.S. and European markets. As a result, the Japanese government might find it worthwhile to negotiate the elimination of its barriers in return for equal treatment.

The United States already has implemented mutually advantageous agreements with Israel and Canada. Our agreement with Israel has been deemed a success and the U.S.-Canada Free Trade Agreement, which was implemented in January 1989, has already received praises. A free trade agreement with Mexico would certainly be another step in the right direction.

# Notable Quotables

from  MediaWatch®



A bi-weekly compilation of the latest outrageous, sometimes humorous, quotes in the liberal media.

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## THE LINDA ELLERBEE AWARDS FOR DISTINGUISHED REPORTING

The Best *Notable Quotables* of 1990

December 24, 1990 (Vol. Three; No. 26)

### The Award Judges:

**Brent Baker**, Editor of *Notable Quotables*  
**L. Brent Bozell III**, Publisher of *Notable Quotables*  
**Priscilla Buckley**, Senior Editor of *National Review*  
**Mona Charen**, syndicated columnist and former speechwriter for Ronald Reagan  
**Robert Conrad**, actor  
**John Corry**, Boston University visiting lecturer, Broadcast and Film; former *New York Times* television critic  
**Mark Davis**, talk show host, WRC Radio, Washington, D.C.  
**Midge Decter**, Executive Director, Committee for the Free World  
**Terry Eastland**, Resident Scholar, Ethics and Public Policy Center; *American Spectator* "Presswatch" columnist  
**John Fund**, *Wall Street Journal* editorial writer  
**Tim Graham**, Editor of *Notable Quotables*  
**Dan Griswold**, editorial page editor of the Colorado Springs *Gazette Telegraph*  
**Cliff Kincaid**, talk show host, News Talk Radio Network

**William Kling**, former *Chicago Tribune* political reporter  
**Rush Limbaugh**, radio talk show host, Excellence in Broadcasting network  
**Marlin Maddoux**, talk show host, USA Radio Network  
**Patrick McGuigan**, Chief editorial writer, *Daily Oklahoman*  
**William Murchison**, *Dallas Morning News* columnist  
**Marvin Olasky**, Associate Professor of Journalism at the University of Texas  
**Burton Yale Pines**, Vice President, the Heritage Foundation  
**Mike Rosen**, talk show host, KOA Radio in Denver  
**William Rusher**, Claremont Institute Senior Fellow; former Publisher of *National Review*  
**Marc Ryan**, *Waterbury Republican American* editorial writer  
**Ted J. Smith III**, Associate Professor of Mass Communications at Virginia Commonwealth University  
**R. Emmett Tyrrell Jr.**, Editor of *The American Spectator*  
**Dick Williams**, *Atlanta Journal* columnist

The Media Research Center (MRC) asked a group of 26 media observers to choose the winners from quotes provided by the MRC in 20 award categories. First under each award heading is the winner, followed in order by the top runners-up. *Notable Quotables* thanks the judges for determining the most outrageous and/or humorous utterances from the media over the past year. (Please see page 8 for information on how to obtain additional copies.)

### Bring Back the Iron Curtain Award

✓ "This is Marlboro country, southeastern Poland, a place where the transition from communism to capitalism is making more people more miserable every day....No lines at the shops now, but plenty at some of the first unemployment centers in a part of the world where socialism used to guarantee everybody a job." -- CBS News reporter Bert Quint on the April 11 *CBS Evening News*.

#### Runners-Up:

● "Communism is being swept away, but so too is the social safety net it provided....Factories, previously kept alive only by edicts from Warsaw, are closing their doors, while institutions new to the East, soup kitchens and unemployment centers are opening theirs...Here are the ones who may profit from Poland's economic freedom. A few slick locals, but mostly Americans, Japanese, and other foreigners out to cash in on a new source of cheap labor." -- Reporter Bert Quint on *CBS This Morning*, May 9.

● "These refugees have been told little about the realities of life in the West, including the fact that some people sleep on the street...They will soon learn that jobs are hard to find, consumer goods expensive, relatives in Albania will be missed. Many refugees, according to experts, will suffer from depression, and in some cases, drug abuse." -- ABC's Mike Lee on what's facing fleeing Albanians, July 14 *World News Tonight*.

## Kevin Phillips Tax Fairness Award

✓ "(C)ountless liberal analysts over the last five years have documented time and again how Reaganomics delivered a feast to the greedheads and starvation to the poor....(The Gilded Age and The Roaring Twenties) were marked by the same kinds of excesses as the 1980s -- gross concentrations of wealth in the hands of a tiny privileged elite, achieved primarily by deliberate Republican policies that left most Americans behind while debt, greed, and conspicuous consumption soared out of control." -- Robert Rankin, national economics correspondent for Knight-Ridder Newspapers, in the July 22 *Philadelphia Inquirer*.

### Runners-Up:

● "For ten years Ronald Reagan taught us there was a free lunch. Folks, he said, we're going to cut your taxes and we're going to spend like there's no tomorrow and you don't have to pay for it. Folks, we're now paying for it and it's bitter medicine....we're going to have to raise taxes to get some sort of fairness here....For ten years the great wizard sold us that idea, that we could grow our way out of the deficits and we bought it, and we didn't." -- Sam Donaldson on *This Week with David Brinkley*, October 7.

● "The tax package hammered out last weekend continues a Washington policy established in the Reagan era: It takes a heavy bite out of the paychecks of working-class Americans." -- Beginning of front page story by *Boston Globe* reporter Charles Stein, October 2.

## Bring Back the Gas Lines Award

✓ "We have allowed this country to be held hostage by an industry that produces a product vital to our national interests. This makes about as much sense as having the military services or the nation's water supply controlled by private corporations....In the long run, what would make the most sense would be to nationalize the oil industry to protect the economy." -- *Washington Post* columnist Judy Mann, August 8.

### Runner-Up:

● "The hottest new proposal was a broad-based tax on sources of energy -- gasoline, oil, natural gas, and nuclear power. In all, it would raise about \$20 billion. Everybody seemed to agree it was a good idea except, of course, the transportation lobby." -- Unbylined box in *Newsweek*, July 16.

## Damn Those Conservatives Award

✓ "If you're miffed because the Cold War's over, Ceaucescu's dead, the Sandinistas lost the election in Nicaragua and it seems like here's no one around to hate any more, then maybe *The Hunt for Red October* is just the thing....This is a Reagan youth's wet dream of underwater ballistics and East-West conflict." -- *Washington Post* film critic Desson Howe in the "Weekend" section, March 2.

### Runners-Up:

● "In a year that has had some of the dirtiest, the sleaziest, the most misleading ads ever, it's hard to pick the very worst, but here are a couple that the experts chose. North Carolina's Jesse Helms, who battled a black opponent, last week overtly introduced the most divisive issue of the contest, race....The truth is Gantt supported the vetoed civil rights bill which he argued specifically warned against quotas." -- ABC reporter Jackie Judd on *Nightline*, November 6.

● "What Helms has done is taken the words 'North Carolina values' -- a beautiful phrase that evokes the small-town, good-hearted sense of place that one feels when one travels the state -- and redefined them as the values belonging to a certain group of North Carolinians, mostly white, mostly male, mostly unhappy with the changes of the last 30 years. To Helms and his supporters, 'North Carolina values' seems to translate into a status quo view of the world in which blacks, women, and poor people know their stations in society." -- Reporter Juan Williams in *The Washington Post Magazine*, October 28.

● "Are you not also in danger of people looking at the Republican Party after this whole experience, and saying, 'Oh, now we do know what they stand for that's different. They stand for helping the rich and at the same time, the President's talking about vetoing the civil rights bill, so helping the rich and white guys?'" -- ABC and NPR reporter Cokie Roberts to Richard Darman, October 21 *This Week with David Brinkley*.

## Paul Ehrlich Ecological Panic Award

✓ "If nothing is done to reverse ozone damage, scientists predict hundreds of millions of skin cancer cases in the U.S. alone, not to mention increased global warming that would turn much of the planet into a desert." -- Reporter Mark Phillips on the January 16 *CBS Evening News*.

### Runners-Up:

● "The missteps, poor efforts and setbacks brought on by the Reagan years have made this a more sober Earth Day. The task seems larger now." -- *Today* co-host Bryant Gumbel, April 20.

● "Clean air and water, pure food and natural beauty, which most Californians were all for a few months ago, have been made to seem a radical and expensive idea that has to be rejected at the polls on Tuesday. The stakes are very high in California because environmentalists know that if the Big Green initiative happens to pass there, the idea of cleaning up the air and water could spread like wildfire to all the other states. The forces opposing it know that too." -- Charles Kuralt on *America Tonight*, October 31.

## Good Morning Morons Award

✓ "We would like to believe the State of the Union address is a time when the President tells the American people the way it is. But no one really wants to hear that, so the President keeps reality down to a minimum. The President was remarkably upbeat for a man who runs a country with a monstrous national debt, huge balance of trade problems, a crumbling infrastructure, dirty air, countless homeless people, a coast-to-coast drug epidemic, and a faltering self-image." -- *CBS This Morning* co-host Harry Smith, February 2.

### Runners-Up:

● "The bottom line is more tax money is going to be needed. Just how much will be the primary issue on the agenda when Congressional leaders meet with the President later today, Wednesday, May the 9th, 1990. And good morning, welcome to *Today*. It's a Wednesday morning, a day when the budget picture, frankly, seems gloomier than ever. It now seems the time has come to pay the fiddler for our costly dance of the Reagan years." -- Bryant Gumbel opening NBC's *Today*, May 9.

● Bob Squier, Democratic Strategist: "I think that it was a game of chicken. I think what you had was Gingrich, who is supposed to be part of the leadership, leading people literally out of the deal."

Bryant Gumbel: "Acting irresponsibly."

Gumbel: "...Is this the legacy of Ronald Reagan politics, I mean, feel-good politics of the '80s, no-responsibility politics of the '80s?"

Roger Ailes, Republican Strategist: "I think that's a misnomer..."

Gumbel: "But weren't the '80s about spending what we didn't have? And that was Ronald Reagan." -- Exchanges on *Today*, October 5.

## Most Honest Confession Award

✓ "There is no such thing as objective reporting...I've become even more crafty about finding the voices to say the things I think are true. That's my subversive mission." -- *Boston Globe* environmental reporter Dianne Dumanoski at an *Utne Reader* symposium May 17-20. Quoted by Micah Morrison in the *July American Spectator*.

### Runners-Up:

● "I think that when abortion opponents complain about a bias in newsrooms against their cause, they're absolutely right."

"Opposing abortion, in the eyes of most journalists...is not a legitimate, civilized position in our society." -- *Boston Globe* legal reporter Ethan Bronner in *Los Angeles Times* reporter David Shaw's series on abortion coverage, July 1.

● "After seeing our footage, she told us that *Frontline* doesn't co-produce anti-communist programs." -- Cinematographer Nestor Almendros on a *Frontline* producer's reaction to his anti-Castro documentary *Nobody Listened*, quoted by Don Kowet in the August 8 *Washington Times*.

## Gorbasm Award\*

✓ "Gorbachev has probably moved more quickly than any person in the history of the world. Moving faster than Jesus Christ did. America is always lagging six months behind...I think we can get by easily with a \$75 billion military budget. Those bombers and all of this stuff is an absolute waste of money and a joke." -- Ted Turner, "TV chieftain with an outspoken conscience," celebrated in the January 22 *Time*.

### Runners-Up:

● "The supreme leader of an atheistic state was baptized as a child. Now, in a sense, Gorbachev means to accomplish the salvation of an entire society that has gone astray...Much more than that, Gorbachev is a visionary enacting a range of complex and sometimes contradictory roles. He is simultaneously the communist Pope and the Soviet Martin Luther, the *apparatchik* as Magellan and McLuhan. The Man of the Decade is a global navigator." -- *Time* Senior Writer Lance Morrow, January 1.

● "He has, as many great leaders have, impressive eyes...There's a kind of laser-beam stare, a forced quality, you get from Gorbachev that does not come across as something peaceful within himself. It's the look of a kind of human volcano, or he'd probably like to describe it as a human nuclear energy plant." -- Dan Rather on Mikhail Gorbachev, quoted in the May 10 *Seattle Times*.

\* With thanks to Rush Limbaugh

## Thurgood Marshall Judicial Reporting Award

✓ "Supreme Court nominee David Souter wants the world to stop viewing him as a nerd. Senate Democrats want to know if, instead, Souter is a neanderthal -- a mean-spirited conservative bent on wrecking constitutional protections for women, minorities, and accused criminals." -- Beginning of September 13 *USA Today* cover story by legal reporter Tony Mauro.

### Runners-Up:

● "Chief Justice Rehnquist had the kind of image problems that might be expected of a jurist who habitually rejected constitutional equality for women, approved the execution of allegedly insane prisoners without a hearing, denied constitutional equality to aliens and bastards, asserted that the public did not have a constitutional right to attend court trials, said prisoners had no rights to practice religious freedom, and spoke warmly of the legendary Isaac ("Hanging Judge") Parker, who cheerfully ordered eighty-five executions." -- Former CBS News law reporter Fred Graham in his book *Happy Talk*.

● "Senator Simon, is there any doubt in your mind that (Souter's) views pretty well parallel those of John Sununu's which means he's anti-abortion or anti-women's rights, whichever way you want to put it?" -- Dan Rather on the *CBS Evening News*, July 23.

## Jim Florio Tax Advocacy Award

✓ "The overall tax burden for Americans, local, state and federal, is actually quite low....The fact is Americans could pay more taxes and the country wouldn't go down the tube. Taxpayers don't believe this because they are being conned by the politicians....The truth is that the United States needs higher taxes and can afford them. Some political leaders are now starting to say that, but until more say it, the country will remain in trouble." -- Commentator John Chancellor on the *NBC Nightly News*, April 17.

### Runners-Up:

● "The fact is that most government spending cannot be cut. The way out of the mess is for the government to raise some money through taxes and at last that's being done. And there's encouraging news in the returns from yesterday's elections. Six states from Massachusetts to California rejected measures designed to limit taxation. Can it be that the great tax revolt of the 1980s is coming to an end? If true, maybe the country can get on with the business of balancing its books in a sensible and logical way." -- John Chancellor on *NBC Nightly News*, November 7.

● "(Except) for capital gains, it is certain the President won't mention the T word, and yet taxes are very much at the heart of what all our potential solutions are. How long can both sides pretend that a hike's not needed?" -- Bryant Gumbel on *Today*, January 31.

## Media Hero Award/Abroad

✓ "Ortega's defeat is something American Presidents had sought for ten years. Yet Ortega's statesman-like acceptance of the voters' decision has prompted some in Washington to call the Sandinista leader a champion of democracy." -- *Today* co-host Deborah Norville before interview with Daniel Ortega, April 24.

"We talked to one observer who told us that if he were awarding the Nobel Prize, he would nominate Mikhail Gorbachev and Daniel Ortega. What do you think of that?" -- one of Norville's questions to Ortega.

### Runners-Up:

● "Fidel (Castro) touched this young machine adjuster, and the man enjoyed a mild ecstasy. I know the feeling." -- Institute for Policy Studies Senior Fellow Saul Landau in his pro-Castro documentary *The Uncompromising Revolution*, aired along with *Nobody Listened* on PBS August 8.

● "Mandela leaves as a principled man, with all but the dullards understanding why he would embrace the Palestinians, whose children are being killed and family homes bulldozed in Israel just as black families' are in Soweto....Moreover, if Mandela is a terrorist -- as conservatives have called him -- he would fit right in with U.S. patriots such as George Washington, Patrick Henry, Nat Turner, and Harriet Tubman. If it had not been for those terrorists, what would we have to wave our flags about on the Fourth of July?" -- *USA Today* Inquiry Editor Barbara Reynolds, June 29.

## Media Hero Award/At Home

✓ "The problem for Florio is that, as history has shown, when you step up and are a leader, people often don't like you. And it can take a long time, even centuries, for history to look back and say that was a good guy....I think that Florio will go down as the first, I hope not the last, brave man of the '80s and '90s." -- *Washington Post* "Outlook" editor Jodie Allen on N.J. Governor who raised income taxes, July 29 *Money Politics*.

### Runners-Up:

● "Let Ronald Reagan ride off into the sunset untroubled by fleeting memories of astrologers, smoke-and-mirrors budget arithmetic, and arms-for-hostages swaps. Dwell instead on those political tall timbers still standing, the heirs of Jefferson, Madison, and Lincoln....Only Jesse Jackson, still an acquired taste for most white Americans, can strike the kind of inspirational pose that one could imagine being immortalized in granite." -- *Time* Senior Writer Walter Shapiro in the September GQ.

● "(Justice William Brennan) loved the flag clearly, and the Constitution, too...Maybe the way to remember Brennan's years on the Court is with some words he spoke to another Georgetown University event back in 1979. 'The quest for freedom, dignity, and the rights of man will never end,' he said. The quest, though always old, is never old, like the poor old woman in Yeats' play. 'Did you see an old woman going down the path?' asked Bridget. 'I did not,' replied Patrick, who had come into the house just after the old woman had left it. 'But I saw a young girl and she had the walk of a queen.' William Brennan loved and served two young girls who walked like queens -- his country, and its highest court." -- Conclusion to story by reporter Bruce Morton on the July 21 *CBS Evening News*.

## Dewey Defeats Truman Award

✓ "Polls won't close here for another thirty minutes, but the widespread belief that the Sandinistas will prevail has shifted thinking far beyond the ballot box. The topic of the day is: how will a freely elected Sandinista government be treated by the United States?" -- NBC's Ed Rabel in Nicaragua, Feb. 25 *Nightly News*.

### Runners-Up:

● "The election observers say the Bush Administration may have itself to blame for Daniel Ortega's rise in popularity among the voters. The reason, they say, is the U.S. military invasion in Panama. That was a move that was widely denounced here in Nicaragua. It was a close race until the U.S. invaded." -- NBC reporter Ed Rabel four days before Nicaragua election, February 21 *Nightly News*.

● "For the Bush Administration and the Reagan Administration before it, the (ABC News-*Washington Post*) poll hints at a simple truth: after years of trying to get rid of the Sandinistas, there is not much to show for their efforts." -- Peter Jennings five days before vote, *World News Tonight*, February 20.

## The Real Reagan Legacy Award

✓ "It will take 100 years to get the government back into place after Reagan. He hurt people: the disabled, women, nursing mothers, the homeless." -- White House reporter Sarah McClendon in *USA Today*, Feb. 16.

### Runners-Up:

● "Now the lessons of Iran-Contra are also clear. We have learned this: that a President who lies to Congress and to the people will feel free to joke about it. A Vice President who lies to Congress and to the people will be elected President. A White House aide who lies to Congress and to the people will be hailed as a hero until the time for a reckoning comes...An administration, in short, that lies to Congress and to the people is the accepted order of things. And a Constitution designed to prevent exactly that order is a mere scrap of paper." -- PBS' Bill Moyers writing in the January 1990 issue of *the Progressive*.

● "Okay, Democrats are certainly not without blame. But I believe the S&L crisis lands right at the Republican door. It was the magic of the marketplace that took off the regulations...Oh, Ronald Reagan and the magic of the marketplace was the theme of the '80s. Greed in this country is associated with Ronald Reagan." -- *Newsweek* reporter Eleanor Cliff on *Face the Nation*, July 29.

## Which Way Is It? Domestic Affairs

✓ "When inflation is taken into account, it adds up to a cut in defense spending, and that's the first time in a long time that has happened." -- Bob Schieffer on the January 27 *CBS Evening News*.

vs.

"It's easily overlooked, but the fact is, that in real terms, the defense budget has been going down every year since 1985." -- CBS News Pentagon correspondent David Martin on *Nightwatch*, January 31.

### Runners-Up:

● "If there's anything that we heard out there at the polls today, it was the sound of Reaganomics crashing all around us. If there's anything left of Reagan's trickle-down theory, Dan, it seems to be anxiety which seems to be trickling down through just about every segment of our society." -- Ed Bradley during CBS News election night coverage, November 6.

vs.

"We have a lot of turnovers where Republican Governors raised taxes and they have been turned out." -- Lesley Stahl, also during CBS election coverage.

- Spending and income rose slightly in Aug.

-- *Philadelphia Inquirer*, September 27

vs.

Spending,  
Income,  
Orders Fall

-- *Washington Post*, same day

## Joe Isuzu Foreign Correspondent Award

✓ "But they (young people) are the healthiest and most educated young people in Cuba's history. For that many of them say they have Castro and his socialist revolution to thank....if they long for the sweeping changes occurring in Eastern Europe, they are not saying so publicly....To the extent he can, Castro has been rewarding young people. For example, on their return home (from Angola), the 300,000 Cubans sent to Africa were first in line for housing, jobs, and education. Such benevolence breeds dedication, some young people say." -- NBC reporter Ed Rabel, April 1 *Nightly News*.

### Runners-Up:

● "It's almost impossible for most Americans to understand a government organization that monitors everything, that has tentacles reaching into all aspects of Soviet life. But keep in mind the KGB is like a combination of the CIA, the FBI, of the National Security Agency, the Secret Service, and the Coast Guard, too. From Lenin to Stalin to Gorbachev, its members have been a proud corps of the national elite, intelligent, talented, and fully in control. The officers of the KGB, in fact, decided reform was necessary long before Gorbachev came to power." -- Diane Sawyer on ABC's *Prime Time Live*, August 2.

● "But Ortega, an irritant to Carter, became an obsession to Reagan, who saw him as an instrument of Moscow. The Contra rebels were the blunt instrument in Ronald Reagan's attack on Daniel Ortega. Reagan's dogged support for the Contras forever marked and ultimately scarred his foreign policy....Many of the Contras were former members of the Nicaraguan National Guard, Somoza's enforcers. They were brutal, often inept...It has been one of the longest and most traumatic chapters in U.S. history in Latin America, and tonight it seems to be ending, and ending in a way Ronald Reagan never could have imagined." -- NBC reporter John Dancy the day after Nicaragua's election, February 26 *Nightly News*.

## Gennadi Gerasimov Newspeak Award

✓ "Free at last, the temptation is to exercise all that freedom -- fully, quickly and sometimes unwisely. Often, it means biting the hand that freed and fed you. Lithuania is the latest and most ludicrous example....There is little more logic to Lithuania being permitted to unilaterally and unlawfully declare its independence from the USSR than there would be for Texas to secede from the USA. Both were grabbed during a war. But both owe much to their modern-day mother country. Gorby has a right to feel livid about Lithuania. The way you might feel about a runaway child, tempted to beat him within an inch of his life." -- *USA Today* founder Al Neuharth in an April 20 column.

### Runners-Up:

● "Yes, somehow, Soviet citizens are freer these days: freer to kill one another, freer to hate Jews, freer to express themselves...But doing away with totalitarianism and adding a dash of democracy seems an unlikely cure for what ails the Soviet system." -- *CBS This Morning* co-host Harry Smith, February 9.

● "Many Soviets viewing the current chaos and nationalist unrest under Gorbachev look back almost longingly to the era of brutal order under Stalin." -- Mike Wallace on *60 Minutes*, February 11.

● "Soviet people have become accustomed to security if nothing else. Life isn't good here, but people don't go hungry, homeless; a job has always been guaranteed. Now all socialist bets are off. A market economy looms, and the social contract that has held Soviet society together for 72 years no longer applies. The people seem baffled, disappointed, let down. Many don't like the prospect of their nation becoming just another capitalist machine." -- CNN Moscow reporter Steve Hurst on *PrimeNews*, May 24.

## Which Way Is It? Foreign Affairs

✓ "Attempting to defect will no longer be a severely punishable offense, but will be known as 'border trespass,' subject only to a minor penalty. And the death penalty, now applied to 34 offenses, will be retained only for those that involve direct 'betrayal' of the communist state and the social order." -- *Christian Science Monitor* correspondent Eric Bourne, September 12.

vs.

"A reminder from Eastern Europe today that not all has changed. In Albania today, border guards shot and killed a four-year-old girl when they opened fire on a group of Albanians trying to cross into Yugoslavia. Albania is the last of the totalitarian states in Eastern Europe." -- Peter Jennings on *World News Tonight*, same day.

### Runners-Up:

- Black Nationalist Urges Continued Armed Struggle

vs.

Mandela Poised to Take Role of Conciliator

-- *Washington Post* front page, February 12

-- same newspaper front page, same day

- Moscow protesters call for Gorbachev to quit

vs.

Ryzhkov urged to resign at pro-Gorbachev rally

-- *Boston Herald*, September 17

-- *Boston Globe*, same day

## Award for the Silliest Analysis

✓ "The reporters (at *Capital News*) work for a shining institution, basically the last uncorrupted institution you can find. Hospitals are corrupt. Judges are corrupt. Everybody in the world is corrupt. But our newspapers are essentially a monument to idealism." -- Former *Washington Post* editor Christian Williams, Executive Producer of ABC's short-lived series *Capital News*, April 9 *Newark Star Ledger*.

### Runners-Up:

● "In many ways, in outlook and behavior the U.S. has begun to act like a primitive warrior culture. We seem to believe that leadership is expressed, in no small part, by a willingness to cause the deaths of others....Our collective fantasies center on mayhem, cruelty, and violent death. Loving images of the human body -- especially of bodies seeking pleasure or expressing love -- inspire us with the urge to censor." -- *Time* essayist Barbara Ehrenreich, October 15.

● "It used to be that the United States was number one, dominant....So right now, we are fast losing our position as number one, Connie....Yes, we're no longer dominant, we're no longer the number one nation, Connie...so we are no longer that number one, dominant nation. That's the big change here now." -- CBS economics reporter Ray Brady on the *Evening News*, July 8.

## Quote of the Year

✓ "Few tears will be shed over the demise of the East German army, but what about East Germany's eighty symphony orchestras, bound to lose some subsidies, or the whole East German system, which covered everyone in a security blanket from day care to health care, from housing to education? Some people are beginning to express, if ever so slightly, nostalgia for that Berlin Wall." -- CBS reporter Bob Simon on the March 16 *Evening News*.

### Runners-Up:

● "The 'balanced' report, in some cases, may no longer be the most effective, or even the most informative. Indeed, it can be debilitating. Can we afford to wait for our audience to come to its own conclusions? I think not." -- Teya Ryan, Senior Producer of Turner Broadcasting's CNN-produced *Network Earth* series, in the Summer 1990 *Gannett Center Journal*.

● "Modern man has reached the point where his demands for space are ravaging the planet, and wiping out other life forms in the process. Stanford biologist Paul Ehrlich is back with more of his series 'Assignment Earth,' and this morning he begins with a report on how man is destroying the entire ecological system with something that appears to be completely harmless." -- Deborah Norville introducing Paul Ehrlich's report on cows, January 9 *Today*.

● "Congress changed the Soviet Constitution to permit limited private ownership of small factories, although laws remain against exploitation of everyone else." -- NBC Moscow reporter Bob Abernethy on *Nightly News*, March 13.

## Nothing To Do With the Media, But We Couldn't Resist

✓ "I wish I'd done this before I'd run for President. It would've given me insight into the anxiety any independent businessman or farmer must have....Now I've had to meet a payroll every week. I've got to pay the bank every month....I've got to pay the state of Connecticut taxes....It gives you a whole new perspective on what other people worry about." -- Former Senator George McGovern on owning a Connecticut hotel, his first-ever business venture, in the March 1 *Washington Post*.

-- L. Brent Bozell III, Publisher; Brent H. Baker, Tim Graham; Editors  
-- Callista Gould, Jim Heiser, Marian Kelley, Gerard Scimeca; Media Analysts

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**Interviews.** Talk show hosts and producers who wish to arrange an interview to discuss these awards or to review the media's 1990 performance, should call Greg Mueller of Creative Response Concepts at (703) 683-5004.


# National Journal

*Kemp's Crusade  
Security Blanket*

THE WEEKLY ON POLITICS AND GOVERNMENT

DEC. 9, 1989/NO. 49

## ALL-PURPOSE POLITICAL LOOPHOLE



---

HOW TAX-FREE  
DOLLARS GET INTO  
CAMPAIGNING

# Why the European “Freedom of Services” is business here

IF TWELVE NATIONS OF EUROPE CAN  
FUNCTION AS ONE BY 1992, WHY CAN'T 50  
STATES DO THE SAME?

There's something funny going on, although no one's laughing.

As the countries of the European Economic Community behave more like a single market in 1992 and beyond, the 50 states here at home behave sometimes more like medieval fiefdoms.

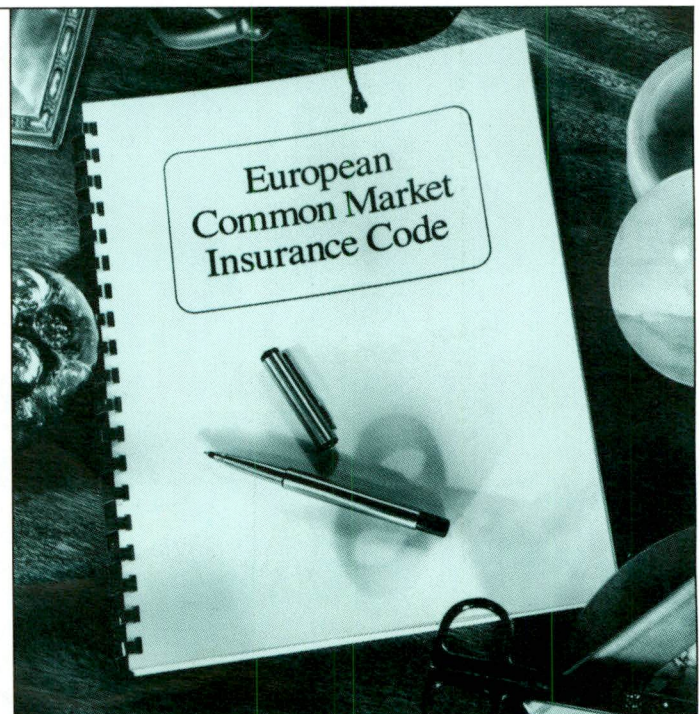
At AIG, we think it's time to talk about the problem, at least. And see what might be done to solve it. Now, before 1992 gets here.

## FREEDOM OF SERVICES BENEFITS THE CONSUMER.

At the heart of the transformation of the European Common Market is something called “freedom of services.”

This means companies established to do business under one Common Market country will be able to do business in any other member country—a concept known as “mutual recognition”—without having to be established there.

The result is a more dynamic, competitive and efficient marketplace with less bureaucracy. And better products and



*Twelve different European countries will eventually have one set of standards.*

services at lower cost to consumers.

## MEANWHILE, BACK AT THE RANCH...

We don't have freedom of services here at home. For example, each state, from Maine to California, is still imposing regulations piecemeal on the insurance industry, which is increasingly national and international in scope.

# Mean principle of is important to American are at home.

Today, before an insurer can deliver an insurance policy to a client who does business, say, in 40 states, it takes a small truck to distribute all the paperwork brought about by regulatory redundancy among the various states.

Which adds to the cost of doing business. And to the price consumers ultimately pay for goods and services.

## THERE'S GOT TO BE A BETTER WAY.

What's needed, it seems to us, is something along the lines of what's transpiring in Europe.

It is clearly in the consumers' interest to continue regulation of auto and home-owners insurance on a state-by-state basis.

For commercial and industrial insurance, however, where coverages often apply to risks across the country, why not borrow from the European model and allow insurers to conduct business nationwide according to the laws of their home state?

This type of regulatory reform isn't something that's going to happen overnight. But given the benefits—to the

consumer, to business, to America's economic well-being—we feel it's worth talking about.

Now, before 1992 gets here.

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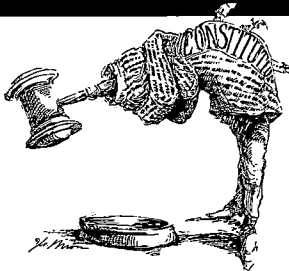
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# INSIDE WASHINGTON



## Anthony on the Rebound?

Rep. Beryl F. Anthony Jr., D-Ark., has won some unexpected plaudits. House Majority Leader Richard A. Gephardt, D-Mo., praised Anthony's performance as head of the Democratic Congressional Campaign Committee and said that "it would be good" if he stayed on as chairman. Anthony had said that this would be his last term at the campaign committee. Earlier this year, when Anthony was being criticized for the committee's shaky finances and for his own political missteps, sources close to Gephardt said that their boss shared those views.



## Cue the Justice!

Supreme Court Associate Justice Antonin Scalia and C-SPAN are back on the same wavelength. Scalia had asked the American Enterprise Institute for Public Policy Research to bar C-SPAN cameras from his Dec. 6 lecture. But C-SPAN's director of programming, Terry Murphy, wrote a letter to AEI president Christopher C. DeMuth protesting Scalia's decision. After talking with DeMuth, Scalia relented, allowing the airing of the Francis Boyer lecture on, of all things, the press and the courts. Earlier this year, Scalia had barred TV cameras from an Oct. 24 speech in Ohio.



## Lobbyists' Long Memories

Controversy over now-repealed medicare catastrophic coverage continues to haunt the American Association of Retired Persons. The group, which had supported the coverage, was caught off guard by the volume of protests from, among others, higher-income retired Americans that prompted Congress to junk the program. Now corporate lobbyists battling the AARP on an unrelated matter—age discrimination in employee benefits—are invoking the incident to argue that the group is out of touch with the interests of its members.



## Targeting Campaign Spending

Although the odds are still running against them, House supporters of a bipartisan campaign finance reform bill plan one more push next spring. Among the major obstacles they face is the fact that most Democrats favor placing a spending limit on candidates, a restriction opposed by Republicans. If the bipartisan approach falters, House Democrats may put forward a partisan plan keyed to spending ceilings; party polling indicates that voters are much more exercised about the over-all amount of money spent on congressional campaigns than the source of the candidates' cash.



## Quayle Hunting (Cont.)

Vice President Dan Quayle's efforts to avoid ridicule are meeting with little success. The Capitol Steps, a Washington comedy troupe, has released a Christmas album called "Danny's First Noel." And a Bridgeport (Conn.) couple—Democrats with no journalistic or political experience—starts publication in January of the *Quayle Quarterly*, a political-satire newsletter. "Our purpose is to make people laugh but also to make them think," said Deborah Werksman, one of the publishers. Separately, Quayle's so-so standing in many polls prompts Republican insiders to wonder if President Bush's pledge to keep Quayle on the 1992 ticket will be the final word.

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2980

## Reports

### POLITICS

2980

#### ALL-PURPOSE LOOPHOLE

Some organizations that run on tax-deductible dollars have been used for political purposes, a practice that if not illegal, comes close to skirting the intent of the tax code's provisions for tax-exempt groups.

**Richard E. Cohen and Carol Matlack**

### ENVIRONMENT

2989

#### AHEAD OF THE FEDS

State governments have been filling the void left by the cutback of federal environmental controls under the Reagan Administration. As a result, worried industries are pressing for uniform federal standards.

**Margaret E. Kriz**

### HOUSING

2994

#### KEMP'S CRUSADE

Housing and Urban Development Secretary Jack F. Kemp is trying to turn his beleaguered department into the focal point for a new war on poverty, and the Bush Administration has endorsed many of his ideas.

**Carol E Steinbach**

### BUDGET

2999

#### SECURITY BLANKET

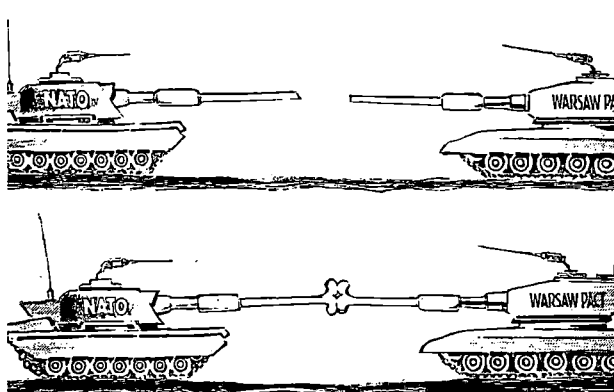
Applying the huge social security surpluses to the budget's annual deficit calculations masks the size of the deficit, according to numerous experts, and blocks economically useful, long-term investment.

**Lawrence J. Haas**

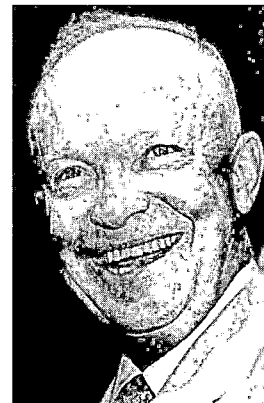
Cover photo: Richard A. Bloom



2989



3003



3020

## Washington Update

### MOVING TOWARD GORBACHEV 3003

The Malta summit was the culmination of President Bush's step-by-step move toward close support of Soviet President Mikhail S. Gorbachev.

David C. Morrison

### STATE OF THE STATES 3007

An ecological activist in Vermont has been pressing the Bush Administration to make community recreation paths one of its famous 1,000 points of light.

Neal R. Peirce

### GOLDSCHMIDT'S LAMENT 3004

Oregon Gov. Neil E. Goldschmidt, while criticizing President Bush, also complains in an interview about the direction taken by his fellow Democrats.

Dick Kirschten

### WHITE HOUSE NOTEBOOK 3008

The U.S.-Soviet summit meeting in Malta showcased President Bush's diplomatic skills but didn't do much to put "the vision thing" to rest.

Burt Solomon

### IN PERSON 3006

With the Soviet Union such a hot topic in the press of late, it's no surprise that Sovietologist Dimitri K. Simes has been on television so often.

Rochelle L. Stanfield

### INSIDE POLITICS 3011

President Bush's euphoria about the Malta summit has been tempered by caution. In that, he may be attuned to the mood of the American public.

Jack W. Germond and Jules Witcover

## Focuses

### 3020 OPENING THE SKIES

There was much scoffing when President Bush revived President Eisenhower's "Open Skies" idea. But there could be a treaty by this time next year.

David C. Morrison

### 3021 BUDGETSPEAK

Never mind reality. When Congress and the White House agree that progress is being made on the budget front, the facts don't count for much.

Lawrence J. Haas

### 3022 PROSECUTOR POWER

There are hints that times may be changing for U.S. Attorneys. Courts are looking harder at the power prosecutors have acquired in recent years.

W. John Moore

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Schneider on politics and the public

# All-Purpose Loophole

Some politicians and political activists have been using tax-exempt organizations to finance their activities. That comes close to skirting the tax code's intent.

BY RICHARD E. COHEN  
AND CAROL MATLACK

Last year, the Republican National Committee (RNC) figured it needed to spend at least \$1 million on the massive task of organizing election data before the states prepare their redistricting maps in 1991. Now, the GOP plans to get some of that politically valuable data free—cour-

tesy of a new group that runs on tax-deductible dollars.

The attorneys who organized the group, Lawyers for the Republic Inc., have served in high-level Republican posts and received a \$50,000 start-up loan from the RNC. But they emphasize that their organization is autonomous and nonpartisan, as required for tax-exempt status by the tax law. "All we are trying to

do is to get the information to any people interested in redistricting," said Robert E. Freer Jr., a Washington lawyer who is founder and chairman of the group.

So far, however, Republicans are far more familiar with the services promised by Freer's operation than Democrats are. "We expect to use the data," said Thomas B. Hofeller, director of redistricting and list development at the National Republican Congressional Committee. "There have already been discussions."

Freer has participated in meetings with Republicans on redistricting strategy but has not attended any such Democratic sessions. His initial efforts were chiefly with the GOP because, he said, "I didn't know many Democrats. I'm involved with the Republican network." He wrote to Democratic National Committee (DNC) chairman Ronald H. Brown on Nov. 14, inviting Democrats to use his services, but the invitation was rebuffed. A DNC aide called it "a disguise for overtly Republican schemes" and said Brown will not cooperate. (*For more on redistricting, see box, p. 2986.*)

Welcome to the world of tax-exempt organizations, the all-purpose loophole for politicians and other citizens trying to save dollars and cut corners. It is an industry filled with many meritorious organizations but one in which enforcement is often lax and creative lawyers and accountants can find new ways to merge charity with politics.

Republicans aren't the only ones who've discovered this loophole. During the 1988 election, Senate Majority Whip Alan Cranston, D-Calif., helped to set up and raise millions of dollars for tax-exempt groups to encourage voters to register, chiefly in low-income neighborhoods in California. Some workers in the voter registration effort have said it was understood that their job was to register Democrats, but Cranston aides said that this



Richard A. Bloom

**Democratic National Committee chairman Ronald H. Brown**  
*He won't cooperate in what an aide called "overtly Republican schemes."*

would have been against the organizations' policy.

The Cranston groups have recently been the focus of special attention because \$850,000 came from savings and loan executive Charles H. Keating Jr., who has been accused of showering money on Cranston and four other Senators so that they would, in turn, help him win favorable treatment from federal regulators. The FBI is reportedly investigating. (See box, p. 2983.)

Although tax laws flatly prohibit the use of tax-deductible contributions for partisan political activity, such money is often used to lay the groundwork for political campaigns. Five candidates in the 1988 presidential contest had tax-exempt groups, ostensibly doing research and educational activities, in the months preceding their campaigns. In contrast with the candidates' campaign funds, these groups could receive unlimited, tax-deductible sums from contributors, and they were not required to disclose a penny. One of the groups, founded by Republican candidate Marion G. (Pat) Robertson, was accused of spending tax-deductible dollars to recruit convention delegates. (See box, p. 2985.)

Further impetus to the spread of tax-exempt groups took place in mid-November right under the Capitol dome, when lawmakers approved a potentially huge loophole in their pay raise-ethics package. By accepting an eventual ban on honoraria, Members of Congress agreed to stop pocketing this money from interest groups. But they added a new wrinkle. In the future, interest groups can continue to donate money to a Member's favorite charity, so long as the charity is sanctioned as tax-exempt by the Internal Revenue Service (IRS).

According to a House aide who helped to draft the provision, honoraria to charities will irresistibly become a booming industry. Members will receive a clear political benefit by taking credit for the donation—and will be ensnared in the same conflict-of-interest problems posed by honoraria. The opportunity is revealed by a *National Journal* review of Members' 1988 financial disclosure forms, which showed that 51 Senators and 146 House Members were founders, officers or directors of tax-exempt organizations.

### SACRED COW

Many of Washington's rules do not apply to the tax-exempt organizations. At a time when the government is scratching for every available dollar, groups eligible for tax-deductible donations receive roughly \$50 billion annually in contributions that the donors claim as deductions from their income-tax payments.

And tax-exempts are a growth indus-

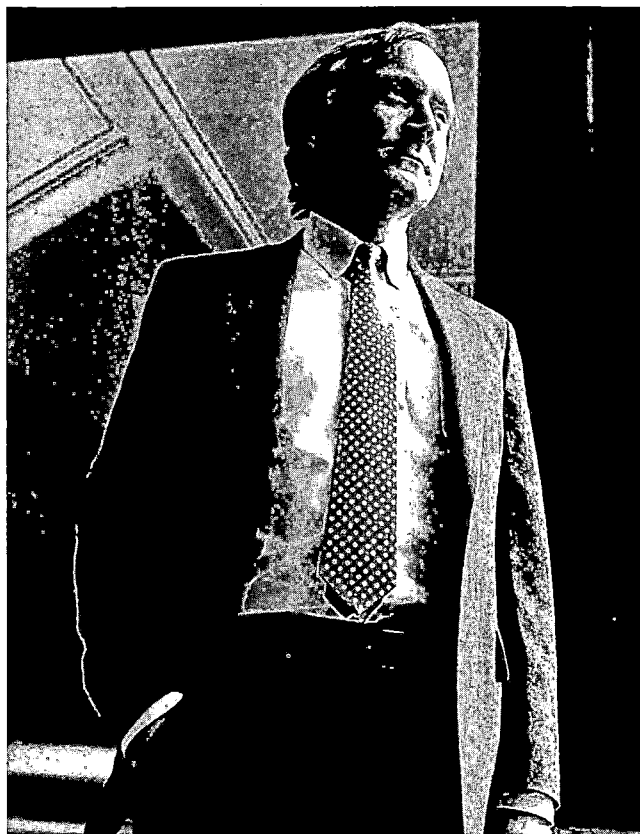
try: The number of religious, charitable and educational groups—known collectively as 501(c)(3) organizations after the section of the tax code that governs their tax-exempt status—has increased more than 50 per cent in the past decade to 432,700. (Roughly 400,000 other organizations, including a wide range of interest groups and trade and professional associations, are also tax-exempt. Unlike 501(c)(3) groups, however, their donors cannot take a tax deduction.)

But Congress pays scant attention to this pool of money and how it is spent. The issue was taken off the table during the wide-ranging overhaul that led to the 1986 Tax Reform Act.

All tax-exempt groups with annual revenues of more than \$25,000 are required to file annual returns, and the IRS says that because of the effective federal subsidy they enjoy, tax-exempts are about twice as likely to be audited as are individuals and businesses. Overt political activity "is a surefire way to get examined if you're an exempt organization," said Marcus S. Owens, executive assistant in the IRS exempt organizations technical division. Still, many organizations don't publicize their activities. And each year, only 2.5 per cent of exempt groups are audited.

Pressure occasionally surfaces for tougher enforcement actions against tax-exempt groups, said Sheldon S. Cohen, the IRS commissioner from 1965-69 who is a tax attorney with the Washington office of the Philadelphia law firm of Morgan, Lewis and Bockius. "But it dies because there are not enough revenues to make it worthwhile for the commissioner," he said. "As Willie Sutton said, you go where the money is. . . . It's a vicious circle. Principles come into play that are never reexamined."

Adding to the status quo inertia are long-standing fears that the IRS could be used to punish political opponents and reward allies. Such charges surfaced dur-



John Eisele

**IRS exempt organizations specialist Marcus S. Owens**  
*Open political activity's "a surefire way to get examined."*

ing the House's impeachment investigation of President Nixon. One of the Judiciary Committee's three impeachment articles charged that Nixon sought information from tax returns in violation of constitutional rights.

If tax-exempt groups have become the ultimate sacred cow, the result has been widely accepted as legitimate policy because many of these institutions undeniably serve the public interest. Who, after all, wants to tax the revenues of the hometown church, university, Red Cross chapter or Girl Scout troop? A problem, however, is that not all groups to which the IRS has granted the preferred tax status appear so obviously charitable.

One of the worst abuses was revealed in 1987, when conservative fund raiser Carl (Spitz) Channell pleaded guilty to illegal use of tax-deductible contributions to help finance the Nicaraguan contras and to run advertisements against Democratic House Members who had voted against contra aid. That incident led to enactment of a limited set of reforms later that year. Rep. J.J. Pickle, D-Texas, who chairs the Ways and Means Oversight Subcommittee, which prepared the legislation, had been a Channell target.

Most tax-exempt groups, both in Washington and across the nation, are so obscure or so seemingly public-spirited that they attract attention only on the rare

# When Are Nonpolitical Ads Political?

In seven congressional districts across the country this fall, residents have opened their newspapers to advertisements blasting the anti-abortion voting records of their local House Member.

"It's time we went out of our way to let him know that his actions threaten the health and privacy of American women and don't represent the people of this area," the ads say. "Tell him not to do it again."

An independent campaign by a political committee? No, the ads were paid for with tax-deductible contributions to the Planned Parenthood Federation of America Inc. and its local affiliates. The ads appeared in the districts of Reps. Robert K. Dornan, R-Calif., Thomas J. Tauke, R-Iowa, David E. Bonior, D-Mich., Minnesota Republicans Arlan Stangeland and Vin Weber and Minnesota Democrats James L. Oberstar and Timothy J. Penny. Each lawmaker's name and photo are prominently displayed in the ad. Planned Parenthood plans to run similar ads against two or three other House Members whom it hasn't chosen yet,

William W. Hamilton Jr., the director of the federation's Washington office, said.

Hamilton says the ads are not intended to affect the 1990 elections. "We're not interested in [the Members'] election or defeat," he said. The ads are "to clarify to their constituents how these Members are voting." An early draft of one ad concluded with a warning to the local Member that "We'll turn our backs on him if he does it again." But that wording was changed to "Tell him not to do it again," Hamilton said, because the earlier version sounded "too electoral." The group will stop running the ads when the campaign season gets under way next year, he said.

Still, the ads have caused consternation, particularly in the office of Tauke, who is running for the Senate next year against Sen. Tom Harkin, D-Iowa. Tauke is considering whether to lodge a complaint with the Internal Revenue Service (IRS) or the Federal Election Commission.

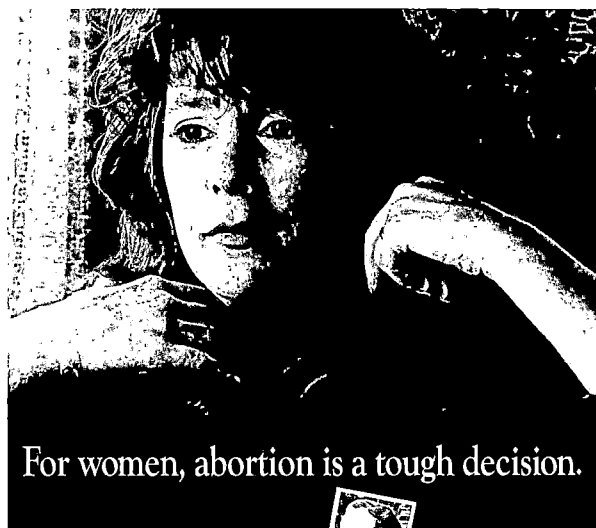
Under federal law, private organizations have virtual carte blanche to run independent advertisements for or against candidates in presidential and congressional campaigns. But such ads cannot be financed with tax-deductible contributions, and all money raised or spent for such efforts must be disclosed to the commission.

Groups such as Planned Parenthood that accept tax-deductible donations are flatly barred from engaging in such advertising. Traditionally, however, the IRS has tended to give such groups the benefit of the doubt when questions arise.

In 1984, a liberal Washington-based group, the Youth Project, aired a series of radio and television spots in 12 media markets around the time of the debates between President Reagan and Walter F. Mondale. The ads, known collectively as the Peace Media Project, criticized heavy U.S. spending on defense, especially the Strategic Defense Initiative. One of the TV ads, showing children on a playground, urged viewers to "join the debate. Our future depends on it." Another said: "Think about it when you vote this November. . . . America can change course."

Bob Nicklas, deputy director of the group, now called Partnership for Democracy, said the ads weren't intended to help Mondale and were consistent with the group's mission "to conduct charitable and educational activities that are of benefit to low and moderate-income people."

After a lengthy investigation, the IRS agreed. In a memorandum issued last May, the IRS said that it was "troublesome" that the ads were timed to coincide with the Reagan-Mondale debates and that "the candidate closely identified with the message of the ads is Walter Mondale." But because neither Mondale nor Reagan was named in the ads, the IRS said, "we reluctantly conclude [that the group] probably did not intervene in a political campaign on behalf of or in opposition to a candidate for public office."



For women, abortion is a tough decision.

For Bob Dornan,  it was a snap.

Twice this year, our Congressman went out of his way to endanger the lives and privacy of women all across America. In February, he personally asked the Supreme Court to overturn Roe v. Wade, the case that made abortion safe and legal in all fifty states. More recently, he voted against federal Medicaid help for victims of rape or incest too poor to afford their own healthcare.

Our Congressman is not a doctor. So he probably doesn't know thousands of women were maimed and killed in bloody back-alley before the Supreme Court upheld safe and legal abortion in 1973.

Not is he a woman. And maybe that's why he finds it so easy to dismiss the deep concern and outrage most women feel when politicians decide to make headlines out of such intensely personal and private decisions.

Most others in Congress aren't doctors or women either. But unlike our Congressman, they chose to respect the majority view of Americans that abortion must remain a private decision, free of government interference.

Our Congressman went out of his way to urge the Court to make abortion dangerous and illegal again. For every woman. No matter what the circumstances. He has failed to support family planning programs that help reduce the need for abortions. And he turned his back on women who are poor and need Medicaid help because of rape or incest.

It's time we went out of our way to let him know that his actions threaten the health and privacy of American women and don't represent the people of this area. Tell him not to do it again. Please mail the coupon.

**Congressman Dornan:**  
 Whatever your personal feelings about abortion, you were elected to represent the rest of us. We don't want the Supreme Court to overturn Roe v. Wade. We want Congress to keep abortion safe and legal for all American women, including the poor who are victims of rape or incest.

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 ADDRESS \_\_\_\_\_  
 CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

**Planned Parenthood**  
 Federation of America &  
 Orange & San Bernardino Counties  
 1601 N. Broadway, Santa Ana, CA 92706

*These ads have been running in seven House districts.*

occasions when one of them generates controversy. But a growing roster of these groups have financed advertising, seminars or other activities that skate close to the edge of political activity.

In recent weeks, for example, the Planned Parenthood Federation of America Inc. has run advertisements in the

home districts of seven House Members, attacking their anti-abortion voting records. Although the federation insists that the ads are purely educational, they have all the sophistication of a campaign appeal. (See box, this page.)

The IRS, however, has been reluctant to clamp down. Last May, the agency

ruled that television and radio spots aired by a tax-exempt antiwar group during the last weeks of the 1984 presidential campaign did not constitute partisan political activity because, though the ads appeared to support Walter F. Mondale's candidacy, they did not mention his name. And courts have generally barred private citi-

# Raising Money to Register More Voters

The decision by Sen. Alan Cranston, D-Calif., to devote substantial time and resources to a massive voter registration effort in California during the 1988 campaign probably won't be remembered for its impact on the election.

For one thing, Democratic presidential nominee Michael S. Dukakis lost the state, although his 48 per cent share of the vote was greater than he had been expected to win. And more recently, public attention has focused on the fact that \$850,000 of the more than \$7 million that Cranston raised for the voter registration campaign came from embattled thrift executive Charles H. Keating Jr., whose dealings with Cranston and four other Senators have prompted a Senate ethics inquiry. (See *NJ*, 12/2/89, p. 2955.)

But Cranston's efforts have revived interest in an activity that has caused debate in political circles. A web of tax-exempt groups for which Cranston raised those millions in 1988 produced several hundred thousand new registered voters, most of them from low-income groups that vote mostly Democratic but do not turn out in large numbers. *The New York Times* reported that the FBI has begun an investigation of Cranston and these tax-exempt groups, chiefly the Center for Participation in Democracy.

Kim Cranston, the Senator's son who was the center's president and has been active in California Democratic politics, would not confirm the dollar amount, but he spoke proudly of the campaign's results. "This was not an organization to elect Democrats," he said. "We were registering people to vote. It's a real problem in our democracy when half the people don't vote."

Whatever the success of Sen. Cranston's efforts, the California campaign was clearly built upon some lessons learned from earlier national voter registration activities. These campaigns have typically generated millions of dollars in support from both major parties and can be critical in close contests. In 1984, however, several foundations attempted to use their tax-free assets to increase turnout by targeted groups and thus increase the Democratic vote in the presidential election, according to election experts.

About 85 foundations contributed more than \$7 million to nonpartisan voter registration activities in that year, according to Curtis B. Gans, director of the Washington-based Committee for the Study of the American Electorate. But much of that money, he said, was not used effectively because of a lack of high-quality leadership and consistent community activity. "The effort failed not only for Democrats but also from the view of voter turnout," Gans said.

Even more troubling, his detailed analysis concluded, is that the efforts demonstrated the need for greater oversight to prevent "violation of partisan guidelines" that tax-exempt groups must respect. Although Gans was not specific, he said the goal of some foundation officials was to increase the Democratic vote.



Richard A. Bloom

Sen. Alan Cranston, D-Calif.  
*Was his 1988 voter registration campaign partisan?*

Several newspaper stories about the Cranston-led efforts in 1988 reported that some of the voter registration workers were overtly partisan. "We had 450 employees, and I'm not surprised there were some disgruntled employees," Kim Cranston said. "I'm not aware of any partisanship."

The Internal Revenue Service (IRS) conducted a thorough 10-month review in 1986-87 of Project Vote, a national voter registration campaign that enrolled more than 500,000 potential voters in 13 states during 1984. The IRS concluded that the organization, although it failed to provide some requested information, complied with the nonpartisan requirements of its tax-exempt status. The IRS "said that there were no violations," Sandy Newman, director of the Washington-based group, said. "Most groups in this field worry about not crossing the line because we know that we can be closed down."

Project Vote, like the Cranston voter registration campaign, has increasingly concentrated its efforts on minorities—a recommendation that Gans had made after 1984. But Project Vote maintains a permanent office, while the center, according to Kim Cranston, has significantly scaled back its plans for the 1990 election.

Congress, meanwhile, is scheduled to consider legislation next year that may lead to cutbacks in voter registration activities by private groups. The House Administration Committee, with bipartisan support, has reported a bill (HR 2190) that would automatically register voters when they receive their driver's licenses. "This bill would put registration law issues to rest for two generations," Gans said.

zens and groups from challenging an organization's tax-exempt status unless they can prove that they have suffered harm as a result.

"The IRS doesn't want to open the door because there is a monster on the other side," said Ed Zuckerman, who publishes a newsletter, *PACs & Lobbies*,

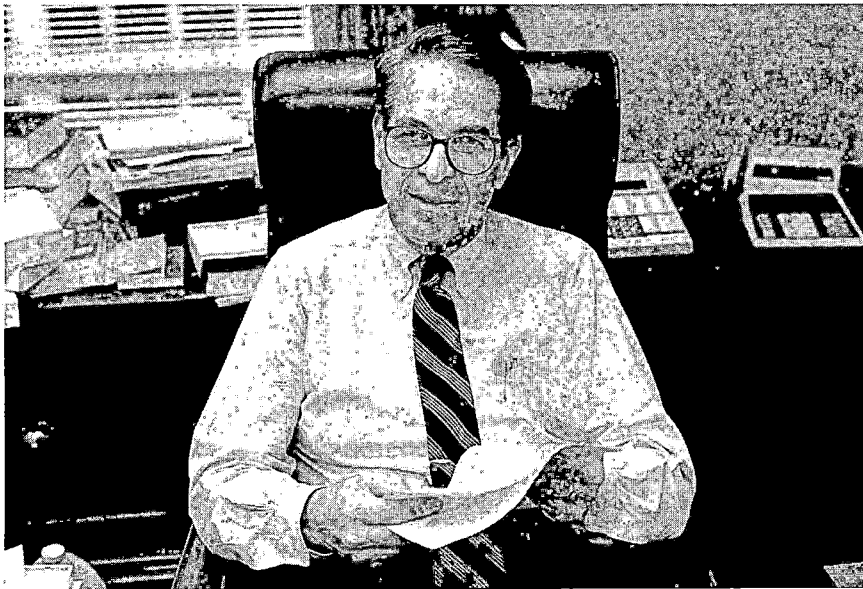
and is one of the few Washington reporters who monitors the tax-exempts.

## UNANSWERED QUESTIONS

When Members of Congress establish their own tax-exempt organizations, a host of other questions arise. For one thing, there's the possibility of influence-

peddling with donors, an issue raised by the Cranston-Keating case.

The commingling of public and private money is another concern. Under House and Senate rules, Members cannot use private funds to subsidize performance of their official duties. Nor can they use their office budgets for unofficial purposes. But



Richard A. Bloom

**Tax lawyer and former IRS commissioner Sheldon S. Cohen**  
*There aren't enough revenues to justify an IRS crackdown on tax-exempts.*

some Members' tax-exempt groups are so closely intertwined with their congressional offices that it's hard to tell whether the rules are being heeded.

Gregg W. Waddell, a former aide to Rep. Newt Gingrich, R-Ga., said that during the time he was employed in Gingrich's House office, he also worked as an unpaid volunteer for the American Opportunity Foundation, a 501(c)(3) group that Gingrich founded in 1984 to promote conservative policies. (Simultaneously, Gingrich set up a separate group, American Opportunity, that could engage in lobbying but could not accept tax-deductible contributions.)

The Gingrich organizations, which sponsored a series of seminars and meetings around the country in 1984 and 1985, had no full-time staffs, although a local lawyer kept their records at his offices. Waddell, now a graduate student at Duke University, said that his volunteer work for the groups was done only during lunch hours, evenings and weekends. But he said that the groups' plans and activities were regularly discussed in the congressional office. "Newt might think of a project he wanted to undertake, and if we decided that the proper means was not in the congressional office," the project would be assigned to one of the two groups, Waddell said. The groups were "basically just a vehicle for him to do things, . . . to give him some financial resources to travel, to make speeches, that he couldn't use his congressional money for."

Dan Swillinger, a Washington lawyer who oversees the Gingrich organizations' finances, likened the arrangement to a Member's using official funds for some activities and campaign funds for other

activities—an arrangement that is widely accepted on Capitol Hill.

The two groups have been dormant for the past few years and are now being shut down. But arguably, they achieved a purpose: Gingrich, a relatively junior Member, is now House minority whip, the chamber's second-ranking Republican.

Like many other parts of the tax law, the rules covering tax-exempt organizations are anything but simple. Bruce R. Hopkins, a lawyer with the Washington law firm of Baker and Hostetler, told the Ways and Means Committee in 1987 that "there really are probably 50 or 60 or 70 different types of tax-exempt organizations" listed in section 501(c). The requirements for each category often leave considerable room for interpretation.

Those in the biggest category, 501(c)(3), in theory operate under the strictest rules. They cannot engage in direct or indirect political campaign activities or in what the code calls "substantial" lobbying. Groups in a second category, 501(c)(4), are exempt from paying federal income taxes but do not qualify for tax-deductible contributions; they can engage in lobbying and in some political activity so long as political action is not the principal purpose. Many Washington interest groups are in this category, and 501(c)(3) groups often set up companion 501(c)(4) organizations to carry out their lobbying and political work. Tax-deductible contributions cannot be transferred from a 501(c)(3) to a 501(c)(4), however. The other major tax-exempt players in Washington are in the 501(c)(6) category, chiefly trade associations. They operate under the same restrictions on lobbying and political activity as do 501(c)(4)s.

The activities of television evangelists

have probably generated the most public interest in the tax-exempt sector. During hearings in 1987, Pickle's subcommittee reviewed the IRS's procedures for classifying well-known church groups such as those headed by Robertson, Jerry Falwell and Jimmy Swaggart. Subsequently, the Justice Department successfully brought its criminal case against evangelist minister Jim Bakker.

When he was IRS commissioner in the late 1960s, Cohen recalled, he revoked the tax-exempt status of a comparable group headed by evangelist Billy James Hargis, after concluding that its activities did not qualify it as a church group. "That was the last time that a religious group lost an exemption," Cohen said.

More recently, some liberal 501(c)(3) groups attracted IRS scrutiny in 1987 for their work that year in opposition to the Supreme Court nomination of Robert H. Bork. An initial IRS review concluded that there was no substantial difference between attempting to influence legislation—the traditional definition of lobbying—and attempting to influence Senate votes on judicial nominations. But a large coalition of exempt groups, ranging from the American Civil Liberties Union to the Heritage Foundation, protested loudly, and the case was eventually closed without action.

## BIPARTISAN COVER

The bipartisan silence has been encouraged on the legislative front because of the complexity of the tax-exempt issues and because so many members of both parties benefit from the services of such groups. "It's the issue from hell for the Ways and Means Committee," a committee aide said. "It never goes away." Although the political wings of each party rigorously monitor each other's tax-exempt activities, the results have essentially left current practices unchallenged.

In 1985, for example, a handful of Washington lobbyists who were active Democrats organized the National Legislative Educational Foundation, a 501(c)(4) group whose best-known activity was to finance the House Democrats' annual weekend conclave at the Greenbrier resort in West Virginia. In return for donating \$5,000-\$10,000 apiece, the lobbyists gained the right to hobnob with the lawmakers. House Republicans decided that their best response was flattery, not challenge; with the help of a group of Republican-leaning lobbyists, they have organized similar retreats at various sites outside Washington.

When the Ways and Means Committee took action in 1987 to remedy several problems in this area, it focused on relatively tangential issues such as disclosure of officers and budgets by the tax-ex-





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# Tax-Free Candidate Endorsements

It wasn't the letter that bothered some of Marion G. (Pat) Robertson's critics. It was the letterhead.

Soon after his June 1986 delegate sweep at the Michigan Republican Convention, Robertson crowed in a mailing to supporters: "The Christians have won! We educated, trained, motivated and outnumbered the delegate applicants registered through the efforts of both Vice President George Bush and U.S. Congressman Jack Kemp combined!"

What bothered the critics was that the letter was sent on the stationery of the Freedom Council, a Robertson-founded group that was supported by tax-deductible contributions and was not supposed to endorse or oppose candidates.

Robertson shut down the Freedom Council later that year, but not before the group had attracted a deluge of complaints about alleged violations of its tax-exempt status.

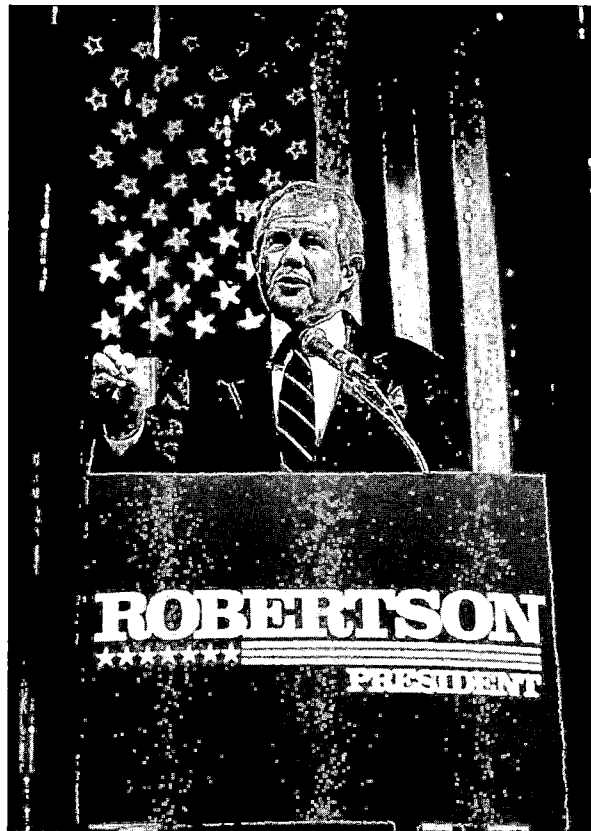
Most of the complaints focused on its activities in Michigan, where prospective presidential candidates were courting state Republican convention delegates who would later select Michigan's Republican National Convention delegates. Although Freedom Council officials insisted that their group was nonpartisan, in the weeks before the state convention it sponsored several rallies at which Robertson was the only political candidate. It also sponsored a joint fund-raising event with Robertson's political action committee.

Moreover, reporters who obtained tax returns of Robertson's Christian Broadcasting Network (CBN)—itself a tax-exempt organization that qualified for tax-deductible contributions—showed that CBN had provided most of the Freedom Council's financing.

Robertson's was probably the most controversial, but it was not the only tax-exempt organization operated by a presidential contender in 1988. Kemp and Democrats Bruce E. Babbitt, Gary Hart and Sen. Paul Simon of Illinois also had tax-exempt groups—all qualifying for tax-deductible contributions—ostensibly formed to research policy matters or educate the public. (Two other candidates, Sen. Robert Dole, R-Kan., and Democrat Jesse Jackson, also had set up tax-exempt groups, but neither appeared to be involved in matters of national policy or politics. Dole's group encourages employment of the disabled, and Jackson's Operation PUSH focuses on civil rights and the education of minority students.)

Kemp abruptly resigned from his organization, the Fund for an American Renaissance, in 1986 after a candidate for Kemp's House seat in upstate New York complained to the Internal Revenue Service (IRS) that the tax-exempt group was paying for many of Kemp's political activities.

But the others attracted little controversy. Typical was Babbitt's group, American Horizons. Established in 1985, shortly before Babbitt left the Arizona governor's office, at its peak it employed a staff of 10 who cranked out reports on issues ranging from welfare reform to foreign policy. Jim Maddy, who served as the group's director and is now executive director of the League of Conservation Voters, said that when American Horizons was set up, he had no idea that Babbitt might run for President. American Horizons closed up shop as soon as Babbitt announced his candidacy in 1987, but two staff members joined the Babbitt



1988 presidential hopeful Marion G. (Pat) Robertson  
*His tax-exempt group may have aided his campaign.*

campaign as issues director and deputy issues director. The group later underwent an IRS audit and was given a clean bill of health, Maddy said. Hart's and Simon's groups also were closed after their candidacies began.

Robertson's Freedom Council was closed in October 1986, but concerns linger. Former officials of the group say that the IRS has been investigating its records, although the IRS will neither confirm nor deny such an investigation.

In the meantime, Robertson has created yet another tax-exempt group. Early last month, he sent a mailing announcing the formation of the Christian Coalition, a group that he said would "force America to face the moral issues that threaten to destroy us." The coalition "won't endorse any candidates or political parties—but we will speak out on issues—and we'll make sure candidates for office at every level know how we stand—and how we'll vote," the letter said. "We'll organize chapters in every state, every congressional district and, God willing, every precinct in America."

The letter's return address was a post office box in Chesapeake, Va., home of CBN, but CBN officials said they had no information on the group. They referred questions to Robertson, who was not available for comment. The Christian Coalition literature describes the group as tax-exempt under section 501(c)(4) of the tax code, which means that it can engage in some lobbying and political activities but that political activities cannot be its primary purpose and that contributions will not be tax-deductible.

# For the Republic or for the Republicans?



John Eisele

**Lawyers for the Republic chairman Robert E. Freer Jr.**  
*He says that his intentions were purely nonpartisan.*

Robert E. Freer Jr. said his intentions were purely nonpartisan when he filed an application in 1988 with the Internal Revenue Service (IRS) to gain tax-exempt status for Lawyers for the Republic Inc., a group he had organized. But some aspects of the group's operations suggest that it should be called Lawyers for the Republicans.

After receiving the IRS's approval, Freer decided that his first large project would be "Fairness for the '90s," whose main objective is to provide data to anyone who wants to get involved in the highly political art of redistricting. "We want to allow the NAACP to play with the big boys," said Freer, who explained that one of the project's objectives is to help minority groups become involved in redistricting.

Republicans insist the redistricting project operates separately from the party. But several things don't quite add up, not least of which is that many political insiders consider "nonpartisan redistricting" to be an oxymoron.

Freer has impeccable Republican credentials. He founded the Republican National Lawyers Association (RNLA) and was chairman of Lawyers for Reagan-Bush in 1984. Serving on the board of Lawyers for the Republic, with Freer, are Robert J. Horn (who chairs the RNLA) and Dan Swillinger, Washington lawyers with strong Republican connections, and Morris I. Liebman, a Chicago lawyer.

At the RNLA's second annual convention on Nov. 17-18, Freer joined three top Republican National Committee (RNC) aides and a former Reagan Justice Department official in a two-hour panel on redistricting. At this summer's convention of the National Conference of State Legislatures, national Republican officials told party legislators of

plans to provide them with extensive redistricting data; no such session was held for Democrats.

Freer said his group plans to raise \$4 million-\$5 million in tax-deductible donations during the next two years. But the group has no staff, and Freer conducts the project's work out of the Washington office of the New York City law firm of Patterson, Belknap, Webb & Tyler, where he is a partner. An important early source of the organization's funds was a \$50,000 loan from the RNC, Freer said.

Republican officials have also given verbal encouragement to Freer's group. "I've talked with Freer about what they do, and we decided that their work is consistent with our goal of full participation in redistricting," said Benjamin Ginsberg, who became RNC chief counsel this year. "If somebody thinks that allowing minority groups to gain strength in Congress and state legislatures is perceived as pro-Republican, I think that's great." He said the RNC has provided "technical assistance" to Freer's group.

Mary Matalin, the RNC's chief of staff, said she was not aware of the \$50,000 loan. She noted that the RNC's 1990 budget includes \$1 million for "data collection" but that if it is cheaper to obtain redistricting data elsewhere, "it would be silly not to take advantage of it."

A well-placed Republican source said several RNC officials "encouraged Freer's ideas at an early point" and helped him to organize the RNLA. "They are looking for a device to use tax-deductible money in an innovative way to benefit the Republican Party," the source said. One of Freer's first efforts was a contract with a direct-mail subsidiary of R.R. Donnelly, the giant printing company, to provide recent election data on a precinct level.

Freer insisted that "you can have a legitimate tax-exempt group that may support one party disproportionately. That doesn't make it any less worthy as a research group."

Some Democrats said they have little reason to cooperate with Freer, if only because in most states, the party already has the political data he is compiling. "We have done a better job at developing precinct data over the years than have the Republicans," said Mark H. Gersh, Washington director of the National Committee for an Effective Congress, a political action committee (PAC) that works closely with Democrats. A Democratic consultant said that if the GOP has to rely on data obtained by Freer's group, "that would be the greatest thing for us since sliced bread."

Republicans acknowledged early this year that because of past budget shortfalls, the party needed to spend money to improve its political data. "Whenever you had to cut areas in the [RNC] budget, this has been one of the areas that has been cut," said Rep. William M. Thomas of California, co-chairman of the House Republican leadership task force on reapportionment. One way to raise the money, he said, would be to "set up a nonpartisan foundation."

For their part, Democratic leaders are curious, but they have said that they know little about Freer and his group. "There is no problem with a tax-exempt group interested in redistricting," said Rep. Beryl F. Anthony Jr. of Arkansas, chairman of the Democratic Congressional Campaign Committee. "So long as the group counsels all parties, I have no quarrel. But if it is thinly veiled in a partisan sense to get a tax-exempt status, it's not too late for the IRS to review it. I promise I'll monitor it closely."

empts. The panel left more-basic issues untouched.

Congress also addressed in that law the growing trend of presidential candidates' creating tax-exempt groups. It agreed to impose stricter limits on tax-deductible money used for political activity. A key solution was a 10 per cent excise tax, not to exceed \$5,000, on offending campaigns. A Washington tax lawyer, who did not want to be named, said that this solution "may make it easier to abuse" the law because it implicitly invites broad abuses if the candidate is willing to pay the fine. But the IRS's Owens noted that the law gave the agency new authority to crack down by obtaining injunctions against groups that engage in flagrant activity on behalf of a candidate.

The Democratic Congressional Campaign Committee has kept a close eye on the activities of Gingrich and has actively publicized them. It also filed a Federal Election Commission (FEC) complaint in October 1988 against Republican Mel Hancock during his campaign for an open House seat in Missouri, saying he had improperly accepted a campaign contribution from a taxpayers' watchdog group under his control; 11 months later, and after winning election, Hancock agreed to pay a \$2,000 penalty to the FEC.

The National Republican Senatorial Committee, for its part, conducted an extensive review in 1987-88 of Citizen Action, a liberal Chicago-based 501(c)(4) group that has moved increasingly from the legislative arena to electoral politics. At the instigation of Sen. Robert W. Kasten Jr., R-Wis., the committee in June 1988 filed complaints with the IRS and the FEC. (*See NJ, 6/11/88, p. 1550.*) There has been no response from those agencies to the complaints; customarily, the agencies do not report to the complainant or to the public until they have completed their inquiries.

In the meantime, Kasten this year set up his own tax-exempt group. The Legislative Studies Institute brings college students and others interested in seeking jobs on Capitol Hill to Washington for four and a half months of training. Enrollees pay \$1,500 tuition, but the institute expects to raise \$500,000 this year to subsidize its operations. Its staff consists of two former Kasten aides, and fund-raising is overseen by Herman Pirchner, a Washington consultant who has raised money for Kasten and other GOP candidates. Pirchner declined to identify major donors to the institute, but said most of the money comes "from entities that have not given 2 cents to any Kasten campaign."

#### ALTERNATIVE ROUTE

But for other politicians, a tax-exempt organization can become an alternative

route for their regular campaign contributors. Senate Minority Leader Robert Dole, R-Kan., in recent years has been promoting the Dole Foundation, which helps disabled individuals to find employment. Ellen S. Miller, the director of the nonpartisan Center for Responsive Politics, which has studied the activities of tax-exempt organizations affiliated with politicians, said that she found "a remarkable overlap" in the list of contributors to the foundation and to Dole's Senate campaign funds.

The Cranston-Keating case is one of several in which relationships between Members of Congress and donors to tax-exempt organizations have come under scrutiny recently. In July, *The Washington Post* disclosed that Rep. William L. Dickinson, R-Ala., the ranking minority member of the Armed Services Committee, had raised money from defense contractors to support the tax-exempt Institute for the Common Defense, which is run by Anthony S. Makris, a longtime friend and business partner. The institute has carried out few of its announced plans, which included opening a Washington office and starting a political action committee (PAC), but paid Makris at least \$105,000 in 1988 and provided honoraria to several Members of Congress last year, *The Post* reported. Makris failed to return repeated telephone calls from *National Journal*.

House Armed Services chairman Les Aspin, D-Wis., has established the Aspin Procurement Institute, a Wisconsin-based group that helps local small businesses secure defense contracts. The group is financed partly by business donations and partly by a Defense Logistics Agency grant. Similar groups operate in other

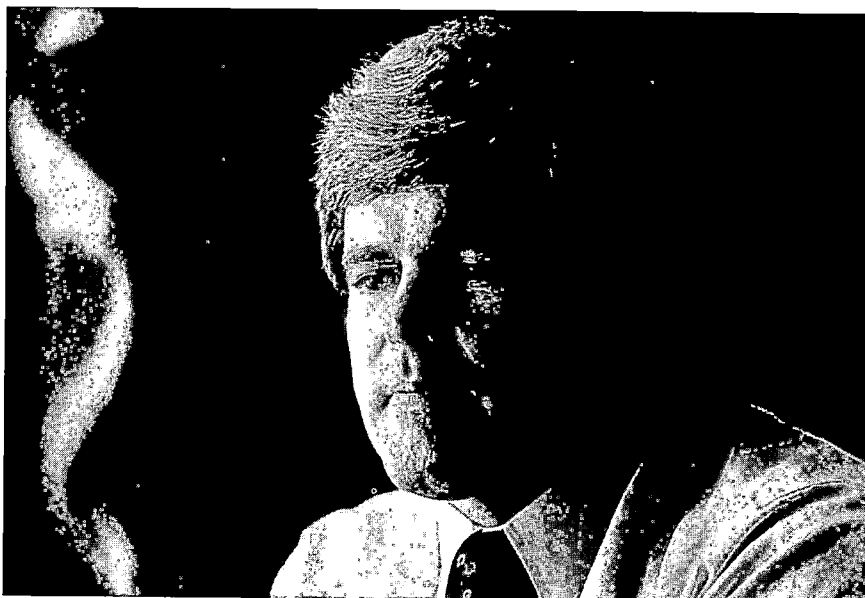
states, but none is affiliated with a Member.

And the University of Utah has solicited more than \$1.7 million in tax-deductible contributions for its Garn Institute of Finance, named after Sen. Jake Garn, R-Utah, ranking minority member of the Banking, Housing and Urban Affairs Committee. Garn Institute officials say that the Senator does not directly solicit contributions but has spoken at fund-raising dinners—and virtually all the money given to the institute so far has come from banking and savings and loan interests under the Banking Committee's jurisdiction.

But tax-exempt groups, unlike PACs and campaign committees, aren't required to disclose their donors. That has caused some grouching among PACs. "We're out there naked for analysis, while all this other stuff is going on," said Steven F. Stockmeyer, executive director of the National Association of Business PACs.

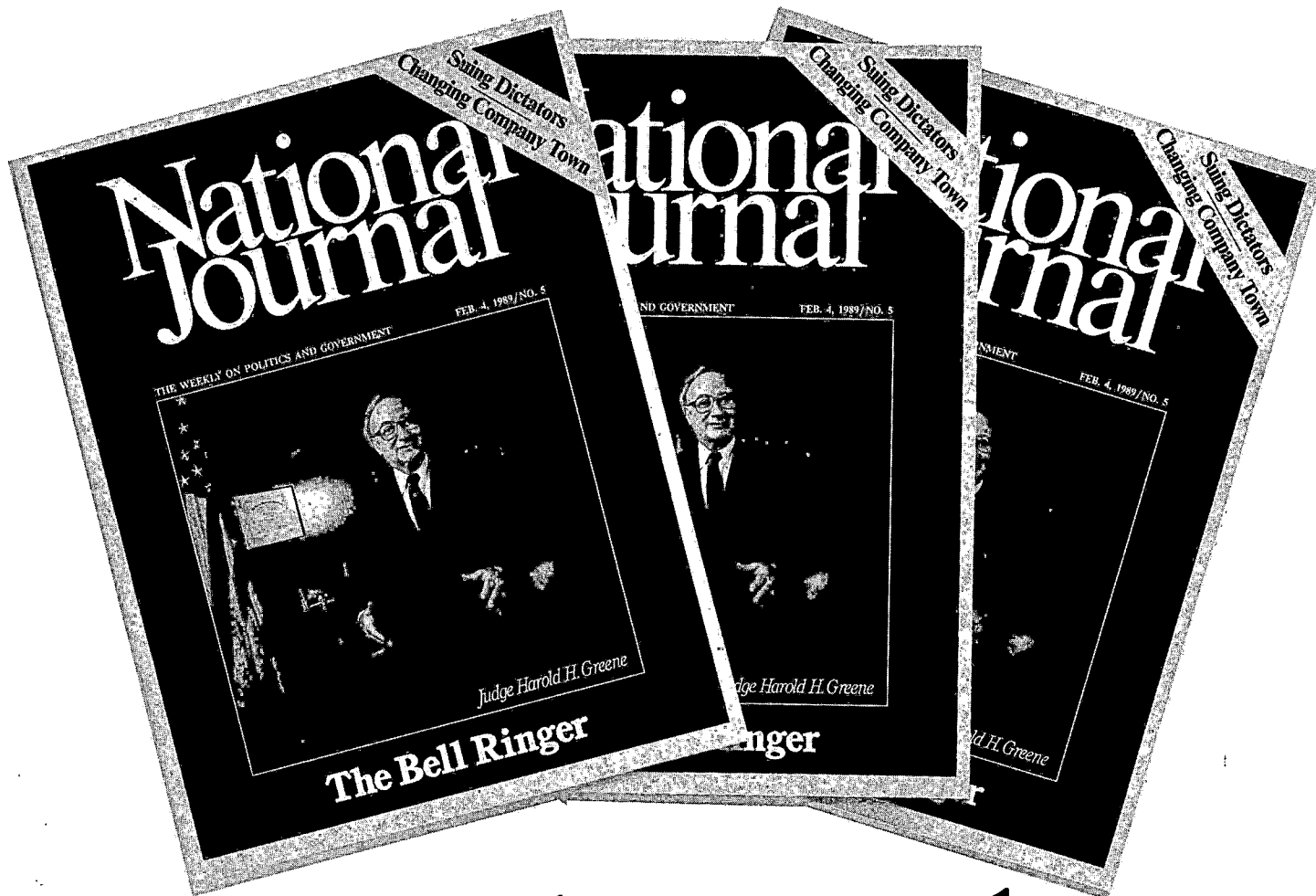
As pressure grows to rein in campaign spending and outside income to Members of Congress, the importance of well-placed charitable contributions is likely to increase, too. "Right now, it's gotten to be such an overlay [between political and charitable giving] . . . , your contingency fund for nonprofit giving has to be as big as your PAC," said Jane Scott Brown, who heads a Washington fund-raising firm. "Every nonprofit puts a Congressman on their committee. That's the first thing I think of with a nonprofit client—how can I work in some political angle? That's the name of the game in town." □

*Research assistance by Gale Mitchell and Tanya A. Zielinski*



Richard A. Bloom

**House Minority Whip Newt Gingrich, R-Ga.**  
*His tax-exempt groups paid when congressional funds couldn't be used, an aide said.*



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What the Leaders Read.

# Ahead of the Feds

States are seizing the initiative from Washington on a number of environmental policy fronts, causing worried industries to seek uniform federal standards.

BY MARGARET E. KRIZ

About 100 chemical industry officials jammed into a small conference room at the Washington Hilton last month for fresh-from-the-front reports on environmentalists' latest maneuvers at the state level and industry's potential defenses against them.

William P. Buckley, state and local government relations manager for Eastman Kodak Co. of Rochester, N.Y., advised chemical firms to set up or beef up their state lobbying forces and to extend their campaigns into key trendsetting states—California, Florida, Georgia, Illinois, Massachusetts, New Jersey, New York, North Carolina, Pennsylvania and Texas—even if the companies don't have major facilities there.

Ralph D. Murphine, a Washington political consultant with Murphine & Walsh, suggested that the corporate officials beat back state environmental ballot initiatives by enlisting sympathetic foot-soldiers, such as elderly stockholders, to carry the companies' message to the voters in television advertisements. "The worst possible thing to do," Murphine said, "is to say, 'Hello, I'm with the chemical company, and I've come here to talk to you about toxic waste.'"

Geoffrey Hurwitz, director of state government relations for Rohm and Haas Co., a Philadelphia-based chemical company, warned that conflicting state regulations are causing "a legal vulcanization threat that, in the environmental arena, we ignore at our peril." Hurwitz added: "The reason Lincoln went to war was to keep the Union whole."

The us-versus-them strategy session (part of a Chemical Manufacturers Association conference titled "Committed to Global Concerns") was a sign of industry's increased concern about the blizzard of innovative and sometimes stringent

environmental laws being adopted by the states. As more states enact such legislation, they increasingly are setting the national environmental agenda.

The states' machinery began to gear up when federal regulatory activity virtually ground to a halt under the Reagan Administration. The void left by the cutback of federal environmental controls was filled by state governments, which responded to mounting local concerns by adopting an array of measures dealing with groundwater pollution, pesticides, recycling, solid waste disposal and hazardous waste transportation and disposal.

Some state actions are clearly defining federal policy. A striking example came this summer when eight New England states effectively set national air pollution

control standards by adopting California's tough emission control standards for new automobiles.

"That had a big impact on Congress," which is in the process of rewriting the 1970 Clean Air Act, said an aide to Rep. Henry A. Waxman, D-Calif., chairman of the Energy and Commerce Subcommittee on Health and the Environment. "California and the northeastern states are 20-30 per cent of the auto market," the aide said. "Once they went forward, it made it a lot easier to set the standard on the federal level because industry's going to have to meet the requirements in the other states anyway."

Other controls adopted by the states are having an indirect impact on federal policy as states put pressure on the federal



States are enacting their own laws to clean up toxic wastes.

# Building Up Pressure at the Grass Roots



Clearinghouse executive director Lois M. Gibbs  
She had to leave her home in the Love Canal (N.Y.) area.

Richard A. Bloom

Just as national environmental groups were instrumental in pushing Congress to adopt federal environmental laws in the 1970s, a small group of citizens coalitions has been involved in winning tough environmental controls on the state level in the 1980s.

In some cases, national environmental groups—notably the Sierra Club, the Natural Resources Defense Council Inc. and the Environmental Defense Fund—have worked with grass-roots groups to push for new state laws. And some states have their own environmental organizations that have championed specific legislation.

But nationwide, five groups stand out as the most locally oriented—industry officials call them radical—wing of the environmental movement. The groups have helped local residents fight for water, pesticide and hazardous and solid waste controls. “People have successfully beaten back landfill after landfill, not because there’s any laws that prevent them from being built, but because they’re opposed to it at the local level,” said Lois M. Gibbs, executive director of the Citizens Clearinghouse for Hazardous Waste. Some of

the groups are beginning to work as an alliance to push national issues, with the long-term goal of activating their widespread memberships to create a national environmental movement. “We’re just beginning to see the first sprouts of a national movement here in this country,” said C. William Ryan, toxics policy specialist for the state Public Interest Research Groups. “Where it goes with the energy that’s building will depend on the efforts to focus it and translate it into something political.” Ben Gordon, Midwest toxics coordinator for Greenpeace Action, added: “Maybe we flatter ourselves, but we think this is the biggest thing since the civil rights movement.”

The five groups are:

**Public Interest Research Groups (PIRGs).** This network of research and advocacy organizations began at the state level 20 years ago and has since expanded to more than 20 states. Five years ago, the state groups formed the U.S. Public Interest Research Group in Washington, which works on federal issues that correspond to issues the groups have pioneered at the state level. Members work on environmental, health and consumer matters; they helped get waste reduction laws in Massachusetts and Oregon.

**Clean Water Action Project.** The 18-year-old environmental lobbying group is made up of 26 programs across the nation. It centers on water pollution-related issues, such as cleaning up Chesapeake Bay, but is also actively pushing legislation covering ozone depletion, global warming and solid waste. The group’s national office is in Washington.

**Citizens Clearinghouse for Hazardous Waste.** Based in Arlington, Va., the clearinghouse was formed by Gibbs in 1981 after she and her neighbors were evacuated from the Love Canal chemical dump at Niagara Falls, N.Y. Now affiliated with about 7,000 grass-roots groups, the clearinghouse provides educational information, community organizing help and scientific backup for citizens tackling waste and waste-related pollution problems.

**National Toxics Campaign.** Formed in 1984, the group grew out of a coalition of grass-roots activists pushing the reauthorization of the 1980 superfund law. The membership includes community groups fighting the siting of solid waste dumps, organizations of persons exposed to toxics and family farmers. Headquartered in Boston, it provides educational, organizational, technical and legal assistance to citizens groups in eight states.

**Greenpeace Action.** After years of being called on to help local citizens groups battle chemical pollution, Greenpeace International, based in Amsterdam, in February formed Greenpeace Action, a separate education and lobbying group, to push for environmental legislation at the state and local levels. It plans to accelerate its environmental drives in several targeted states next year.

government to take similar action or as industry goes to Congress in search of uniform federal laws to replace the patchwork of conflicting state requirements.

“I’m arguing for a more assertive federal government in terms of preemption issues and having the guts to say that in certain areas, it make sense to have national environmental laws,” Hurwitz said

in an interview. Specifically, he said, the chemical industry would like to see uniform federal controls on such things as hazardous waste transportation and disposal.

The worldwide trend is “toward more-centralized approaches to environmental problems, in part because markets have become more national and international

in scope and continue to do so,” said Frederick R. Anderson, dean of the American University’s Washington School of Law.

But Congress is less inclined than it has been in the past to impose a uniform federal law on the states. In November, for example, Congress adopted oil spill liability and cleanup legislation that allows

states to keep their stricter liability controls. (See *NJ*, 12/2/89, p. 2931.)

"The traditional government model was that if the states begin to legislate, then the [industry] interests affected would scream 'Uncle'—basically, they scream 'Uncle Sam,'" said Sen. Joseph I. Lieberman, D-Conn., a former Connecticut attorney general. "They'd say, 'OK, we're going to go as far as these states have asked us, but please make it a national standard,'" he said. "Now, the pressure is not only to have a national standard, but to allow states to go beyond." The pace of state environmental action has picked up so fast that "the state tail is wagging the federal dog," Lieberman added.

President Bush, who campaigned on a promise that he would be the Environmental President, has tried to take back the policy momentum from the states. His Administration, for example, developed its own Clean Air Act amendments package. The Administration also proposed legislation that would allow dangerous agricultural chemicals to be taken off the market more quickly, but also would allow minute amounts of carcinogenic pesticides on food and would preempt state pesticide-residue standards.

Bush's cautious approach hasn't taken away the lead from some state officials who are pushing for tighter environmental controls. Nor has it placated the expanding network of grass-roots environmental groups that advocate radical changes at state and local levels. (See box, p. 2990.)

Politicians are beginning to recognize the power of the environmental vote, according to Lois M. Gibbs, executive director of the Citizens Clearinghouse for Hazardous Waste in Arlington, Va. "If you look at the election in November, you see how people are making change," said Gibbs, who gained fame for organizing her neighbors at the Love Canal (N.Y.) hazardous waste site. "The environment and women's issues are the top two issues in this country. As a result of that, state and federal legislators are going to be passing laws that protect public health and the environment. They don't have any choice. It's either that, or they're going to have to sell used cars somewhere."

As for industry's efforts to override local environmental controls, Carl Pope, deputy conservation director of the Sierra Club, said: "I think the tide in the Congress is definitely moving against federal preemption of state environmental programs. They can try, but I think they're whistling in the wind."

### TAKING THE INITIATIVE

On Nov. 18, 1971, a stagnant air mass blanketed Birmingham, Ala., trapping a

high level of toxic industrial air pollutants. An alarmed Jefferson County Health Department appealed to local industries to cut production, in the hope that reduced emissions would abate the problem. But when five of the largest firms declined to take action, local officials turned to the federal Environmental Protection Agency (EPA) for help. Within hours, EPA officials obtained a temporary injunction—the first ever imposed under the Clean Air Act—halting production at the city's largest plants. A day later, after strong winds had swept the pollutants out of the area, the injunction was lifted.

This September, Alabama state officials took their own aggressive action against what some perceived was a major threat to the state's environmental health. Gov. Guy Hunt notified 22 states and the District of Columbia that they could no longer ship their hazardous waste to an Alabama commercial hazardous waste landfill, one of the few still operating in the nation. The banned states were those that had no hazardous waste treatment or disposal facilities. Alabama's action was spurred by local fears that the state was fast becoming the nation's toxic waste dump.

The landfill owner, Chemical Waste Management of Oak Brook, Ill., and the Washington-based National Solid Wastes Management Association have filed suit in U.S. District Court for the Northern District of Alabama charging Alabama with violating the interstate commerce clause of the U.S. Constitution.

"We think these provisions are blatantly unconstitutional, but we also think they are completely contrary to public interest," association president Allen Moore said. "We think EPA ought to be the ones leading the fight here. Superfund is a federal program, and if you really want to clean up these sites, you have to have some place to take this hazardous waste. There aren't very many places."

The two scenarios show what a difference 18 years has made in the environmental protection arena. In the early 1970s, the focus was on Washington. Energized by the national environmental movement, the federal government established EPA and enacted an

ambitious set of environmental control laws.

By the late 1970s, however, Congress had addressed the most visible environmental concerns, and industry groups were becoming more adept at lobbying Congress. "Industry had gotten its act together by that time, and therefore you saw more laws requiring regulators to impose cost-benefit analyses" before the government could take action against a company or product, according to C. William Ryan, toxics policy specialist for the state Public Interest Research Groups, a coalition of state advocacy groups.

The Reagan years brought a new emphasis on federalism and drastic cuts in national spending for environmental protection. Some policy makers in Washington expected the states to follow the federal lead and reduce their regulatory burden on industry, said Blaine Liner, director of the Urban Institute's state policy center. "There were those that felt that by giving all of this responsibility to the states under devolution, the states wouldn't do anything, and that would have meant less government all around," Liner said. "That didn't happen."

Instead, the states became the "laboratory of democracy" envisioned by former Supreme Court Justice Louis D. Brandeis. During the 1980s, many states have taken increasingly bold steps in the name



Richard A. Bloom

Sen. Joseph I. Lieberman of Connecticut  
"The state tail is wagging the federal dog."

# Kemp's Crusade

The Secretary wants to turn the Housing and Urban Development Department into an antipoverty agency, and the Bush Administration has bought many of his ideas.

BY CAROL F. STEINBACH

Jack F. Kemp spent most of his first year as Housing and Urban Development (HUD) Department Secretary defending his beleaguered agency and engineering deep management reforms. Now he wants to make HUD the focal point for launching a new national war on poverty in the 1990s.

Kemp seeks to turn HUD, under a Republican Administration, into an antipoverty agency serving a constituency that his party has frequently been accused of overlooking: the poor. Kemp would like to end HUD's long-standing reliance on private developers to build housing and target more federal resources to tenants' groups and nonprofit community development corporations instead. He wants to refocus federal housing programs to promote home ownership for low-income Americans and economic development and job creation in distressed urban areas.

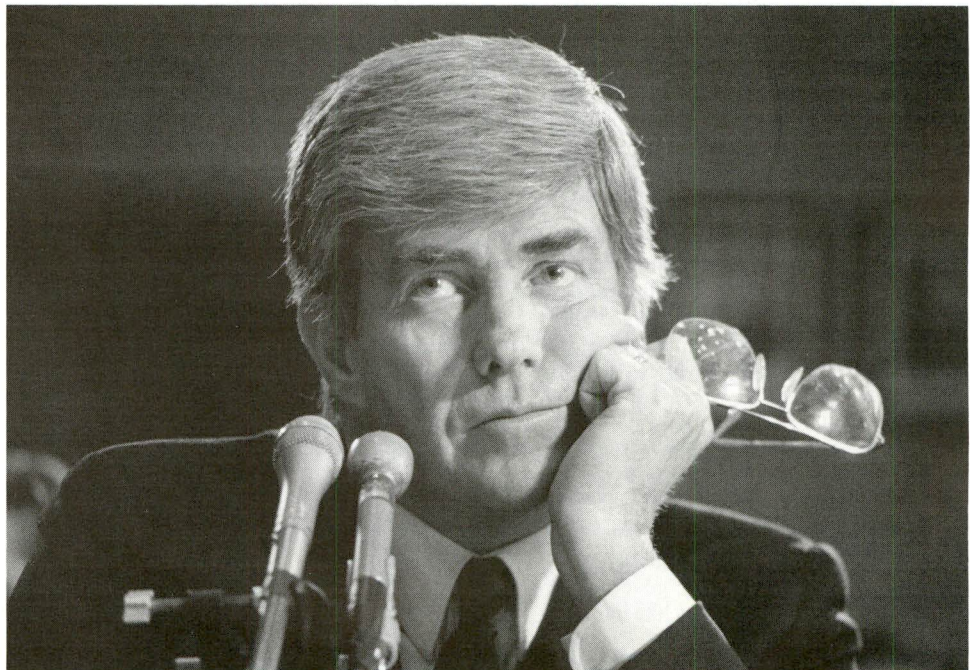
On Nov. 10, President Bush announced a housing and urban economic development package that closely mirrors Kemp's ideas. The centerpiece is \$2.1 billion in grants over the next three years to tenants' groups, nonprofit organizations and local public housing authorities to convert public housing units and other HUD-owned apartments to tenant-owned housing. The Bush Administration proposal would also set up 50 enterprise zones in depressed areas—an approach Kemp has advocated since 1980. Businesses in the zones would be exempt from capital gains taxes and would get a tax break for hiring low-wage workers.

In keeping with Kemp's goal to refocus HUD's mission, all but 2 of the 12 initiatives in the plan are targeted to the poor or to the neighborhoods where they live. The major exception is a proposal to permit first-time homebuyers to withdraw as much as \$10,000 from individual retirement accounts and similar retirement plans, with no tax penalty, for down payments on homes.

There are also proposed reforms of the Federal Housing Administration (FHA), which suffered record-high default levels in 1988. The Administration plan would tighten FHA oversight, eliminate several programs and restructure the "co-insurance" program, which was the target of heavy losses and abuse during the Reagan years.

The package—Homeownership and Opportunity for People Everywhere (HOPE)—is projected to cost \$6.8 billion over three years. The total includes \$4.2 billion in direct spending and \$2.6 billion in revenues lost to the Treasury because of the tax incentives. Kemp says the costs, which would add to the federal deficit, would not be offset by reductions in other federal housing programs. He contends that new revenues could be generated by a cut in federal capital gains taxes, a move both he and Bush strongly endorse. Kemp also says the program could be financed through additional revenues that will accrue to the Treasury from growth in the U.S. economy.

Representatives across the housing spectrum—from advocates for the poor to



Richard A. Bloom

**Housing and Urban Development Secretary Jack F. Kemp**  
*His war on poverty borrows themes from the Great Society era.*

Realtors and home builders—praised Bush for putting forth a plan that acknowledges a strong federal role in solving national housing problems. Many of these groups were frustrated during the Reagan years by what they perceived to be deep antipathy to housing programs. “Kemp’s got the President talking about housing in a way we haven’t heard Presidents talk in years,” said James W. Rouse, the former developer who chaired a national housing policy task force in 1987 and now chairs the Enterprise Foundation in Columbia, Md.

But many observers also question how effective the President’s measures would be. According to housing analysts, the nation faces a lengthening list of woes confronting millions of households from the bottom to the middle of the economic ladder. The problems range from homeless people, estimated by the Urban Institute at about 600,000, to public housing, where many projects are plagued by drugs, violence and poor maintenance and management. The supply of rental housing that’s cheap enough for the poor to afford is fast dwindling, analysts say, even as the number of poor people rises. A Massachusetts Institute of Technology study predicts that as many as 18 million Americans could be homeless or on the verge of homelessness in 16 years if present trends persist. And because of high mortgage rates and rising home prices, home ownership rates fell during the 1980s for the first time since the Depression.

“The general thrust of the President’s proposals is very salutary and a big step forward,” said Barry Zigas, president of the Washington-based National Low Income Housing Coalition. “But when you look at the real results that might flow, they’re puny when compared to the need.”

On Capitol Hill, where House and Senate committees are considering omnibus bills to overhaul federal housing programs, the Administration’s proposal could break the logjam that stymied reform during the Reagan years. “The Administration’s proposal greatly increases the likelihood we’ll have a major housing bill next year,” said W. Donald Campbell, staff director of the Senate Banking, Housing and Urban Affairs Subcommittee on Housing and Urban Affairs. “There’s lots of overlap between what we’re saying and what the Administration is calling for. Their plan is well within the scope of good, solid debate.”

A likely topic for debate is that both the House and Senate bills would finance new programs to construct more rental housing for the poor; the Bush plan would not.

For Kemp, the HOPE proposals were interpreted as a clear indication he has accumulated some influence in an Administration that’s under heavy pressure to hold down spending. “The career staff at OMB [Office of Management and Budget] continues to show hostility to housing, so for Kemp to get a major package through the Administration was a real achievement,” Campbell said.

Kemp also persuaded the Administration to endorse a three-year extension of the low-income housing tax credit, which was set to expire on Dec. 31. In congressional testimony last spring, Kemp strongly endorsed the tax credit. At the

housing that’s going to keep people in poverty forever. Our belief is that poor people don’t want to be poor. They will take advantage of opportunity when it’s there. But there’s a reason why they’re poor, and that’s because they somehow have opportunities blocked or they’re not being given the education or training or assistance they need to move to self-sufficiency.”

Some wonder why Kemp would resurrect the notion of a war on poverty even as LBJ’s war comes under harsh criticism for its alleged failures. The objectives aren’t that different, according to S. Anna Kondratas, HUD’s assistant secretary for community development and planning. “The goals of the Great Society were to give people a hand-up, to use economic development and job training and educa-



*A scene at a shelter for the homeless; Kemp says rent controls aggravate the problem.*

Richard A. Bloom

same hearing, Treasury Department officials opposed it. Congress, as part of the budget reconciliation package that was adopted in November, approved nine months’ worth of the tax credit for next year, through Sept. 30.

### POWER TO THE POOR

In seeking to launch a new war on poverty, Kemp borrows several themes from the war on poverty launched 25 years ago by Lyndon B. Johnson. Kemp stresses, for example, “empowerment of the poor,” a theme also popular in the 1960s.

“For us, empowerment doesn’t mean what it meant to liberal reformers in the 1960s—which was redistributing wealth and trying to mix up political divisions of power,” Thomas M. Humbert, HUD’s deputy assistant secretary for policy, said. “Kemp doesn’t want an entitlement for

tion tools to give poor people opportunity and hope for advancement,” she said in an interview. “However, because of political deal cutting and the exigencies of bureaucracy, most of the programs became more ‘handouts’ than ‘hand-ups,’ and many were ineffective.”

Kemp has long held that the best way to attack poverty is to ensure that the national economy is strong. But unlike many conservatives of the Reagan era, he does not subscribe to the belief that growth will automatically “trickle down.” Kemp champions a strong role for the federal government in providing “seed corn” to encourage entrepreneurial efforts by the poor.

“Our new war on poverty rests on our fundamental belief that helping someone out of poverty must be a two-way proposition,” Kemp said in an interview. “Efforts

# Kemp's Role in the Revolution

Here are excerpts from an interview with Housing and Urban Development (HUD) Department Secretary Jack F. Kemp on Nov. 29.

## On the Bush Administration's Homeownership and Opportunity for People Everywhere (HOPE) plan

The HOPE package can lay the groundwork for a new war on poverty. It can even be considered Chapter 2 of the civil rights revolution in terms of jobs and giving people more control over their lives and a greater chance to own property and a stake in the American Dream. HOPE in and of itself isn't the answer to poverty and the underclass and some of the social pathologies that manifest themselves in certain parts of our country. But we're laying out the predicate, a premise, that poverty should not be considered perpetual. Poverty is all too often accepted as inevitable. It's not inevitable.

## On strengthening the poor

Government should make it known to every kindergarten student and every first, second, third or fourth-grader in every city in the United States, no matter what the condition they find themselves in, that we're going to guarantee you can get a higher education. If you expect great things from people, you're going to get better things. Our expectations have been too low. With the right rewards, people will respond. There is something sacrosanct about being a good citizen, having a well-paying job, having a piece of property, leaving something to your children and thinking about life in terms of long-term horizons instead of just existential, overnight survival.

## On the health of urban America

It's different in different parts of the country. We've had a good national recovery under President Reagan. He laid the basis for now taking a very important and much-needed second step, which is to export or expand economic growth and opportunity into areas that were left out. We've got to

take some compensatory steps to target these pockets of ghetto or barrio or centers of poverty or underclass people with some special effort. You can chronicle the decline of Europe in the Medieval Ages from the deterioration of the intellectual and artistic and economic and social life of the cities. The resurgence of cities in Europe led to the Renaissance, not the other way around.

## On his travels into poor neighborhoods

There's an elitist attitude among some on the Left and, frankly, some on the Right, that there's only one Kimi Gray on the face of the earth. [Gray heads the tenants' organization at Kenilworth-Parkside, a public housing project in Washington, D.C., that is being turned over to tenant ownership.] I meet them in every city. I refuse to believe that there are not these inspirational stories in every single neighborhood, every single community, every family.

There's gold out there. And it's true that in order to find gold, you've got to turn over a lot of mud and rock and stone and dirt. Ultimately, the leadership of any great institution—or any society, agency, football team, or any great business or great community—is based upon looking for the possibilities and uncovering the innate, intuitive, indigenous potential that is already there and underutilized.



Richard A. Bloom

"There's gold out there."

## On being at HUD

I don't think things happen by accident. I'm at HUD at this moment in history to both clean it up and give it a higher mission. I'm more excited about this, frankly, than anything I could have thought about other than maybe being President. . . . more excited than I would have been to be commissioner of the NFL [National Football League], as much as I love pro football. Frankly, I see this as fulfilling some of the revolutionary goals, not only of Dr. [Martin Luther] King [Jr.] and Rosa Parks and the great civil rights struggles, but the ultimate revolution, which was the American Revolution of Jefferson and Madison and Franklin.

by government and others to help should be matched by the commitment of recipients to take actions to become self-sufficient." (For more of Kemp's views, see box, this page.)

Increasingly, policy makers at all levels of government now agree with that proposition. In the 1960s, proposals such as "workfare"—requiring the poor to work as a condition of receiving government checks—were rejected. Today, new welfare laws in the states and at the federal level require welfare recipients to work or enroll in education or training programs. (See *NJ*, 12/2/89, p. 2942.)

Other ideas that conservatives put forth for this new war on poverty remain controversial, however. One is the notion that private developers should be cut out from all programs. Kemp believes HUD programs have enriched private developers but have not served the poor well. "The programs invite people to steal," HUD undersecretary Alfred A. DelliBovi said.

"Community groups are the key, but they can't do every project," said Benson F. Roberts of Local Initiatives Support Corp. (LISC), a New York City-based nonprofit organization that assists com-

munity groups' projects. "You have to bring in private-sector developers and accept them on their terms—they have to make a profit. HUD must require that public purposes are being served," he added. "But if you really want to revive a neighborhood, you need private developers too."

The House legislation would permit partnerships between nonprofit and for-profit developers in housing production programs. "We're not interested in that," Humbert said. "We have to be careful that we're not going to use nonprofits as a veneer for bringing back the costly new con-

struction, dependency-oriented housing programs of the 1970s."

Another point at issue is the conservatives' assertion that housing problems are perpetuated by rent control. Kemp declares that rent control laws, now in force in various forms in about 200 cities and counties, discourage private investment in low-cost rental housing and ultimately lead to shortages and more homelessness. In a 1987 report, William Tucker of Stanford University's Hoover Institution on War, Revolution and Peace in Palo Alto, Calif., surveyed 50 cities with rent control laws and found a link between the laws and homelessness. His research helped persuade the Senate committee to include in its omnibus housing overhaul bill a measure that would give the HUD Secretary discretion to withhold federal funds unless cities can show that their rent control regulations are not counterproductive.

The Washington-based Economic Policy Institute, in an October report, charges that Tucker's analysis is flawed. "The growth of homelessness during the 1980s has nothing to do with efforts by local governments to regulate skyrocketing rents," this report concludes. "Moderate rent controls eliminate extreme rent increases, but they do not eliminate the profits necessary to encourage investment in private rental housing."

## CLEANING UP

Kemp's first task has been to try to reform the management of HUD, which has been the focus of intense national attention and the target of much criticism. Executive branch and congressional investigations into political influence peddling, fraud and mismanagement in HUD programs will continue next year. (See *NJ*, 9/16/89, p. 2259.)

Last month, Congress approved a HUD reform package along the lines of one Kemp proposed in October. The law aims to strengthen HUD's oversight and program evaluation and prevent the type of abuses by private developers and consultants that plagued HUD during the tenure of former Secretary Samuel R. Pierce Jr. Kemp lobbied hard to persuade Congress to adopt the reform measures before overhauling housing policies and programs. "I don't think anyone would even consider our HOPE package absent restoring the credibility of HUD," Kemp said. "We've been through the valley of the shadow, and I think the sunlight is now beginning to shine."

But critics complain: the agency still lacks sufficient personnel and resources to manage its current programs effectively,

much less any new ones. Funds and staff for monitoring, evaluation and oversight of HUD activities were cut during the Reagan years. And some charge the scandals have made HUD's staff reticent about making decisions on pending projects, leaving developers, local officials and HUD contractors in limbo. "Decision making at HUD during the Pierce years may have been flip, but at least it got done," a former HUD employee said.

But some groups that felt shut out of HUD during the Reagan years say they now have far more access there. "Kemp and his staff people have shown them-



Richard A. Bloom

**HUD official Thomas M. Humbert**  
*The poor will take advantage of opportunity.*

selves to be accessible, educable and committed," said Bud Kanitz, executive director of the Washington-based National Neighborhood Coalition. "HUD under Reagan was a dumping ground for incompetents and people who were hostile to the mission of the agency," Campbell said. "This new group is clearly bright and committed to doing well."

Within the agency, sources say, debate is sometimes intense. From the outset, Kemp implored his staff to "go out and devise bold and radical proposals." Some say the staff divides loosely into two factions—those with a strong conservative bent and those without. Sources say the first group includes Humbert, Kondratas and DelliBovi, while in the other camp are C. Austin Fitts, assistant secretary for housing and federal housing commissioner, and J. Kenneth Blackwell, deputy undersecretary for intergovernmental relations.

## HOME OWNERSHIP

Bush's HOPE plan proposes \$728 million over the next three years for housing

and social services for long-term homeless persons who are mentally ill or addicted to drugs or alcohol. Tenants who live in apartment projects that are ripe for conversion to more-expensive housing—as owners pay off their HUD-assisted mortgages—would have an opportunity to buy their buildings before owners could convert them. And the plan proposes 50 "housing opportunity zones" in derelict urban neighborhoods. The zones would be competitively chosen. Cities would get preferred access to HUD programs in exchange for relaxing rent controls, zoning, building codes and other regulations in the zones, as well as offering property or other tax abatements.

The proposals arrive after more than two years of congressional effort to reformulate federal housing policy. The review began in 1986 when a coalition of state and local officials, housing industry groups and advocates of low-income housing began to protest the deep cuts in housing programs. Sens. Alan Cranston, D-Calif., and Alfonse M. D'Amato, R-N.Y., convened a national task force in 1987 to devise a new federal housing agenda. Its recommendations formed the basis of the Senate's legislation.

The Reagan Administration, meanwhile, largely succeeded in paring HUD's programs. Its budget authority plummeted from \$36 billion in fiscal 1980 to \$15 billion in fiscal 1988 in a shift from costly rental-housing construction programs toward certificates and housing vouchers to subsidize rents. HUD was subsidizing production of 250,000 private apartments annually when Ronald Reagan took office. When he left, HUD's commitments to finance such units had all but ended. The number of poor households receiving rental assistance grew by about one million during the Reagan years.

The Reagan Administration argued that there were millions of vacant housing units across the nation, so that construction programs weren't necessary. The problem, some housing analysts say, is that vacant units are too expensive for the poor or aren't located in the tightest urban markets. "Luxury apartments do not help large families, minority groups or people who are very poor, and vacancies in Houston don't help people in Boston, Washington, D.C., or San Francisco," Campbell said.

The Senate bill would establish a \$3 billion annual program to enlarge the nation's supply of low and moderate-income housing. HUD would channel the money to states and localities, which would have wide flexibility in deciding how to spend

it. The House measure likewise includes subsidies for constructing low-income rental apartments.

"We're not for new construction programs but for home ownership," Humbert said, adding: "We're not going to make an ideological statement about never wanting new construction. In some cases, it may be warranted." He noted that the low-income housing tax credit, which Bush endorsed, finances construction as well as rehabilitation of housing for the poor. This year, the credits produced more than 100,000 new or restored units.

"A strategy that concentrates primarily on transferring ownership of existing stock to people already living in it doesn't deal with the fundamental problem—which is to deal with expanding stock for people at the bottom," Campbell said.

The housing plan offered by Bush and both bills in Congress would channel substantial new resources to community-based nonprofits engaged in housing development.

Though a handful of conservative critics liken the idea to "re-funding the Left," most observers say that such groups are now a major factor in the delivery of housing for the poor. There are an estimated 2,000-3,000 community development organizations nationwide. A survey sponsored by the Washington-based National Congress for Community Economic Development, a national association of community groups, showed that 834 groups had produced nearly 125,000 units of new or renovated housing, most of it during the 1980s.

The Bush proposal would provide \$567 million over three years for nonprofits to rehabilitate government-owned properties and resell them to low-income fam-



John Eiseler

**Bud Kanitz of the National Neighborhood Coalition**  
*Kemp and his HUD staff are "accessible, educable and committed."*

ilies. The Senate committee's bill would require that states and cities channel a portion of their federal housing grants to the housing projects of community development groups; the House committee's bill proposes a \$500 million program to finance local housing production programs that involve the nonprofits.

The Senate panel's plan, like Bush's, would permit first-time homebuyers to use funds drawn from retirement accounts for down payments. The House panel's would create a \$2 billion annual trust fund to lower mortgage rates for first-time buyers.

#### EVANGELIZING

Some critics charge that Kemp's war on poverty is designed to boost his own political ambitions (he sought the GOP

presidential nomination in 1988 and might make another try someday) or to try to win points for the Republican Party among the poor and among black voters.

Kemp—unlike his reclusive predecessor, Pierce—circulates tirelessly. He testifies regularly on Capitol Hill and makes frequent forays into poor communities, visiting public housing projects and lunching at shelters for the homeless. "I think Kemp had never seen in quite so drab colors the dark side of America," Humbert said. "I think it's given him an almost evangelical purpose and a greater sense of urgency."

The Secretary peppers his stump speeches with quotes from Abraham Lincoln, the Rev. Martin Luther King Jr. and Charles Dickens and frequently refers to the Old Testament's Nehemiah. "Nehemiah was the HUD Secretary of Jerusalem," he told an audience this year. "Nehemiah realized ancient Judea could not survive without its cities. Neither can America."

"Jack Kemp is a breath of fresh air," Rouse said. "He brings to HUD a real concern about the lives of people who aren't making it in America. He earnestly wants to do something."

But many of Kemp's ideas—from tenant ownership of public housing to enterprise zones to reliance on community groups to deliver substantial amounts of housing for the poor—are largely untested.

And Roberts of LISC said: "I love Jack Kemp's phrase—he calls himself a 'bleeding-heart conservative.' That said, I don't think the folks at HUD yet know or understand well enough the tools they'll need to follow through on their vision. Community development is very complicated stuff." □



Richard A. Bloom

**Enterprise Foundation chairman James W. Rouse**  
*"Jack Kemp is a breath of fresh air" at HUD.*

# Security Blanket

Applying the huge social security surpluses to federal budget deficit calculations masks the deficit's size and blocks economically useful, long-term investment, many experts say.

BY LAWRENCE J. HAAS

It's no secret that what worries Washington policy makers often escapes notice beyond the Capital Beltway. And so it is with social security, whose burgeoning surpluses are the subject of growing debate in the White House, Congress and elsewhere around town.

"I don't see any political pressure coming on this from anywhere," said Ronald S. Boster, chief of staff to Rep. Willis D. Gradison Jr., R-Ohio. "I can't recall a single letter [that] said, 'We ought to balance the non-social security budget.'"

But across the Capitol, Sen. John Heinz, R-Pa., says that when it comes to social security surpluses, the public is often a sleeping giant that awakens with a vengeance when told that the surpluses are being used to finance spending in other parts of the federal budget.

After Heinz explains in newsletters that the surpluses in the retirement trust fund help pay for such current federal programs as defense, housing and transportation, he says, 23 per cent or more of the newsletter recipients mail back their almost uniformly negative thoughts. On other subjects, only 2-4 per cent of recipients are moved enough to write, he adds.

"They may not know what the government is doing without our explaining it to them," Heinz said recently. "But once they understand, they are universally upset. . . . More important than even the rate is kind of the quickness and intensity of the response, which is visceral—'Keep people's hands off the social security system.'"

Just when the social security surplus might—with prodding from politicians—grow into the kind of broad-based political issue that many predict for it is unclear. But only an unexpected interparty brawl over capital gains taxes, and a subsequent agreement to keep that and other

issues out of legislation to raise the debt limit, kept Congress from a full debate on social security last month as part of that debt bill.

The subject is nearly certain to be back on the congressional agenda, perhaps as early as spring, either as part of the next round of tinkering with the budget process or separately. Majority Leader George J. Mitchell of Maine, Budget Committee chairman Jim Sasser of Tennessee and other key Senate Democrats almost guaranteed that when Heinz threatened to block the debt limit legislation on Nov. 7, just a day before the Treasury Department predicted that the government might default.

Though Heinz backed down after a testy exchange with Mitchell and pleas from Senators of both parties, he has no interest in backing off permanently. Nor do Sens. Phil Gramm, R-Texas, Ernest F.

Hollings, D-S.C., Daniel Patrick Moynihan, D-N.Y., and Terry Sanford, D-N.C., or House leaders and others with ideas on the subject.

Whether America's elected officials can "do the right thing," however that is defined by specialists in federal agencies and in private think tanks, is far less certain. For as much as any other issue, this is one in which politics and economics not only don't match, they may be diametrically opposed.

"We are torn between an economic answer and a political answer—which may be two different answers," Rep. Frank J. Guarini, D-N.J., said at a Budget Committee hearing in September on the social security surpluses.

Republicans remember only too well that after President Reagan proposed in 1981 to cut social security benefits, Democrats used that against them in the 1982



Sen. John Heinz, R-Pa.

*Delay makes it harder to exclude social security from the deficit calculation.*

Richard A. Bloom

and 1986 midterm elections. Democrats, meanwhile, are openly wary of allowing Republicans to steal the social security issue. And neither party needs any reminders about the political strength of the elderly, with Congress having just been forced to repeal the new catastrophic health care insurance program after an outcry from senior citizens.

Also at stake is the future of the 1985 Balanced Budget Act, whose schedule of annual deficit targets is supposed to culminate in 1993 with a balanced budget. Changing the way the budget treats social security surpluses could force Congress to extend those deficit targets until the end of the century.

If, for instance, a decision is made to remove the surpluses from the deficit calculations while leaving the deficit targets unchanged, the White House and Congress would have to do a lot more deficit cutting in non-social security programs to meet those targets; that might make a tax increase likelier. If, on the other hand, the decision is to remove the surpluses from the calculations while stretching out the deficit targets by a few years, policy makers would have to continue playing the annual game of meeting those targets well into the 1990s.

On one level, the issue is simple. Because of changes implemented in 1977 and 1983 to avert a short-term bankruptcy of the trust fund and build a financial cushion for the future, the payroll tax is now bringing in much more money each year than the social security system must spend on benefits. Accumulated surpluses are projected to reach nearly \$12 trillion by about 2030 (in 1988 dollars,

more than \$2 trillion), before the money is needed to pay for baby boomers' retirement. Because of legal requirements that the surpluses be invested in Treasury securities, social security helps to underwrite deficit spending elsewhere in the budget by reducing the amounts that the government must raise by selling Treasury securities in financial markets.

Nobody is too happy about that. For one thing, applying these huge surpluses to today's annual deficit calculations masks the size of the deficit, according to numerous experts. In fact, despite all the talk of deficit cutting in recent years, official estimates show that the non-social security deficit is still growing. (See table and chart, this page.)

### FIXING THE PROBLEM

Not only does that accounting reduce the government's incentives to fix its books, it also lets policy makers rely on the regressive social security payroll tax, rather than the more-progressive income tax, to finance current spending. And it allows those surpluses to be used for current consumption instead of being invested in long-term, economically beneficial enterprises.

But fixing the problem is not easy. Even the terms of debate are confusing, if not misunderstood. Everyone wants to "protect" social security, and some want to do it by somehow separating the hugely popular program—which represents 23 per cent of all federal spending—more clearly from other programs in the budget.

The most popular approach, advanced by Democrats and Republicans alike, is to force the government to balance its books

without counting the trust fund surplus. But that would make it impossible to declare the budget balanced in 1993, as the Balanced Budget Act now requires. If the projected social security surplus of \$99 billion for that year is not counted, Congress would have to raise taxes or cut spending by that additional amount to achieve a balanced budget.

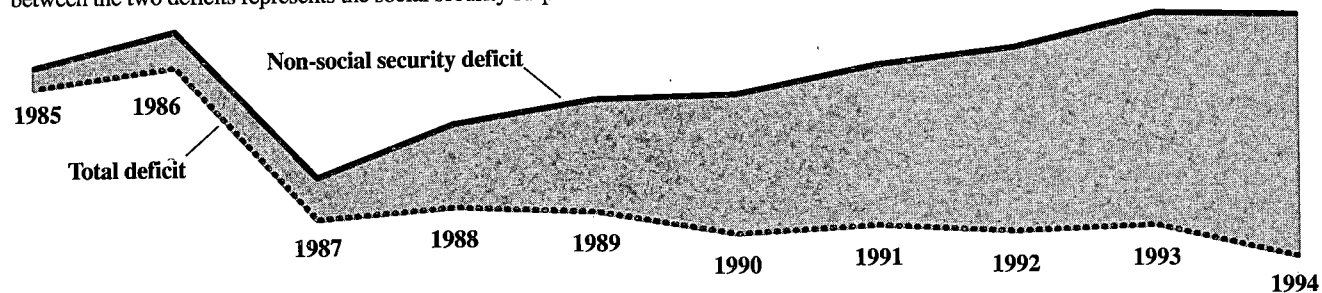
Differences between the various proposals deal mostly with the timing of such a drastic revision. Heinz and Holling, for instance, want the change made immediately, and they would raise the annual deficit targets so that the adjustment could be made in an orderly way. "It is time to stop playing games with social security and the government's finances," Hollings wrote on Oct. 1 in a *Washington Post* op-ed article.

Besides, Heinz said in an interview, the longer Washington waits, the harder it will be to make the change. If it took place next year, for instance, the deficit would climb by only \$65 billion; if it waited until 1994, the deficit target would immediately go from zero, under current law, to \$113 billion. In Heinz's view, it would be politically awkward to have to explain that to the voters. "There's a very great risk that if we wait until '93, it's going to be too embarrassing."

Gramm and the House Republicans, who drafted a plan under the direction of Rep. John R. Kasich, R-Ohio, recommend that the change take place in 1994, after the current deficit targets expire. House Republicans say that Federal Reserve Board chairman Alan Greenspan recommended such timing so that financial markets would not be disrupted.

## How Social Security Surpluses Shrink the Budget Deficit

Without the huge surpluses in the social security trust fund, the over-all federal budget deficit would be even larger than currently projected. The chart shows that the non-social security deficit is expected to rise, but that the social security surpluses through 1994 will offset that deficit and serve to put the total deficit on a declining path. Figures through fiscal 1989 are final. For 1990-94, they are the Congressional Budget Office's August estimates and do not incorporate the final 1989 figures or congressional action for 1990. In the chart, the difference between the two deficits represents the social security surplus's contribution to deficit reduction. All figures are in billions.



	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Non-social security deficit	\$221.6	\$237.9	\$169.3	\$193.9	\$204.5	\$206	\$219	\$227	\$242	\$241
Total deficit	212.3	221.2	149.7	155.1	152.1	141	144	141	143	128

Kasich, explaining his proposal at a Nov. 1 news conference with House Minority Whip Newt Gingrich of Georgia and the Budget Committee's top Republican, Bill Frenzel of Minnesota, said: "In a nutshell, what it does is attempt to preserve social security well into the next century. It's designed to protect the baby boomers, while at the same time preserving people's ability to receive it today."

Though perhaps well-intentioned, such pledges to "protect" social security are largely meaningless. There is no way to do that, just as there is no reason to think the program is currently threatened.

Social security surpluses can't be "saved," unless the government literally stores dollar bills in a vault and lets inflation eat away at their value. As Congressional Budget Office (CBO) director Robert D. Reischauer said at the House Budget Committee's September hearing, "It is not like we are putting away food and clothing and real resources in a closet and we are going to open that closet up and distribute those accumulated goods and services to the retirees of the next century."

Nor should the surpluses, invested in Treasury securities, be seen as wasted. Addressing that point at the same hearing, Rudolph G. Penner, a former CBO director and now a senior fellow at the Urban Institute, said: "There is a more peculiar argument that implies that the fact [that] social security is financing part of the non-social security deficit represents a waste of social security resources or even worse, some sort of theft from the social security system. . . . That is no more true than to say my own private pension system . . . is somehow being exploited because it invests some of its money in Treasury securities."

That doesn't mean, however, that proposals to change the way the budget treats social security are not important. The question is not whether social security is "protected." It is whether the nation's economy can easily withstand the costs associated with the retirement of baby boomers in the middle of the 21st century.

Moynihan, a member of the National Economic Commission (NEC) appointed almost two years ago to come up with a solution to the budget deficit, wrote somewhat dramatically in the NEC's minority report early this year: "We can slouch into the 21st century, or we can march into the 21st century. The outcome will turn on whether we get our political arithmetic in order over the next five years."

If social security surpluses are going to be invested in Treasury securities—which are widely viewed as the safest investment around—then the securities must be redeemed when baby boomers retire. To do

that, federal policy makers will face three unpleasant choices: raise taxes, cut other spending and borrow more.

That one of those decisions, or a combination of two or all three, will be made is not in question. Despite public skepticism about the social security system's long-term viability, few are talking about anything other than paying benefits to everyone eligible.

The task won't be easy, as demographic changes take place in the coming decades. As baby boomers retire, the ratio of workers to retirees will shrink, placing a greater burden on each worker. Instead of having five people 20-64 years old for every person who is 65 or older—as was the case in 1985—the United States will have fewer than three by 2025, Penner wrote in *Social Security and National Savings*, a study for the Committee for Economic Development, a private business group.

### BLESSING OR CURSE?

So, paying for the baby boomers will be an economic burden. But will the budgetary changes now being debated ease that burden to the point of insignificance or make it a heavy one?

That depends. Social security surpluses are a blessing or a curse, depending on how they are handled. If, as most economists believe, future economic growth is largely tied to national savings, then social security brings a new pool of potential savings.

Right now, however, with the surpluses being used to help meet annual deficit targets, no savings are accruing. That could change if the non-social security portion of the budget were balanced; that would make the social security surpluses extra funds, in essence. Instead of financing the deficit, the surpluses could be used to reduce the national debt, which just topped \$3 trillion and is headed much higher.

For economic purposes, of course, the savings need not accrue from social security. Any kind of savings would do. The government could, for instance, continue to count social security as part of its unified budget and thus run a budget surplus. That, too, would add to national savings and, therefore, future economic growth.

And yet the idea of setting the social security surpluses aside and balancing the rest of the budget—or, as economists like to say, "validating" the surpluses—carries an appealing logic: Today's baby boomers accept the hard choices of tax



Richard A. Bloom

General Accounting Office's David G. Mathiasen  
By 1993, the problem's \$100 billion worse.

hikes or spending cuts to balance the non-social security part of the budget, and plan for their own retirement by validating the surpluses in a separate pot.

Indeed, Alice M. Rivlin, a Brookings Institution senior fellow and former CBO director, suggested to the House Budget Committee that "social security trust funds should be separated visually from the rest of the budget—shown on separate lines on all budget tables, for example—to dramatize to politicians and beneficiaries that these funds are held separately and dedicated to the specific purpose of paying social security benefits."

But whether any of the proposals would help validate the surpluses is questionable. Under an optimistic scenario, if the surpluses were not used to reach the deficit targets, the government would presumably also take the much tougher steps needed to meet those targets, even if that meant a substantial tax increase.

"To the extent that you take the much tougher measures to balance the non-social security part of the budget, it becomes correspondingly more difficult to see how it can be done only on the spending side," said General Accounting Office (GAO) budget expert David G. Mathiasen, who said he did not speak for the GAO. "By 1993, it makes the problem \$100 billion worse and increases the pressures to raise revenues."

But some experts worry about what would happen to the surpluses if they



Richard A. Bloom

**Ex-Budget Committee aide Patricia A. Quealy**  
*Other trust funds might get special treatment.*

weren't needed to meet the deficit targets. Many fear that the White House and Congress, instead of using them to repay the debt, would spend them on new programs, principally for senior citizens who view that money as theirs.

"All you do is open up the possibility that the surplus that's being accumulated on paper can be spent for anything and everything that man could invent without being subject to any fiscal discipline," Office of Management and Budget director Richard G. Darman said at an Oct. 27 briefing.

After all, as experts note, spending the surplus would cause no short-term pain, and perhaps some gain. Because the surplus would not count in the deficit calculation, its depletion would not set policy makers back in terms of keeping their books in balance. At the same time, they could curry favor with constituents, particularly senior citizens, who have a long wish list of unfulfilled items.

Proponents of the pending social security proposals are aware of such problems. House Republicans, for instance, suggest that if the surpluses are removed from deficit calculations, moves to change the actuarial status of the trust fund would have to win 60 per cent of the vote.

"I think that given a report that says, 'This undermines the baby boom generation's chance of retiring on social security,' I think you could easily get 40 per cent of the Congress that would vote to

defend that [report]," Gingrich said at a news conference.

Maybe not, said Stanley E. Collender, director of federal budget policy at Price Waterhouse, a New York City-based accounting firm. "First of all, getting a super-majority [60 per cent] is never a problem," he said. "If you're thinking about increasing social security benefits, then who's going to vote against that?"

### SPECIAL STATUS

Taking social security surpluses out of the deficit calculations would give the program special status and, critics warn, tempt policy makers to apply similar treatment to other programs financed by trust funds that are running surpluses and can't be spent for general government needs.

"I don't think you'll see the social security trust fund come off without the other trust funds, like aviation, coming forward and saying, 'Wait a minute,'" said Patricia A. Quealy, the House Budget

Committee's former chief counsel and now special counsel in the Washington office of Eckert Seamans Cherin & Mellott, a Pittsburgh law firm.

The first to win such treatment might be medicare, the other huge trust fund that serves the elderly. If medicare as well as social security retirement funds escaped scrutiny, Urban Institute senior fellow Isabel V. Sawhill said in a paper, "the rest of government will be starved for funds. Spending for such purposes as education, the war on drugs, preventive health care, infrastructure, research, the environment and other investments in the future will be crowded out by the escalating costs of programs for the elderly."

If taking social security out of the deficit calculations raises certain risks, leaving it alone raises others. The more the government uses the surpluses to underwrite deficit spending, the more it relies on regressive payroll taxes to achieve those surpluses. And that is anathema to many Members of Congress, especially Democrats.

"The thing that is causing me a lot of heartburn is the recognition that between now and 2020, if we continue this current accounting system that we have, we are going to go through a period of time where the payroll tax is going to become an increasingly large source of revenue to pay for the operation of the federal government," Rep. Jim Slattery, D-Kan., said at the Budget Committee hearing.

But Moynihan vows that the situation won't last long. In the NEC report, he wrote: "Let no one suppose that a Democratic Congress will much longer allow a payroll tax to be used to service a \$2 trillion-\$3 trillion debt owned in vastly disproportionate amounts by wealthy individuals. . . . This is not a threat. It is a political reality and, indeed, an ethical imperative. The nation struggled for a generation to ratify the 16th [income tax] Amendment to the Constitution. We are not about [to] see it effectively repealed by a reform in the financing of social security."

Some experts advocate a restructuring of social security so that trust fund surpluses don't accumulate in the first place. Rather than maintain the current 75-year solution to social security, policy makers could go back to the more traditional pay-as-you-go approach in which revenues approximate spending needs from year to year and are raised and lowered when that's necessary.

Some experts call this the best approach of all. Others view it as an alternative if the government can't find a way to use the surpluses to boost national savings.

In the first school are Penner and Robert J. Myers, former chief actuary and deputy commissioner of the Social Security Administration. Not only would policy makers not be tempted to spend the surpluses, Penner says, but they might also be more inclined to reexamine social security in conjunction with their annual budget battles. Furthermore, by cutting payroll taxes, Washington would be in a better position to raise other taxes to cut the deficit.

The GAO is in the second school. After recommending that the government use the social security surpluses to boost savings, the GAO wrote in a January 1989 report: "If the Congress and the President are unable to agree upon and implement a strategy for restoring fiscal balance in the non-social security part of the budget, we believe that the Congress should reconsider the pattern of payroll tax increases that is producing the current and projected social security surpluses. To implement this option, it would be appropriate to return the social security program to a pay-as-you-go financing basis once the social security reserves have reached a desirable contingency level of about 100-150 per cent of annual outlays."

When it comes to social security, of course, anything that Washington does, or doesn't do, entails political risks. As Kasich put it in an interview: "Social security . . . it's almost like a basic foundation of this country. To me, it's almost like the flag. I mean, people have come to expect it and depend on it." □

## Bush's Course to Malta Summit

By David C. Morrison

That the American and Soviet Presidents spent much of the first day of their Dec. 2 and 3 parley in Malta anxiously pacing the decks of their respective ships, unable to meet thanks to gale-force winds, was perhaps Mother Nature's way of chiding George Bush for wanting to "meet cute" with Mikhail S. Gorbachev in a logistically complicated "summit at sea."

Far more important, that the super-power chiefs wound up their "non-summit summit" in a cheerful and unprecedented joint press conference was a measure of a dramatically sharp turn taken by the Bush Administration. In Malta, the United States embarked on a course of overt cooperation with a Soviet government for the first time since the World War II.

"Over the last week, there were two important developments," Arms Control Association assistant director James P. Rubin suggested. "First, after 70 years [of Kremlin-Vatican rift], Gorbachev endorsed the Pope. And second, after a year of struggling, Bush endorsed Gorbachev."

Formal negotiations were not on the agenda. But the two sides did set schedules for accelerated action on several arms accords. And much of the movement in this arena, significantly, was made by Bush.

Reversing his earlier reluctance to tie strategic arms talks to a firm deadline, for example, Bush committed himself to concluding the key elements of a pact before the next summit, slated for next June. On chemical weapons, Bush also dropped his insistence that the Pentagon be allowed to keep producing new nerve agents after a global ban has been signed.

Even on one of the few issues of substantive disagreement—Nicaragua's alleged provision of East Bloc arms to the leftist guerrillas in El Salvador—Bush was conciliatory: "I don't believe that the Sandinistas have told the truth to our Soviet friends."

Of paramount relevance to super-power relations, however, were Bush's offers to support observer status for the Soviet Union in the 97-nation General Agreement on Tariffs and Trade and to restore the Soviet Union to

"most-favored-nation" trade status after it codifies liberal new emigration policies. These matters "are of principal importance," said Gorbachev, who badly needed to return to Moscow with some rays of economic hope.

"Bush is known for incrementalism; it is a dramatic turn for him," the Center for Strategic and International Studies' James A. Blackwell Jr. said of the tone in Malta. But, he added, Bush "has been walking up to this point."

Only last April, remember, Bush's protracted "national security review" urged on him a "status quo-plus" approach to *perestroika*. The relationship now emerging, in which Bush has emphatically assumed a stake in Gorbachev's success, however, bears little resemblance to the grim postwar status quo.

Bush quickly rejected that review's findings, widely derided as too determinedly centrist. And in a series of foreign policy addresses last spring, he began groping for a handle on the Gorbachev phenomenon.

In an April 17 speech in Hamtramck, Mich., Bush stressed the need for "prudence, realism and patience." In a May 12 speech at Texas A&M University—widely criticized as overly cautious—he said that the United States could move "beyond containment," but laid out a laundry list of changes in Soviet policies as a prerequisite.

At Boston University on May 21,

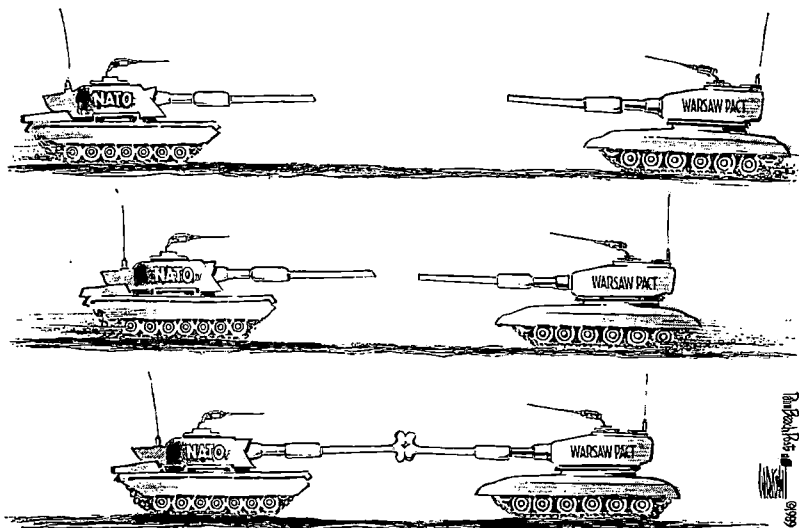
Bush warned against "growing complacency" in responding to Gorbachev. And four days later, in a speech at the Coast Guard Academy reportedly designed to appear "more positive," Bush said he would "seize every—and I mean every—opportunity to build a better, more stable relationship with the Soviet Union."

Over the ensuing months, however, the Administration spoke in conflicting voices, with key players publicly expressing wariness about Gorbachev's sincerity and the likelihood that he would succeed in his reforms.

But a seismic shift in thinking was signaled by Secretary of State James A. Baker III in a widely remarked Oct. 23 address in San Francisco. "Any uncertainty about the fate of reform in the Soviet Union," he argued, "is all the more reason, not less, for us to seize the present opportunity."

And two weeks after that, of course, the Berlin Wall came down. One of the prerequisites Bush had set on May 12 for welcoming the Soviets "back into the world order," that stunning event set the stage for the striking show of U.S. support for the Soviets on display in Malta.

"The United States has declared that it has stopped economic warfare against the Soviet Union," Georgi Arbatov, Moscow's chief America expert, exulted to reporters in Malta. "We are now being dealt with as a normal country." □



# Democrats Making Wrong Connections?

By Dick Kirschten

Oregon's Neil E. Goldschmidt has a unique perspective on the national political scene. He's a Democratic governor in a historically Republican state. If he is elected to a second term next year—by no means a foregone conclusion—he will be the first member of his party to achieve that distinction since 1906. Yet, he's governor of a state noted for its cultural liberalism; it was one of the few carried last year by Democratic presidential candidate Michael S. Dukakis.

Goldschmidt, a former mayor of Portland and member of President Carter's Cabinet, met with members of the *National Journal* staff on Nov. 28. Among other matters, he talked about the "gridlock" between taxpayers and government—nationally and in his state, where voters consistently resist either property tax increases or the imposition of a sales tax. While heaping plenty of blame on Republican Presidents Reagan and Bush, Goldschmidt also criticized the direction taken by Democrats at the national level who, he said, have become more closely identified with interest-group lobbies than with the aspirations of individual

voters. He also spoke of the social costs of drugs and the dissolution of the family and complained that the federal government is trying to shift financial burdens to the states. Following are excerpts from his remarks.

\* \* \*  
You've got a President [Bush] who hasn't found a problem he would pay for. He won't pay for education; he won't pay for drugs; he won't pay for Poland. I mean, you can name it, he won't pay for it. . . . We've got an overhang of two Presidents in a row that essentially have made an enemy of the government. Basically, the message they have is that "government is a bad idea; we aren't for government programs; we don't want it to spend money; we think it does bad things when it does that." This is a fundamental difference between those guys and the Administration I served in.

\* \* \*  
We [Democrats] have got this core of things that we are really separated from the Republicans on. But we do it by interest groups, I think, not by direct connection with the voters. . . . We need to be a lot better profes-

sionals at crafting these connections. We have a great desire to go out and tell the people we're for them on minimum wage, we're for them on benefits of various kinds. . . . On health care, if [Rep.] Henry Waxman [D-Calif.], instead of going to the hospital groups and all the lobbies that want him to come and talk, got himself out on the road and started trying to trade [ideas with ordinary citizens] and turn his message into a national agenda, he'd succeed, I suspect. . . . We're all capable of doing some of that. But I don't think we've done that very well.

\* \* \*  
People are quite aware that there has been a change in family structure and [that there are] social problems and drugs. . . . And people are sitting there saying, "I'm taking care of these things for my kids; why aren't these other people doing it? Why do I have to pay for it? But on the other hand, if I don't, look what's going to happen to the generation my kids are going to grow up with." We have this [question] kind of rolling and churning underneath the debate about taxes. "Are we getting our money's worth on schools? Do we have to pay millions more for social



Richard A. Bloom

Oregon Gov. Neil A. Goldschmidt: Democrats have a "core of things" that separate them from Republicans. . . .

services so that these kids don't end up in prison? Why doesn't somebody take responsibility for it?"

\* \* \*

Bush comes in with his troops and says the answer is choice in schools. The 27 per cent that aren't graduating—a substantial chunk of them are from families who never intended to exercise any choice. . . . Teachers are saying, "Can you help us make these parents bring their children to school?" Choice? They've made it. Stay home and take care of the babies. Give them drugs. They're getting these drugs from their parents and from their brothers and sisters. . . . The toughest constitutional decision we have to make after the death penalty is termination of parental rights. The biggest issue in our society and in our state today is how much involvement do our people want us to have in these cases where they are delivering children and not raising children. . . . And I think, in the end, the Republicans don't have an idea how to fix this, [while] we have people in our party who are really committed to understanding it. But we haven't had this conversation in a way that the American public feels comfortable about at all. It's just been more taxes.

\* \* \*

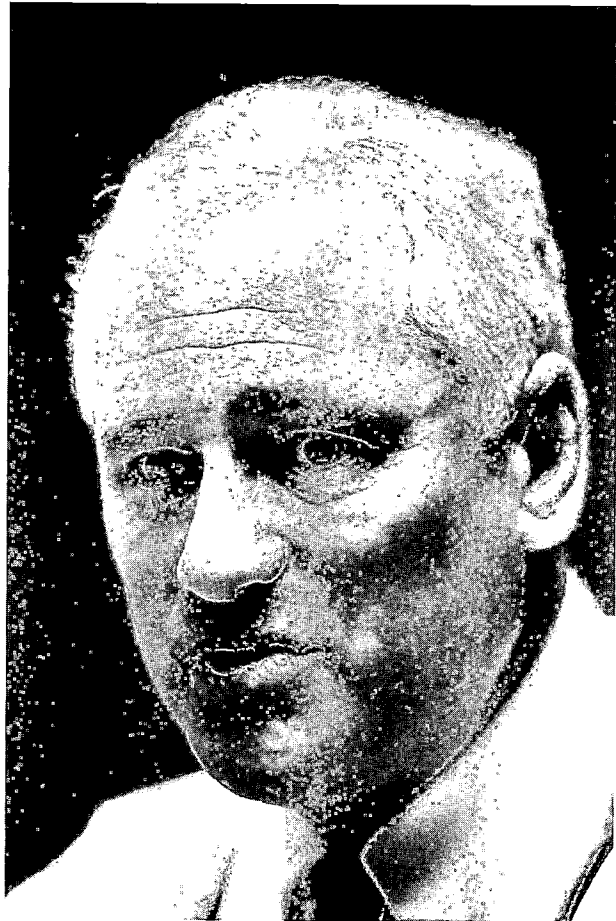
There is a lot of frustration about this problem that is going on around us. . . . People are saying, "Why the hell do I have to pay for all of this stuff?" . . . But they understand that it isn't [a question of] "If I don't pay, these people will have to take care of themselves. They aren't taking care of themselves, and in the end, my kids are going to pay for it—in prisons or welfare or in drug rehab houses." So the question is, how do we create a performance contract between [citizens] and the government, which they suspect will take any amount of money and spend it in stupid ways. . . . And where the Democrats get to be suspect, I think, is that we don't treat this as an agreement between the citizens and an outcome in which somebody is actually looking at the results. [Instead] it's an agreement between us and a union that supported me. It's a deal between all these political interest groups. That's in the head. . . . It is a very difficult problem constructing something in our society in which people feel they are going to get their money's worth.

The ultimate irony of all this is the question of whether the education system is capable of delivering a work force that is in turn capable of being the competitive engine that drives us in the world market. [That] is really very much in doubt nationally. . . . We know it needs to get better. The challenges are all there. I mean, are we going to internationalize our children's education? How much foreign language are we going to provide for our kids? Our university system wanted to put in a foreign language requirement for entry to the state's three major universi-

ties. [They] were told by the education leadership in K through 12, "Great idea, but we don't have the money to hire the faculty to teach the languages." Those are issues we have to [address], but we've got to get through this issue of the property tax first.

\* \* \*

Congress is adding mandates to Medicaid faster than most states can keep up with them. . . . The governors have asked for essentially a moratorium, which I think is pretty remarkable since we don't agree on so many things. It's a serious problem because what we've got is entitlements being created for groups that have got the capacity to lobby for those entitlements, while whole blocks of citizens aren't getting any improvement in their services at all. . . . The governors, sort of as a group, are out there confronting their voters with tax issues and spending issues day after day, while they [Members of Congress] are dropping these mandates on us. And, I want to be clear about it, my party to a



Richard A. Bloom

... But Democrats give interest groups too much attention.

great extent is the one that is doing it.

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[Sen.] Al Gore, [D-Tenn.], [Sen.] Bill Bradley, [D-N.J.] and [Rep.] Ron Wyden [D-Ore.] and others have battled to get resources into the social services agenda. . . . I certainly don't have any discomfort about the values [they] are expressing, but we [governors] have got a lot of discomfort about the shift that is going on here; just a continual shift of responsibilities to us with our somewhat limited capacity to meet it. . . . So the question for me isn't whether [their] values are out of sync, or whether there would be a very massive disagreement between Democratic governors and our congressional delegation if we went to a platform convention. It's just that they can't keep doing this unless they are prepared to pay for it. Waxman is and Bradley is, but they are not going to win this fight with George Bush. So what we've got is a system in which the compromise is, "If you tell the states to do it, it's OK." □

By Rochelle L. Stanfield

If your favorite network talk show or newspaper op-ed page has been giving increased attention to events in the Soviet Union—a likely bet these days—you've probably been seeing a lot of Dimitri K. Simes.

Simes, a senior associate at the Washington-based Carnegie Endowment for International Peace, is a regular commentator on NBC News and a frequent contributor to *The Washington Post*, *The New York Times* and the *Los Angeles Times*, among other newspapers.

He looks the part of a Soviet commentator—bald pate, black beard and heavy Russian accent. More important, Simes is a master of instant analysis, a talent he considers legitimate and necessary “in a period like this of great uncertainties.”

“There is great pressure on all of us [analysts] to make judgments quickly,” he said. “[Decision makers] have to formulate national policy before the evidence compiled is lengthy.” And if he did not participate in the instant analysis game, that would not prevent others with contrary opinions from presenting their side, in his view giving the public a skewed and unbalanced picture of the situation.

Though he is an enthusiastic participant in foreign policy debates, “I start with the assumption that I will have a marginal effect,” he said. “I don’t think academics have much influence on operational decisions. Talking to senior officials is never very useful unless they are close personal friends.”

That doesn’t prevent him from attending meetings with such officials, he went on, partly because it is an ego trip; partly because it is necessary to be taken seriously in the foreign policy community; and partly to “understand, by listening to the questions they [the officials] ask, where they stand.”

Simes considers himself a skeptic but not a hard-liner. When Soviet leader Mikhail S. Gorbachev burst on the scene, “the great liberal thinkers were prepared to let him get away with murder before he began to deliver,” Simes said. “I was prepared to listen, not to dismiss him. But at the same time, not to be mesmerized by this man.”

Sovietologists have been taking a lot



Richard A. Bloom

## A Sovietologist Scores In Instant Analysis Game

of heat lately for missing the early signals of the drama now unfolding in the Soviet Union and Eastern Europe.

Simes prides himself on predicting substantial change in the Soviet leadership in a 1978 article in the *Journal of International Affairs*. “So [current developments] didn’t come as a shock to me,” he said recently. “Although I didn’t predict the magnitude of what is happening.”

He also wrote a piece in the March 1, 1987, *Washington Post* suggesting that Gorbachev might dismantle the Berlin Wall as the “ultimate East-West public relations coup.”

Simes is a controversial figure among fellow Sovietologists, a fractious and competitive community. “The Soviet field was highly polarized until recently. Now it is simply confused,” said Michael Mandelbaum, director of the project on East-West relations for the New York City-based Council on Foreign Relations. Simes has a “clearer sense of the history and portent of what’s going on because he knows Soviet society so well, from the inside,” Mandelbaum said.

“He writes fast, has the ability to grasp quickly what is going on and the ability to put things on paper,” said Milan Svec, a former Czech diplomat who is now a fellow at the U.S. Institute of Peace in Washington. “I respect the guy, but I disagree with him

on numerous occasions. His analysis is as good as anybody’s who criticizes him.”

One critic is Edward N. Luttwak, a Soviet expert with the Center for Strategic and International Studies (CSIS) in Washington. “I have never personally seen any research work he has done, unlike all other Sovietologists who command authority from their peers,” Luttwak said.

Others criticize Simes for using gimmicks, such as cultivating a strong Russian accent, to enhance his television image.

Simes, 42, was born and educated in Moscow. The son of Jewish dissidents, he was outspoken from an early age. He proudly points to being expelled from Moscow State University because of his views on Vietnam.

In 1972, Simes emigrated with his parents and wife. While in Rome awaiting transportation to the United States, “I was very lucky,” he recalled. “The CIA came to interview me as a possible Soviet agent, and as a result of the interview, I became a consultant.”

Through the network of personal, family and professional connections, he went to work in Washington for CSIS, then the Johns Hopkins University’s School of Advanced International Studies. He’s been with Carnegie since 1983. “I am very comfortable here,” he said. □

## A Recreation Path Remakes a Vermont Town

STOWE, VT.—Anne Lusk recalls a girlhood near Pittsburgh in a setting of “woods, salamander streams, lilac fields and caves to explore.” Now her love of the outdoors has been translated into a 5.3-mile recreation path, a “new heart” for this Vermont ski capital. It’s such a success that towns and neighborhoods across America may soon be copying it.

The Lusk story itself is beguiling: A former fashion student in Paris and New York City model, Lusk arrives in Stowe in 1971 to try life as a “ski bum.” She gets married, has children, plunges into civic life. Then, in 1981, she gets picked (for just \$5,000 a year) to coordinate a proposed pathway to parallel the narrow, dangerous mountain road from Stowe’s center toward Mount Mansfield.

The path’s future is anything but secure: There’s no design, no assured right-of-way, no financing. For a year, Lusk does little else but deluge the local paper with stories of how the pathway will beautify the town and make crosstown trips safer for kids.

Then, in three years, she personally persuades 27 property owners to donate, cost-free, easements for the path’s first 2.7-mile stretch. Close to \$300,000 is raised—\$84,000 from a local benefactor, \$160,000 from federal funds (\$118,000 from the Interior Department-administered Land and Water Conservation Fund, \$42,000 from general revenue sharing) and the rest from “selling” inches, feet, yards, rods of the path to contributors.

The result isn’t a manicured, English-garden-perfect path. It’s eight feet of asphalt flanked with generous grass strips on each side. The route has a quota of views of backyards and dumpsters.

But it curves and undulates; it repeatedly crosses the West Branch River, making a sparkling asset of a mountain stream the town had long neglected. The views change constantly: church steeples and barns, followed by broad meadows where cows graze, then groves of trees, riverscape and the mountain.

But physical loveliness isn’t the biggest payoff for Lusk or for the town of Stowe. It’s how the path gets used.

There are mothers pushing baby carriages. Little children in strollers. Kids of every age, walking, running, on roller skis and roller blades, hanging out at their favorite spots along the path. Lots of joggers and cyclists. Adults out for brisk walks. Older folks taking it easier, a few in wheelchairs. Tourists who suddenly have a way to get out of their cars and enjoy the New England townscape.

A new shared space, common ground for all ages, has sprung into being. And on this path, sociability flourishes. Virtually everyone—local or tourist, child or senior citizen—makes eye contact, smiles, says hello. Often they stop for complete conversations about the weather, the stream, someone’s dog.

The social factor, Lusk said, is Stowe’s big discovery and potential gift to the nation. We live, she notes, in an age of fenced-in backyards, private barbecues, dangerous roads,

schools and stores and playgrounds an auto ride from home. Community-centeredness has been destroyed.

But a recreation path unites all kinds of citizens. You don’t need to be athletic, clever, young, fast-talking, beautiful or rich to enjoy it.

And if the path is laid out to link important spots in a town or neighborhood—shops, schools, playgrounds, residences—then children’s lives are transformed.

Now they can ride their bikes to school, and instead of being latchkey kids glued to afternoon television, they can hang out after school along the path. Their congregating isn’t threatened, because the path’s heavy traffic and multi-age users make it a safe place.

Is the formula replicable in towns less ritzy than Stowe? Lusk says yes: Sell it any place first as a safe way for kids to get around while Mom and Dad are working. Secure a right-of-way with clear title. If money is short, build the path in stages, starting with a plain dirt surface. The money a quality path eventually costs is tiny compared with what most places spend on roads and sidewalks.

Recruiting another Anne Lusk may be tougher. She mastered small-town diplomacy (always solicit opinions, never present “yes-no” choices, take people’s suggestions and build on

them). She walked the route first with nearby landowners, letting each one, with a pencil on the local map, decide on every turn.

Next, Lusk traipsed the route with a tree surgeon, marking every tree to come out, every one to stay. Then she accompanied a bulldozer operator, guiding him each step. Then she marked the path’s curves with spray paint, walking ahead of the grader to dissuade him from his usual straight lines. All the while she kept working on fund raising and nonstop publicity.

So it’s tough work at low pay. But walk today through the Stowe Recreation Path’s outdoor “rooms,” its spacious fields or leafy canopies. Watch “townies” and tourists having fun in a community with a new sense of togetherness. And then tell yourself that it is idiosyncratic or that it wouldn’t work anywhere else. You simply can’t. The staying power of the idea is just too big.

Lusk’s new mission is to sell recreation paths everywhere. For the Stowe path, she’s already secured special recognition from the New York City-based Bruner Foundation. She’s pressuring the Bush Administration to bless recreation paths as one of its famous 1,000 points of light.

It appears she’s not alone. The concept was endorsed by the President’s Commission on Americans Outdoors in 1987. Keith Hay, executive director of Greenways for America in Arlington, Va., said the “spontaneous, grass-roots citizen effort” for local paths is flourishing in hundreds of communities from Stowe to Tucson to Los Angeles to Portland, Ore., to Wichita, Kan. “And,” he insisted, “we’re just getting started.” □

Activist Anne Lusk is pressuring the Bush Administration to bless community recreation paths as one of its famous 1,000 points of light.

# Despite Malta Successes, Bush . . .

Metaphorically, at least, Malta proved perfect for the part. Even the weather was right for the Dec. 2-3 summit: Trapped on separate ships in a stormy harbor, Presidents Bush and Mikhail S. Gorbachev seemed as powerless to command Mother Nature as to control the recent surges of history.

Malta seemed geographically suitable, too. Located midway between Gibraltar and Suez, the Mediterranean island has long melded East and West. Its people speak the sole Semitic language written officially in Latin script, a mix of old Arabic and a Sicilian dialect of Italian, and laced with British lingo from the most recent of Malta's nine disparate stints of foreign domination. (In 1972, Standard Oil Co. of New Jersey scoured Maltese, the only tongue in which words use a double *x*, in search of untoward meanings before changing its name to Exxon Corp.) Politically, too, Malta keeps about half its economy under government control and is simultaneously an associate member of the European Community and friendly to Libya. In ideology as in culture and geography, Malta is a crossroads.

That made it an apt backdrop for Bush in approaching a crossroads of his own in a presidency that—going on 11 months—still seems younger than it is. Bush's tenure, poised between caution and timidity, could prove either ultimately forgettable—undone by no vision and no money—or genuinely memorable, from its association with historic international events.

Bush has been at political crossroads before: at New Hampshire's 1988 primary, which he had to win after getting trounced in Iowa; arriving at the Republican convention in New Orleans trailing his Democratic presidential rival by 17 points in opinion polls; and before the NATO meeting last spring, when critics disparaged him for policy diffidence. Each time, he came through smashing.

This time, he didn't make his task any easier. He failed miserably in his sporadic attempts to tamp down expectations. It stood to reason that he and Secretary of State James A. Baker III, a political pro, would try, given that it's standard procedure for political campaigns. But the rush of events raised the stakes: The Berlin Wall crumbled, along with two Eastern European governments, during the four-plus weeks from when the summit was announced to when it took place.

The Bush Administration, too, bore some blame, because it continually undermined its own efforts to keep expectations low. The obsessive secrecy with which Bush planned what he kept calling a "nonsummit summit"—even Defense Secre-

tary Dick Cheney wasn't told until shortly before the public announcement—may only have heightened the anticipation. (Bush was so proud of his secret-keeping that he mentioned it first when ABC News's Hal Bruno asked him a day after the announcement to name a particularly satisfying achievement of his tenure.)

Bush found it necessary to invite cameras and reporters into the Oval Office on Nov. 28 to dampen the "hyped speculation" about Malta (that he and Gorbachev might contemplate reductions in troop levels in Europe beyond current

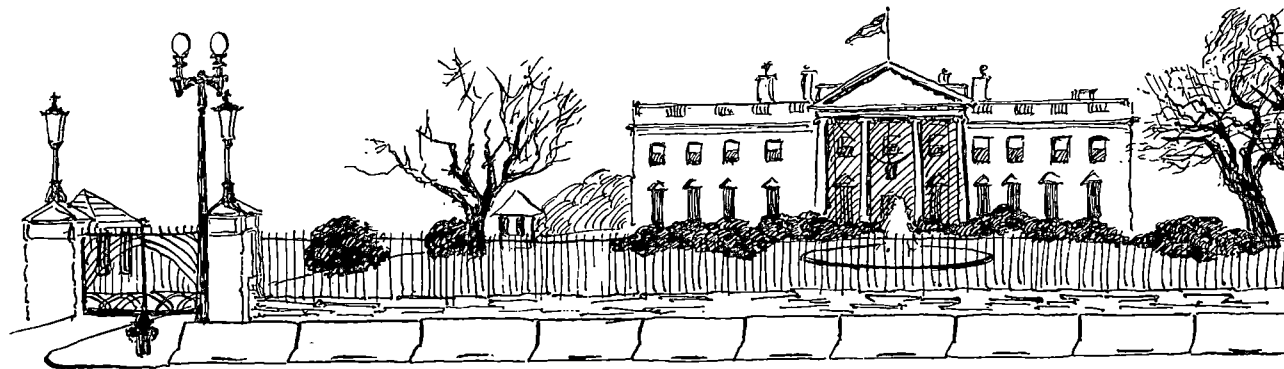
*White House  
Notebook*

BY BURT SOLOMON

proposals) that the press had based on a briefing a day earlier from White House press secretary Marlin Fitzwater. On Nov. 29, Baker outlined for reporters a five-point agenda for the reputedly agenda-less meeting. The next day, Bush undercut himself. On the morning of his departure, he offered his Cabinet a "preview of the summit—this nonsummit summit," he corrected himself, noting that "no matter how hard I've tried not to use that word," he couldn't refrain.

Expectations predictably zoomed. Michael Mandelbaum, responsible for East-West relations at the Council on Foreign Relations—the embodiment of Establishment thinking—foresaw "the first post-Cold War summit . . . the first day of the rest of our lives." The Soviets were just as gung-ho. Foreign Ministry spokesman Gannadi I. Gerasimov spoke of progressing "from Yalta to Malta," referring to the 1945 summit that reworked Europe's map. Even at the opposite political pole, the reliably conservative Heritage Foundation prepared for "the most important superpower summit of the postwar period," likening it to the 1814 Congress of Vienna, which ended the ideological turmoil begun by the French Revolution and ushered in "a new order" that lasted nearly a century. The thousands of journalists who converged on Malta (including a jumbojetful from Washington) further intensified the limelight.

Given all that, Bush performed nicely. His eight hours of chitchat with Gorbachev evidently set nothing back and nudged several things ahead. Malta will probably accelerate the pace of negotiations to control nuclear, conventional and chemical weaponry, and laid the groundwork for furnishing



## ... Still Lacks Vision of New Era

souçons of American help for the long-suffering Soviet economy in a way that's intended to bring it gradually into sync with the West's. As they headed their separate ways from Malta, Bush and Gorbachev left U.S.-Soviet relations the warmest in decades.

Bush, for the most part, seemed crisp, controlled and businesslike, the very image of a sober, careful—prudent—President. He had prepared thoroughly, telephoning every NATO leader and enduring more than a dozen briefings from government and academic experts in East-West relations. Countering months of criticism that he's mainly reactive, he regained some of the initiative by spending an hour on the summit's first day offering 18 constructive, mostly unjazzy proposals (ranging from prospective trade goodies to cooperation on global warming to pushing Berlin as host to the 2004 Olympics) that Gorbachev generally received with favor. "This was serious business," Bush told reporters afterward. Bush took care not to gush, declining to proclaim that he's friends with Gorbachev or that the Cold War has ended—the kind of pronouncements that can come back to haunt.

Bush showed skill at the diplomatic and psychological tasks required in a world where neither superpower holds its geopolitical sway of yore. (See *NJ*, 7/29/89, p. 1944.) Bush acknowledged the circumstance ("Somebody halfway 'cross the world [from Eastern Europe can't dictate] how fast change should be or what change should encompass," he told reporters on Nov. 28) and showed his usual attentiveness to diplomatic nuance and to the sensibilities of competing parties. It probably helped that he's ardent about so little, which enabled him to revamp his views about Soviet intentions since last spring in the face of fresh evidence. (See *this issue*, p. 3003.)

Gorbachev cooperated in Malta, apparently heeding White House rumbblings that he'd ruin the summit by unleashing the sort of public relations thunderbolt he frequently favors. So when Bush extended the "offered hand" (such as he'd dangled before congressional Democrats at his inaugural), Gorbachev grabbed it. "Like [Bush], I do feel that personal contact is a very important factor in relations between political leaders," Gorbachev said at the two leaders' unprecedented joint press conference on Dec. 3. In Malta, Bush and Gorbachev "established not only a relationship but sort of an agenda for the near term," White House chief of staff John H. Sununu crowed on ABC's *This Week with David Brinkley* that day.

"In the last few days, he's finally brought his leadership

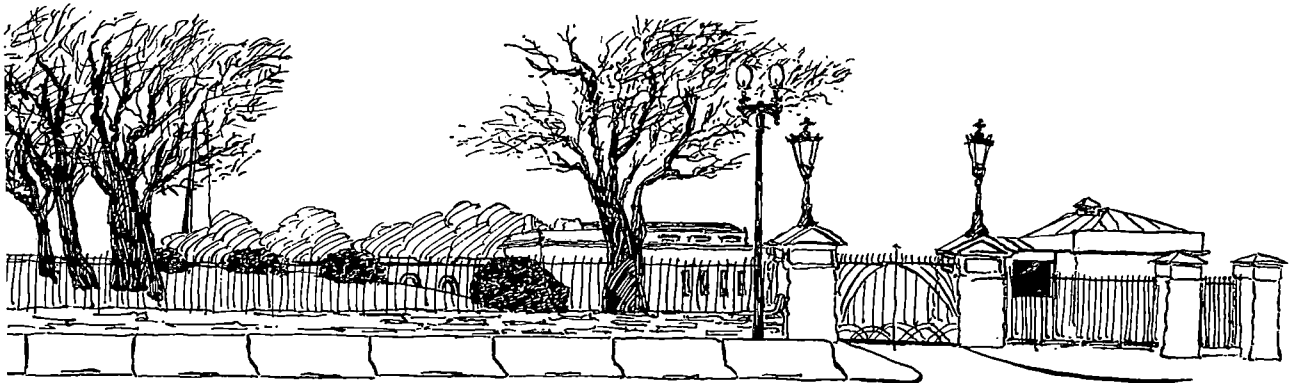
into focus," *The New York Times* editorialized upon Bush's return. In the short run, this will only bolster Bush's political standing. (Just before his departure, an opinion poll conducted for CBS News-*The Times* found Bush's popularity had slackened slightly to 63 per cent, from a 69 per cent approval rating in September.) In Malta, after all, Bush not only gave peace a chance but took time to schmooze with sailors on the U.S.S. *Forrestal* in his customary quest to seem a regular guy.

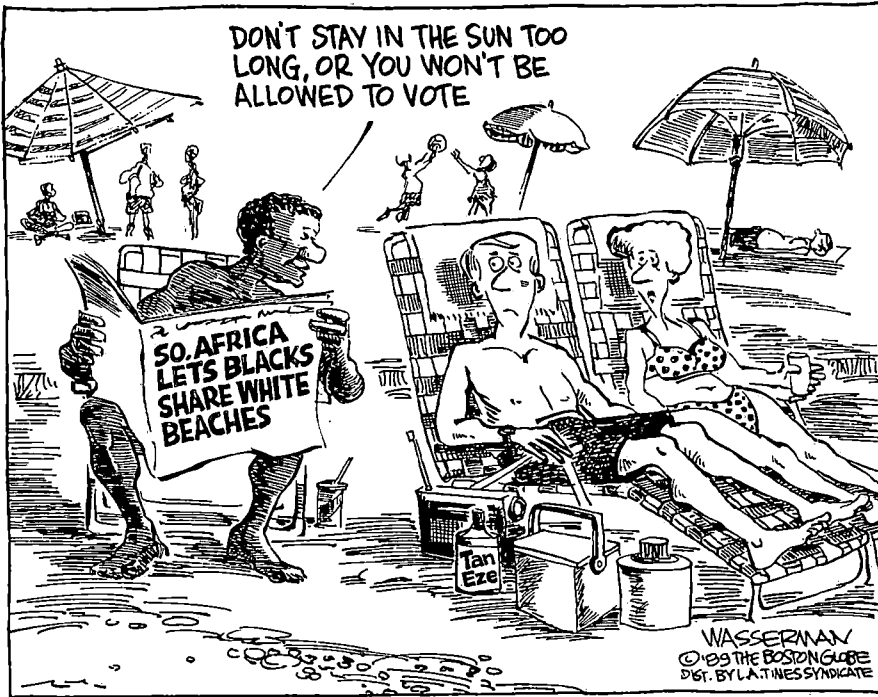
Indeed, some wondered whether he took regular guy-ness too far. Bush's bravado in boarding small boats on rough water in Malta's Marsaxlokk Bay raised the specter in some minds of a sudden Quayle presidency. (There apparently was never talk that the summit's weather-trimmed talks might be moved ashore.) In Brussels on his way home, Bush was forced to deny to reporters that he'd been hot-dogging. "Don't tell me that that little chop was risking anything," he swaggered. "You know these charismatic, macho, visionary guys—they'll do anything."

It was the third of his adjectives that also raised some questions. In his heralded Texas A&M University speech last May, Bush frequently invoked his "vision" of East-West relations but only vaguely defined it. Former Defense Secretary Robert S. McNamara, on ABC's *Good Morning America* on Nov. 29, complained that neither Bush nor Gorbachev had "yet put forward a vision of a post-Cold War world" and said he hoped they'd start to do so in Malta.

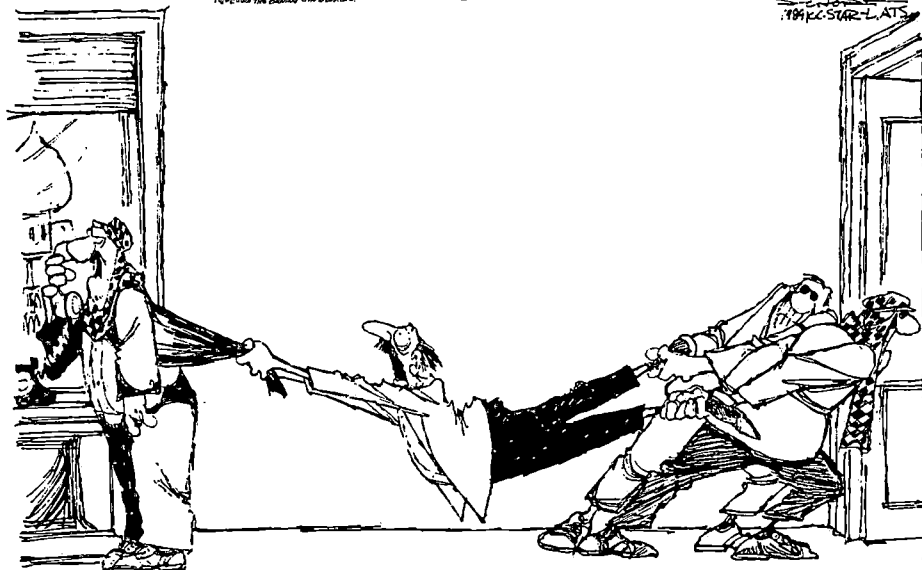
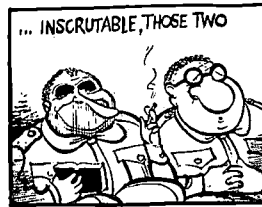
They didn't, at least publicly, proffering no thoughts of what Germany, say, or Eastern Europe might come to look like. This may have stemmed partly from Bush's sensitivity to Western European leaders' fears of another Yalta. (Bush wouldn't take his coat from a closet without consulting U.S. allies, ABC News correspondent Brit Hume jested as Bush left Malta for Brussels to brief allied leaders on his talks.) But Bush might also have revealed no vision of a post-Cold War world because he still lacks one.

It's not evident that Malta will set Bush's presidency on fire. Nor is it clear that a sustained East-West peace would work to his long-term political benefit; common wisdom in Washington increasingly is that it wouldn't. Peace augurs a "quick fix" in public opinion polls and a better place in history, Brookings Institution senior fellow Stephen Hess said, but in the long run would deprive Republicans of a potent issue. Malta perhaps brought Bush as well as the world to "the threshold of a new era" (as he put it in Brussels) but evidently still not across. □





# Between the Lines



"ALERT THE MEDIA... WE'VE CHOSEN A NEW PRESIDENT FOR LEBANON....."

## Bush's Summit Euphoria Tempered by Caution

If there was one dominant attitude that seemed to mark President Bush's postsummit comments at Malta and in Brussels, it was a sort of controlled euphoria, tempered by caution lest he be accused of going to extremes on the achievements of his discussions with Soviet President Mikhail S. Gorbachev.

As if to defend and justify his own determined prudence in the face of a conference that is certain to raise his image as an effective world leader, Bush in his Malta press conference took particular note that Gorbachev had "used the word *caution*, and I didn't put him up to it, either." Gorbachev had spoken of "cautiousness, and I use the favorite word of President Bush."

This determination to convey a sense that he is keeping his head through these incredibly heady days of world change underscores an interesting contrast between the personal and the presidential George Bush. Personally, Bush has demonstrated such a natural enthusiasm for people and events over the years that he has often seemed outright giddy. Indeed, that quality has made him a caricaturist's delight, punctuated by his lopsided grin and gee-whiz style of discourse.

In 1980, in his first bid for the Republican presidential nomination, Bush's natural enthusiasm and vulnerability to euphoria in fact contributed to his undoing. On upsetting Ronald Reagan in the Iowa precinct caucuses, Bush almost floated out of Des Moines on a cloud of exuberance. He declared on caucus night that he had "the Big Mo" (for momentum) and that if he could win the next test, the New Hampshire primary, "there'll be absolutely no stopping me."

Well, he couldn't and he was. As Bush basked in his own conspicuous optimism, resisting his advisers' pleas that he stop cheerleading and campaign more substantively, Reagan whipped him in New Hampshire and in short order nailed down the nomination. Bush learned the hard way that it wasn't always good politics to let one's enthusiasm get the upper hand.

In eight years as Vice President, Bush remained personally upbeat while embracing President Reagan's deep skepticism about the trustworthiness of the Soviet Union. Although he did not quite label it an "evil empire" as Reagan did, Bush took a very cautious approach to the most hopeful developments in U.S.-Soviet relations.

When Reagan began to move away from such skepticism last year, Bush continued to express reservations that a new and lasting climate was developing under Gorbachev. When Reagan commended Gorbachev after their final summit meeting in Moscow, Bush said "the jury is still out" on the Soviet leader's intentions. Bush's cautious observations were taken by many at the time as a way to separate himself from Reagan, to become more "his own man" as a presidential candidate and to cozy up to the Republican right wing, which always mistrusted him.

Yet Bush's personal sunny side always remained in view. On the campaign trail last fall, as his election appeared more and more likely, he could barely contain his exhilaration, and throughout his transition and first months in the presidency, he was obviously having the time of his life.

Still, when it came to dealing with Gorbachev's repeated overtures for a lessening of tensions, and with the opportunities presented by the earth-shattering developments in Eastern Europe, Bush's natural exuberance seemed sharply reined in by his caution toward change. It was as if he didn't feel able to trust his own emotional side.

Indeed, in relating at his Malta press conference what it was like to sit across from Gorbachev, discussing the shape of the rapidly changing world, Bush confessed that "the emotional part of it . . . is hard for me to describe because I'm not the most articulate emotionalist."

In the months leading up to the Malta summit, Bush became the brunt of widespread criticism, from Democrats particularly, for what appeared to be a stubborn resistance to obvious good news from Eastern Europe. He seemed always reluctant to let his natural enthusiasm go, even on the occasion of the startling destruction of the Berlin Wall.

When he announced plans for the summit at sea, the President took pains to lowball it, to emphasize that there would be no agenda and no decisions made, and he strove to stick to that view even as tumultuous events in the East European capitals, and Gorbachev's benign reaction to them, dictated an infinitely greater significance for the conference.

When it was over, and Gorbachev was declaring that "the world leaves one epoch of Cold War and enters another epoch," Bush could not allow himself to say, even in the excitement of the moment, that the Cold War was over. "We're fooling with semantics here," he said in Brussels. "I don't want to give you a headline. Why do we resort to these code words that send different signals to different people? Is the Cold War the same—I mean, is it raging like it was before in times of the Berlin blockade? Absolutely not. Things have moved dramatically. But if I signal to you there's no Cold War, then you'll say, 'Well, what are you doing with troops in Europe?'"

Nor could Bush bring himself to say that he and Gorbachev were now "friends" after the summit, though personally he is the friendliest of men. He would admit only to "friendly conversations" between them.

For all this, Bush may be correctly attuned to the American mood in saying, as he did in Brussels, that "although this is a time of great hope, and it is, we must not blur the distinction between promising expectations and present realities." Polls before the Malta meetings indicated, for all the criticism of Bush's pace, strong support for the proposition that he was moving at about the right speed. That view certainly has been reinforced now. □

With all his cautiousness about future U.S.-Soviet relations, the President may be correctly attuned to the American mood.



Richard A. Bloom

*Erlenborn: Named to Legal Services board*

## BOARDING

The terms of every one of the 11 members of the Legal Services Corp.'s board expired nearly two years ago, and yet the Bush Administration, under pressure from conservatives who see the LSC as tool used by liberals to obtain federal money to spend on lawsuits against the government, hasn't come up with a list of prospective nominees acceptable to both the political Right and Congress.

But on Nov. 30, President Bush made two recess appointments to the board to prevent the firing of Terrance J. Wear, the LSC's president. Wear, who has been doing some heavy lobbying for the appointment of more conservatives to the board, was general counsel to

the Republican side of the Senate Agriculture, Nutrition and Forestry Committee when Sen. Jesse A. Helms, R-N.C., chaired the committee during the period when Republicans had a majority in the chamber. When Democrats regained control of the Senate in 1987, Helms took over as ranking Republican on the Senate Foreign Relations Committee, surrendering the top GOP slot on the Agriculture panel to Sen. Richard G. Lugar of Indiana, and costing Wear his job.

Wear wound up as a partner in the Washington office of the Minneapolis law firm of O'Connor & Hannan. He became president of the LSC in July 1988. He's held his position only because the board has a six-to-five conservative majority. When the term of J. Blakely Hall, a conservative granted a recess appointment by President Reagan last year

and a partner with the law offices of Ralph M. Hall in Rockwall, Texas, expired, and when conservative board member Pepe J. Mendez, a Denver lawyer, quit, Wear's job was in serious jeopardy.

The five liberal-leaning board members were poised to oust Wear. That bloc's members: Hortencia Benavidez, who works at a Christian bookstore in El Paso; Paul B. Eaglin, who had been a partner with the Fayetteville (N.C.) law firm of Cooper, Davis, Eaglin and DeSilva and is now assistant to the chancellor at the University of North Carolina (Wilmington), and the only member of the board to have actually been a legal aid attorney; Lorain Miller of Detroit; Thomas F. Smegal, a partner with the San Francisco law firm of Townsend & Townsend; and Basile J. Uddo, a professor at the Loyola University School of Law in New Orleans.

In a highly unusual move, Bush granted Hall a second recess appointment. He also appointed John N. Erlenborn, who served as a Republican Member of the House representing Illinois from 1965-85. Erlenborn is currently a partner in the Washington office of the Chicago law firm of Seyfarth, Shaw, Fairweather & Geraldson.

The remaining members of the board are conservatives. Michael B. Wallace, who has been on the board since 1984, became chairman last December. He's a partner in the Jackson (Miss.) office of the New Orleans law firm of Phelps, Dunbar, Marks, Claverie & Sims. Wallace succeeded W. Clark Durant III, a partner in the Detroit law firm of Durant & Durant, as chairman; Durant remains on the board. Claude G. Swafford works out of a law practice that bears his name in South Pittsburg, Tenn. Robert A. Valois is a partner with Maupin Taylor Ellis & Adams P.C. in Raleigh, N.C.

## BAILOUT

For months, M. Danny Wall had been taking a pounding from critics in Congress, the news media and the banking industry; on Dec. 4, Wall, director of the Treasury Department's Office of Thrift Supervision, announced that he was hitting the silk. The former staff director on the Republican side of the Senate Banking, Housing and Urban Affairs Committee, Wall was nominated to head the Federal Home Loan Bank Board in 1987. In recent months, Wall has been heavily criticized for, among other things,



Richard A. Bloom

*Wall: Bails out as S&L chief*

failing to seize the floundering Lincoln Savings and Loan in Irvine, Calif., soon enough. Wall allowed the S&L to remain open despite the fact that his own examiners recommended its closure two years ago. Wall got his current job earlier this year when the FHLBB was folded into the Treasury Department and the Resolution Trust Corp. was created to clean up the S&L mess. No successor has been named for Wall, who didn't say what he'd do next.

## INTEREST GROUPS

**Virginia Sassaman**, director of media relations at the American University, is about to become chief press aide at the Women's Legal Defense Fund. Sassaman succeeds **Ann Pauley**, who's now public relations director at Washington's Trinity College. **Carolyn Fray**, AU's public information officer, will succeed Sassaman.

**Phil G. Goulding**, who's been vice president for public affairs at the American Petroleum Institute, is retiring after 14 years on the job. He'll be replaced by **Arthur E. Wiese**, who's currently director of public relations.

**Jean Hutter**, who was an associate in the government affairs division of the National Association of Regional Councils, which represents regional governments across America, has become director of legislation at the National Housing Conference. It's a new position, and her old job will not be filled.

## AT THE BAR

**Christopher G. Mackaronis**, who had been manager of the advocacy section of the worker equity department at the American Association of Retired Persons, is now a partner with the Washington office of the Chicago law firm of Bell, Boyd & Lloyd. He's been replaced by **Cathy Ventrell-Monsees**, a senior AARP lawyer since 1985.

**J. E. (Sandy) Murdock III**, who had been a partner in the Washington law firm of Heron, Burchette, Ruckert & Rothwell, is now a partner with the Washington office of the Knoxville (Tenn.) law firm of Baker, Worthington, Crossley, Stansberry & Woolf. The firm was established last year by, among others, former White House chief of staff **Howard H. Baker Jr.** Murdock was formerly chief counsel at the Federal Aviation Administration.

## D.C. INC.

**Peter J. Gossens**, who's been an aide on the minority side of the House Appropriations Committee since 1986, has joined the Arlington (Va.) office of St. Louis-based General Dynamics Corp. Gossens, whose new title is legislative affairs manager, succeeds **H. Gerald Staub**, who's now director of Navy aircraft programs for General Dynamics in Arlington. No replacement on the committee.

**Gregory S. Dole** has joined the McDonnell Douglas Corp., another defense contractor headquartered in St. Louis, as director of commercial programs—domestic and international in the Crystal City (Va.) office. It's a new position. He was assistant Transportation secretary for policy and international affairs; before that, he was associate general counsel at the Transportation Department. He's been replaced by **Jeffery Shane**, who was deputy assistant secretary of State for transportation affairs in the Bureau of Economic and Business Affairs.

## POLITICS

**Monte Friedkin**, who chaired this year's Democratic Gala, the fund-raising event held in Washington on Oct. 24, will become finance chairman of the Democratic National Committee. He's holding the job on an acting basis for now; he won't be voted in until March. Friedkin, who was president of Friedkin Industries Inc. in Youngstown, Ohio, will be replacing **C. Victor Raiser II**, who had been the finance chairman under former DNC chairman Paul



Sassaman: Moves to women's defense fund

John Eisele



Mackaronis: Leaves AARP for law firm

Richard A. Bloom



Richard A. Bloom

Schultz: Leaves Nader group for House



John Eisele

Doyle: Will teach at Navy school

G. Kirk Jr., and had hung around to work as a transitional figure. Raiser is currently of counsel in the Washington office of the Cleveland law firm of Jones, Day, Reavis & Pogue.

**BUSH LEAGUE**

From our where-are-they-now file: **Robert M. Guttman**, who was briefly chief of staff to Vice President **Dan Quayle**, is now a full-time consultant for policy development at the Interstate Conference of Employment Security Agencies Inc. in Washington. Guttman, who was minority counsel on the Senate Labor and Human Resources Subcommittee on Labor and counsel to then-Sen. Quayle, has been replaced on the vice presidential staff by **William Kristol**, once staff chief to former

Education Secretary **William J. Bennett**. Also at the conference, **Emily DeRocco**, who has been deputy Interior undersecretary, is executive vice president. She succeeds **Richard Q. Praeger Jr.**, who said he plans to move to Oregon but beyond that doesn't know what he'll do. Her old post at Interior has not been filled yet.

**ON THE HILL**

**William B. Schultz**, who had been a senior lawyer with the Public Citizen Litigation Group, one of the many public-interest groups founded by **Ralph Nader**, is now counsel to the House Energy and Commerce Subcommittee on Health and the Environment. Schultz succeeds **William V. Corr**, who's now chief counsel and staff director for the Senate Judiciary Subcommittee on Antitrust, Monopolies and Business Rights. No successor

to Schultz has been named yet at Public Citizen.

**Lorraine A. Voles** will soon become press secretary to Sen. **Tom Harkin**, D-Iowa, who's expected to face a tough reelection fight next year. Voles has been national coordinator of Mothers and Others for Pesticide Limits at the Natural Resources Defense Council Inc. since April; that's the organization that launched the highly successful campaign against using Alar on apples. Before that, she was national deputy press secretary for the unsuccessful Dukakis-Bentsen presidential campaign, and worked the Iowa precinct caucuses for the Dukakis campaign. She'll succeed **Pam McKinney**, who's been Harkin's press aide for six years; McKinney is getting the same job in the office of Sen. **Brock Adams**, D-Wash.

**Richard Doyle**, senior defense analyst on the minority side of the Senate Budget Committee, is leaving to teach at the Naval Postgraduate School in Monterey, Calif. He'll be an associate professor in the department of administrative sciences. No replacement for Doyle has been named at the committee.

**IN THE TANKS**

**Stephen F. Dachi**, U.S. consul general in Sao Paulo, Brazil, is now a visiting senior fellow at the Center for Strategic and International Studies.

**AROUND THE AGENCIES**

**Patricia Gates Lynch**, who had been ambassador to Madagascar, has been named director of corporate affairs at Radio Free Europe and Radio Liberty, which broadcast the U.S. government's version of news behind what remains of the Iron Curtain. Lynch was the former host of the Voice of America's *Breakfast Show*. She succeeds **Kenneth Thompson**, who has moved to the Munich headquarters of Radio Free Europe and Radio Liberty, where he's director of news and current affairs.

**Ann A. Colgrove** is the new director of policy, planning and research at the National Endowment for the Arts. She was special assistant to the assistant Labor secretary for policy, **Jenna Dorn**; before that, Colgrove worked on the Bush presidential campaign last year. She's filling a long-vacant position at the endowment.

—David L. Wilson

# OPINION OUTLOOK

Views on National Security

## IS NATO NECESSARY?

Do you think the NATO alliance should be maintained, or is the alliance not necessary anymore? (Gallup Organization Inc.)

	10/89		
	Maintain NATO	NATO not necessary	No opinion
Dutch	81%	15%	4%
Canadians	78	8	14
Americans	75	10	15
British	71	15	14
Belgians	69	13	18
Luxembourgers	69	10	21
West Germans	63	13	24
Italians	58	18	24
Turks	50	14	36
Danes	43	13	44
Spaniards	30	34	36
Portuguese	26	9	65

It has been proposed that as long as the Soviet Union has nuclear weapons that can reach targets in Western Europe, NATO should keep a number of similar weapons in Western Europe. Do you agree? (Gallup)

	10/89		
	Agree	Disagree	No opinion
Dutch	66%	29%	5%
Canadians	63	26	11
Americans	62	21	17
British	60	22	18
Belgians	59	20	21
Luxembourgers	51	22	27
West Germans	46	22	32
Italians	38	32	30
Turks	42	18	40
Danes	27	24	49
Spaniards	22	40	38
Portuguese	21	11	68

## COMMUNISM'S CRASH

Which of the following statements best describes your view of whether Communism is dying throughout the world? (Gordon S. Black Corp. for USA Today)

	11/89	
	Americans	West Germans
Communism is dying	25%	29%
Communism is being reshaped to be more open	55	51
Party hard-liners will wait for an opening to crack down	17	15

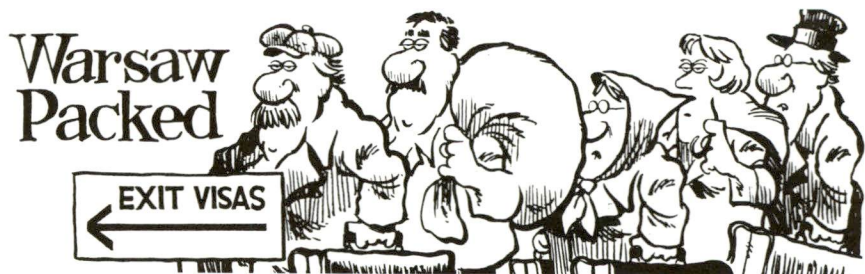
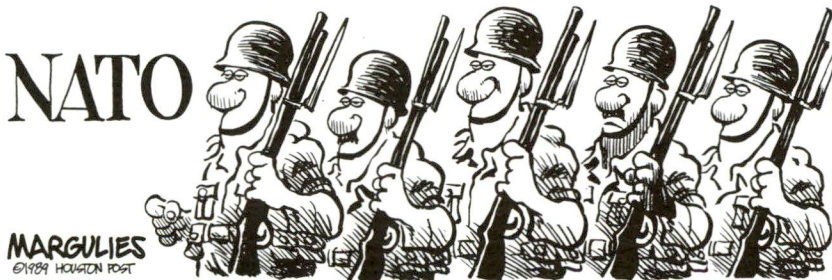
The United States has offered some aid to reformers in Poland and Hungary, but President Bush has been urged to do more to help those countries and others. Do you feel the United States is . . . ? (Black for USA Today)

	11/89	
	Americans	West Germans
Doing too much	26%	7%
Sending right amount	49	43
Not doing enough	15	31
Don't know	10	19

## PEACE DIVIDEND?

Defense spending in the United States during the Gorbachev years continued to increase and now stands at about \$300 billion a year. Some say this amount is necessary. Others say we no longer need to spend this much. Do you think the changes in the Soviet Union and Eastern Bloc countries mean the United States can make major cuts in military spending without endangering our security? (ABC News-The Washington Post)

	11/89
Yes, make major cuts	45%
No, cannot make major cuts	50
Don't know	5



Handwritten blue ink scribbles and numbers at the bottom of the page, including '6-29' and '12/9/89'.

## Government Payrolls Get Longer and Longer

### One the Gipper Lost

Presidential candidate Ronald Reagan often promised that if elected, he would reduce the federal bureaucracy. He didn't even come close; during his Administration, federal civilian employment reached a post-World War II high. Last year, the number of civilians on Uncle Sam's payroll rose by 0.7 per cent, by 21,486 employees. That increase was enough to push the total over the 3.1 million mark, according to a just-released Census Bureau study.

During World War II, federal civilian employment peaked at 3.4 million, dropped to 2 million in 1947 and, by 1951, gradually climbed to 2.5 million. The total didn't change much until 1967. That year, largely as a result of President Johnson's Great Society programs, federal civilian employment jumped to almost 3 million. From 1968-84, it fluctuated between 2.8 million and 3 million. In 1985, federal civilian employment topped 3 million. More than three out of five federal employees work for the Postal Service or for agencies involved in defense or international affairs. From 1947-88, the U.S. population grew from 155 million to 246 million.



### Outside the Beltway . . .

Nearly 14.5 million Americans worked for state and local governments last year. For full-timers only, that's about 505 government workers for every 10,000 people, up from 497 per 10,000 in 1988, according to the Census Bureau. There were 147 state workers for every 10,000 people; local government employees accounted for 358 per 10,000. The table, based on Census Bureau studies, shows how state and local government employees earn their salaries.

Nearly half, or 6.1 million, of state and local government employees were employed in education-related fields full-time, where an additional 888,000 employees have joined the ranks since 1983. That's an average increase of 2 per cent a year, the largest gain in terms of absolute numbers of workers. But the biggest percentage jump came in the corrections field, which rose an average of 7.8 per cent annually over the past five years, up to 435,000 in 1988.

Total U.S. civilian government employment, counting federal, state and local workers, was nearly 17.6 million in 1988, up about 1.8 per cent from 1987. The number of state employees rose 120,955—or 2.9 per cent—during that period. Local government workers increased by 164,574, a jump of about 1.6 per cent.

#### STATISTIC OF THE WEEK

**Public service in a cold climate . . .** Of the 50 states, Alaska had the highest share of state and local employees last year—789 for every 10,000 Alaskans—according to the Census Bureau. Wyoming was next, with 741 per 10,000. Pennsylvania, with 395 per 10,000, brought up the rear.

### Adding It Up

In October 1988, the total payroll for civilians working for federal, state and local governments was \$34.2 billion, up 5.6 per cent from October 1987. Federal employees got \$8 billion, up 0.7 per cent over 1987; state employees got \$7.8 billion, up 7.5 per cent; and local employees got \$18.4 billion, up 7.1 per cent, according to the Census Bureau.

—David L. Wilson

### How Employees of State and Local Governments Earn Their Salaries

(1988 figures)

Activity	Per 10,000 population
Education .....	249.2
Public safety (police, fire and corrections) .....	55.2
Health and hospitals .....	54.4
Highways .....	22.0
Financial and general government administration .....	21.8
Public welfare .....	17.5
Judicial and legal .....	10.7
All other activities .....	74.0





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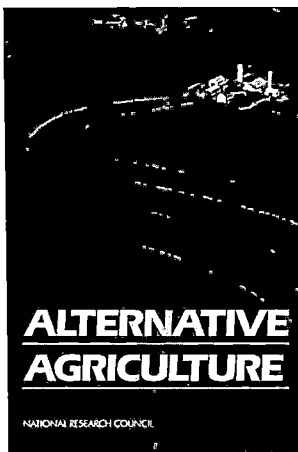
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## AGRICULTURE

### Alternative Agriculture

Farmers can take advantage of profitable and ecologically sound alternative ways to maintain yields, conserve water and reduce costs, notes the National Research Council. Pesticides in fruits and vegetables and the use of antibiotics in swine and beef production can be reduced. National Academy Press, 2101 Constitution Ave. NW, Washington, D.C., 20418. 448 pages. \$29.95 hardcover (ISBN 0-309-03987-8); \$19.95 paper (ISBN 0-309-03985-1).



## DEFENSE MANAGEMENT

### Military Balance 1989-1990

This compilation by the independent, London-based International Institute for Strategic Studies quantifies world military forces and expenditures by country. It offers data on equipment and military personnel and includes essays on NATO, the Warsaw Pact and arms control proposals. The name, maker and country of origin of all the world's military aircraft are listed, and tables offer data on nuclear delivery means and artillery capabilities. Brassey's (U.S.), Maxwell House, Fairview Park, Elmsford, N.Y., 10523. 200 pages. \$35 (ISBN 0-08-037569-3).

## FOREIGN AFFAIRS

### From Hiroshima to Glasnost:

#### At the Center of Decision—A Memoir

The United States in the postwar period has met its goals of expanding production, development and trade, but "perhaps we were too generous in extending grants, loans and general economic help while paying inadequate attention to U.S. requirements for our own economic health," writes veteran diplomat and arms control expert Paul H. Nitze in these memoirs. He describes his key roles in the Pentagon, White House and State Department during the Cuban missile crisis, the Vietnam war and the negotiation of the SALT and Intermediate-Range Nuclear Forces Treaties. Grove Weidenfeld, 841 Broadway, New York, N.Y., 10003. 504 pages. \$25 (ISBN 1-55584-110-4).

### Second Chance:

#### The United States and Indochina in the 1990s

The renewed threat of a Khmer Rouge takeover has forced the Bush Administration to get involved and support Cambodia's non-Communist resisters, notes Frederick Z. Brown, former foreign service officer and Senate Foreign Relations Committee aide. But "once more, the welfare of the Cambodian people seems to be the least important concern of those forces—Communists and non-Communists alike—seeking to shape Cambodia's political future." He cites normalization of U.S. ties with Vietnam as a necessary part of a solution. Council on Foreign Relations Press, 58 E. 68th St., New York, N.Y., 10021. 163 pages. \$14.95 (ISBN 0-87609-069-2).

## HEALTH

### Seniors 2000:

#### Continental Health Affiliates, Inc. Roundtable

"Today's seniors are healthier, wealthier and more independent than their predecessors," asserted Jack Rosen, chairman of the board of the health care provider company that sponsored this panel discussion by experts concerned about the growing elderly population. Other participants pointed out, however, that people age 65-75 with health care problems are not registering enormous strides toward improving their financial condition. Continental Health Affiliates Inc., Washington Communications Group, 1615 M St. NW, Suite 220, Washington, D.C., 20036. 13 pages. Free.

## INTERNATIONAL AFFAIRS

### Israel and the World After 40 Years

Israel encompasses socialism amidst capitalism, Third World inefficiency alongside technological sophistication; pietists living next to secularists, observes Tel Aviv University political scientist Aaron S. Klieman. "Physical geography may have placed Israel squarely in the Middle East, but it has yet to become truly of the Middle East in other than the military sphere." Pergamon-Brássey's International Defense Publishers Inc., 8000 Westpark Dr., Fourth Floor, McLean, Va., 22102. 275 pages. \$24.95 (ISBN 0-08-034942-0).

## POLITICS

### Political Resource Directory: National Edition 1990

This reference lists more than 2,400 political organizations and 3,400 key political professionals, providing addresses and telephone and fax numbers. Indexed by individual, region and specialization, it is aimed at users in need of such services as newsletters, fund-raising consultants, media experts and full campaign services. Political Resources Inc., P.O. Box 363, Rye, N.Y., 10580. 392 pages. \$95 (ISBN 0-944320-02-3).

### Politics and Process:

#### New Essays in Democratic Thought

The American electoral process is a market in which the currency is votes and party competition is the primary mechanism for implementing public policy, note economist Geoffrey Brennan and philosophy professor Loren E. Lomasky in introducing these essays. They compare the role of public choice in a democracy with human behavior in conventional markets, calling attention to a "deep-seated skepticism" about democracy. Cambridge University Press, 40 W. 20th St., New York, N.Y., 10011. 238 pages. \$39.50 (ISBN 0-521-35043-3).

## SCIENCE AND TECHNOLOGY

### Science and Technology in the Academic Enterprise: Status, Trends, and Issues

"The nation now faces decisions of how, to whom, to what extent and for what purposes to allot limited resources" for academic research, contends a council of scientists, policy makers and industry engineers. They explore the role of universities, the declining number of students heading for scientific and academic careers, the governance of universities and the research agenda on industry, economics, the environment and health. Government-University-Industry Research Roundtable, 2102 Constitution Ave. NW, Washington, D.C., 20418. 100 pages. Free (ISBN 0-309-04175-9).

# AT A GLANCE

## BUDGET

**Long-term deficit reduction...** Not that anyone is surprised, but the Congressional Budget Office is projecting that this fall's deficit cutting "reconciliation" will accomplish little by way of long-term deficit reduction. Preliminary CBO figures circulating on Capitol Hill peg the deficit at \$128 billion for fiscal 1990 and \$134 billion for 1991, gradually declining to \$109 billion in 1994. If the CBO is proved right, the White House and Congress would have to cut the deficit by \$60 billion in fiscal 1991 to avoid across-the-board spending cuts under the 1985 Balanced Budget Act. But the Office of Management and Budget, which makes the final determination of how much deficit cutting is needed to avoid such cuts, is expected to make the job easier. OMB director Richard G. Darman has said his agency's estimate of the 1991 deficit will be about \$100 billion; that would require \$26 billion in savings to avoid across-the-board cuts. Final OMB estimates will appear in President Bush's 1991 budget, due on Capitol Hill on Jan. 22. (See this issue, p. 3021.)

## DEFENSE MANAGEMENT

**Base closure revisited...** Having spent 11 months reviewing the work of the Pentagon's Commission on Base Closure and Realignment—which last December recommended closing 86 military installations and revamping 59 others for an estimated annual savings of \$693.6 million—the General Accounting Office finally weighed in with an analysis of 15 of the largest targeted bases. The GAO found that the commission had overstated annual savings by as much as \$170 million. Nonetheless, it concluded, there is "still a substantial annual savings." The GAO agreed with the commission's decision not to consider environmental restoration costs at the condemned bases, which are handled under another Pentagon program. But it determined that those costs could run as high as \$661 million, money that must be found somewhere if the bases are to be put to other uses by 1995. In the case of Indiana's Jefferson Proving Ground, which has been peppered with 23 million rounds of ammunition since 1941, the commission had said that closure would yield annual savings of \$6.6 million, with closure costs to be repaid in six years. The GAO, however, estimated those annual savings at only \$6.3 million and said that it could take 38 to more than 200 years to recover the closure costs. The Pentagon stands by the commission's work, which has been endorsed by Congress despite stiff resistance by Members representing affected districts. Defense Secretary Dick Cheney has said that defense cuts in the years ahead would require another round of base closures, but Members do not appear eager to go through this ordeal again. The closure of foreign bases does not require Congress's OK. (See NJ, 4/1/89, p. 801.)

\* \* \*

**MX on the road...** In the latest twist in the long-running MX missile basing saga, the Air Force late last month announced that the 50 of the 10-warhead nuclear missiles now in former Minuteman III silos in Wyoming will be uprooted and placed on special trains based at Air Force facilities in seven states. In a crisis, the missile trains would be moved out of their garrisons to cruise commercial rail tracks. After yet another round of legislative wrangling over whether to de-

ploy the rail-mobile MX or the road-mobile single-warhead Midgetman, Congress this year appropriated a \$1.1 billion pot of money for the missiles, leaving it up to President Bush and the Pentagon to split the funds between the two. The rail-mobile MX system is expected to cost \$5.6 billion through fiscal 1994. Earlier this year, Defense Secretary Dick Cheney had wanted to cancel the Midgetman program, which could cost more than \$30 billion, but was overruled by Bush, who has endorsed deployment of both systems. Few observers believe, however, that future defense budgets will be able to support a two-missile solution to the seemingly endless missile vulnerability debate. (See NJ, 4/15/89, p. 958.)

## ENVIRONMENT

**Golden State farm water...** Federal water supply contracts with California farmers will be renegotiated by the Interior Department, but could be amended based on the results of subsequent studies of their environmental impacts, Interior Secretary Manuel Lujan Jr. announced late last month. The move ended internal Bush Administration discord over renewal of the 40-year water contracts with farmers in California's Central Valley. Lujan, seeking to provide farmers with a steady supply of water, wanted to renew the contracts without extensive environmental studies. But officials of the Environmental Protection Agency and the White House Council on Environmental Quality argued that the government should study the impact of the massive water diversion on the western rivers. Under a compromise, the farmers will continue to get water channeled by federally built dams, but the price, time and manner of delivery and conservation methods could be renegotiated if studies show a need to protect the environment, an Interior spokesman said.

## HEALTH

**Infant mortality...** The National Commission to Prevent Infant Mortality, a congressionally mandated group chaired by former Sen. Lawton Chiles, D-Fla., hailed little-noted legislation passed by Congress at the end of the session approving three low-cost programs to improve pregnant women's use of prenatal services. They provide home visits to high-risk women by health workers, improved coordination and collocation of social services to such women and testing of a pregnancy handbook. Congress has yet to set aside money; the law specified that funds not be diverted from current maternal health programs. Receiving more attention was a big-ticket measure requiring states to offer medical care to all pregnant women and mothers and their children up to age 6 with incomes as high as 133 per cent of the federal poverty line. Though less inclusive than that sought by Rep. Henry A. Waxman, D-Calif., chairman of the Energy and Commerce Subcommittee on Health and the Environment, the measure goes far beyond prior law, which covered mothers with incomes up to 100 per cent of the poverty line.

## IMMIGRATION

**Veto of the Chinese students bill...** Congress is expected to vote early in the second session to reenact a bill permitting Chinese students involved in their nation's pro-democracy movement to remain in the United States. President Bush

announced on Nov. 30 that he would pocket veto the measure, but would seek to accomplish the objectives of the legislation through administrative means. A new vote "will be taken first thing in January," said a spokesman for Rep. Nancy Pelosi, D-Calif., sponsor of the original bill, which was passed by the House by a 403-0 vote and by the Senate by unanimous consent. Congressional leaders say they regard Bush's action as a formal—rather than a pocket—veto and may seek a vote to override it. Supporters of the measure argue that Bush's proposal would force students to apply for relief on a case-by-case basis and thus increase their exposure to possible retribution if they ever return to their homeland. In notifying Congress that he would not sign the bill, Bush said his objective is to try to preserve U.S.-Chinese student exchange programs. Of 40,000 Chinese students now in this country, about 30,000 hold visas that require them to return to China for at least two years before they can apply to return to the United States. Following the June massacre in Beijing's Tienanmen Square, the Bush Administration extended student visas for a year.

## INTERNATIONAL AFFAIRS

**Bases in the Philippines...** The air cover provided by U.S. planes from Clark Air Base to Philippine government troops combating rebel forces is likely to complicate negotiations for a new U.S. base rights deal. Philippine President Corazon C. Aquino requested the help, which probably saved her government from a military takeover but might also have weakened her politically by reinforcing the public perception that she is dependent upon the United States. Negotiations had been scheduled to begin this month on renewing the base agreement that expires on Sept. 16, 1991. Though Philippine public opinion polls have generally showed an acceptance of the bases, politicians have insisted that they are a remnant of U.S. imperialism and that the government won't be independent until the bases are gone. U.S. analysts are concerned about the timing of the negotiations because they see parallels with the situation in Greece. The United States must vacate its bases in Greece by May 20, 1990, under the terms of an agreement that expired last December. Because of political upheaval in Greece—an interim government is holding office prior to elections next April—negotiations on a new agreement have been suspended. "You don't want to wait until six weeks before you have to leave to know where you stand," said a congressional analyst who specializes in overseas bases. (See *NJ*, 2/11/89, p. 339.)

## LEGAL AFFAIRS

**Drug arrests and prisons...** Federal prisons suffer from dramatic overcrowding, primarily the result of increased incarceration rates for drug abusers, mandatory sentencing and tougher antidrug laws, according to a General Accounting Office report. Over the past two years, drug offenders accounted for 79 per cent of the increase in federal prisoners, said a GAO fact sheet prepared for Rep. Charles B. Rangel, D-N.Y., chairman of the Select Committee on Narcotics Abuse and Control. Surprisingly few of the prisoners are violence-prone; 94 per cent of first-time drug offenders and 62 per cent of repeat drug law violators are without a history of violence, the study said. According to another GAO report

prepared for Rangel and Sen. Sam Nunn, D-Ga., overcrowding at federal prisons has now reached 56 per cent above capacity. The cost of building additional prison space may prove enormous, with GAO estimates at \$51,340 to house each added prisoner. State prison systems are now at 23 per cent above capacity, the GAO added. In a statement, Rangel blamed the soaring prison population growth on the "root causes" of drug abuse, including homelessness, joblessness and poverty. At the state and local level, Rangel added, alternatives to incarceration, including vocational training and education, should be considered. Rangel has introduced legislation to create such alternatives for nonviolent offenders. Meanwhile, Senate Judiciary Committee chairman Joseph R. Biden Jr., D-Del., is planning legislation to boost the number of federal judges to help cope with the influx of drug-related cases.

## POLITICS

**"Soft" money in 1988...** "Soft" money played a greater role in last year's elections than was previously disclosed, according to a survey by the nonpartisan Center for Responsive Politics. The survey found that Democratic and Republican Party organizations in nine states received an aggregate \$28.5 million (the GOP got \$16.7 million, the Democrats \$11.8 million) during 1987-88, in addition to the more than \$40 million the two national party committees had previously reported receiving. Soft contributions cannot legally be used to aid federal candidates but can be spent on state and local campaigns, get-out-the-vote drives and generic "party-building" activities. The center was unable to trace how the nine state parties spent the soft dollars, but executive director Ellen S. Miller said that many contributions came from out-of-state donors in the campaign's final weeks, leading her group to suspect that the effort was being coordinated to aid the parties' national tickets. The nine states surveyed—California, Colorado, Florida, Illinois, Missouri, North Carolina, Pennsylvania, Texas and Washington—were chosen because they were expected to be presidential election battlegrounds last year. Soft money, Miller said, has become "an end run around the campaign finance laws." (See *this issue*, p. 2980.)

## TRANSPORTATION

**The Eastern Air Lines veto...** Transportation Secretary Samuel K. Skinner said that the presidential veto of labor-supported legislation to create a blue-ribbon panel to make recommendations on ending the Eastern Air Lines Inc. strike was among the best decisions in the transportation arena during the Bush Administration's first year. "It's not the federal government's job" to intervene in labor disputes, Skinner said during a year-end wrap-up session with reporters on Dec. 4. But the Eastern machinists union, which went on strike in March, is furious about the veto. "The people in the Administration, including Bush himself, would rather see thousands and thousands [fewer] union members in the United States, and this is one way to get rid of a bunch of militant union members," said William J. Holyater, director of legislative and political action for the International Association of Machinists and Aerospace Workers. "They are out to destroy organized labor in this country—it costs their buddies money and power."

When President Bush, in his second major address on East-West relations last May 12, proposed before an audience at Texas A&M University to resuscitate "Open Skies," a relic of the Eisenhower Administration, the initial reaction of the pundits was not kind.

President Eisenhower, after all, first floated the idea that the two superpowers open their airspace to surveillance overflights because he had little else to propose at the first U.S.-Soviet summit in Vienna in 1955. "We were sure" the Soviets would never accept, Eisenhower later said. Nor did they. "Who are you trying to fool?" Soviet Premier Nikita S. Khrushchev demanded of Eisenhower. Open Skies would simply "give your strategic forces the chance to gather target information and zero in on us," Khrushchev said. (Former Soviet Ambassador Anatoly Dobrynin has said that Khrushchev, surmising that the United States would never really take *da* for an answer, wanted to accept Open Skies but was overruled by the Politburo.) A unilateral U.S. Open Skies program, blasted into the open when the Soviets downed a U-2 spy plane, aborted another superpower summit in 1960.

If, in the less chilly age of Gorbachev and *glasnost*, out-and-out Soviet rejection of Open Skies II was less likely, Bush's touting of the plan still struck many observers as one more manifestation of his alleged inadequacies in grappling with that "vision thing." It thus provided fodder for several days of derisive commentary.

"We were a little bemused by the way the press reacted to the initial announcement in the A&M speech," an Administration official told a gathering of reporters and analysts at a late-November Open Skies briefing staged by the Henry L. Stimson Center, a new arms control think tank in Washington. "The general tenor of the commentary was a) that it was anachronistic and b) that it was pretty much [superseded by] the advent of satellites," he said, adding that "it continued to be pursued quite actively in the government to an escalating degree, but had zero public visibility."

Now, having been endorsed in a May 30 NATO communiqué and treated positively by the Soviet side at the ministerial meeting in Wyoming in September, an Open Skies treaty could well be submitted for Senate consideration by this time next year. (True to Bush's notion that his Open Skies should be "on a broader, more intrusive and radical basis" than Ike's, the U.S. plan would initially embrace all 23 of the NATO and Warsaw Pact nations.) Next February, the NATO and Warsaw Pact countries plan to meet in Ottawa—Canada has been a prime proponent of Open Skies—to begin hammering out the specifics.

Even as "military transparency" and on-site inspection gain growing acceptance, many issues must be settled before the skies can open. The Soviets, for instance, want to create an international agency that would use a common pool of aircraft and sensors. Arguing that international red tape would only hamper the project, the United States rejects this approach. (Not irrelevantly, perhaps, the United States also boasts the best surveillance gear.) Smaller nations might still want to band together to

share Open Skies' expenses, estimated by a specialist at \$12 million for a small aircraft with sensors and \$3 million a year in operating costs. All types of imaging sensors would be permitted—from standard high-speed cameras to "forward-looking infrared" devices that make thermal "photos" at night—but not electronic eavesdropping gear.

The U.S. vision of how Open Skies might work in practice, still subject to negotiation, would have the inspecting nation's aircraft arrive at a designated airport in the inspectee's territory. After filing a flight plan, the inspectors would have to wait 24 hours while the plane is examined for illegal sensors, air crews rest up and disputes over flight plans are resolved. ("Air safety

considerations should be the only area restrictions," a State Department fact sheet says.) Observers from the nation being surveilled would go along for the flight.

The United States also seeks inspection quotas based on geographic size that would allow two and a half times as many U.S. missions over the Soviet Union as that country would be able to conduct over the United States. The Soviets have not yet endorsed this scheme.

Questions also remain to be resolved concerning the use of data collected by Open Skies planes. "I can see a real need for interpretation experts," Jeffrey

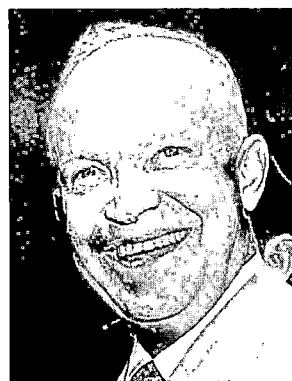
P. Tracey, an electro-optical systems specialist with Intera Technologies Ltd., an Ottawa-based airborne sensor company, told the Stimson gathering. "If you misinterpret data and start pointing fingers," he warned, "that's going to be a real problem."

Even if all of the complexities can be ironed out, Open Skies might still strike many as redundant when so many arms treaties, each with its own elaborate verification measures, are on the fast track, and when the earth's space teems with spy birds. Canada's External Affairs Department argues in a paper that though Open Skies "is not treaty-related, there will be inevitably some [reinforcing] interplay with existing and proposed arms control agreements."

And aircraft can do things that satellites cannot. "There is a big difference between taking pictures from 2 miles up rather than 200 miles up," the U.S. official said at the Stimson briefing. Moreover, he noted, satellites "are not cheap, and Open Skies aircraft are extremely valuable in that context." Open Skies, in fact, could short-circuit calls that have been put forth by France and Canada for an international satellite monitoring agency that would be neither cheap nor easy to implement.

"You can do wonderful things with surveillance aircraft and [unclassified] exportable sensors," Stimson Center president Michael Krepon said in an interview. "I really see it as a low-cost, short-term, feasible alternative to international satellite monitoring," he added. "You could use Gulfstream aircraft, for crying out loud. You could use used cameras. And there's no tech transfer problem, if you use the right equipment." Recalling the flap early this year over a suspect chemical weapons plant built in Libya with West German assistance, Krepon noted that "a fuzzy three-meter photo created real embarrassment for Germany and Libya." □

## Opening the Skies



Bush has revived Eisenhower's idea.

Richard A. Bloom

Now that Mikhail S. Gorbachev's attempt to bring the Soviet Union into the 20th century has prompted a revolution throughout Eastern Europe, might we ask for some *glasnost* from our own leaders on the budget issue?

We may not have "newspeak," that standardized truth that George Orwell warned about in his classic *1984*. Rather, we have "budgetspeak"—less formalized, but no less insidious. Up can be down, and down can be up. All it takes is a little common understanding from the White House and Congress, Democrats and Republicans alike, to make it so.

Some critics theorize about a grand conspiracy on the part of America's leaders to play down the budget deficit, to avoid the issue in any significant sense by proclaiming that they are making much more progress than they are.

Whatever the leaders' motives, budgetspeak is at least convenient. It enables the leaders to sidestep the very tough issues—some of which they have confronted unsuccessfully in the past—upon which any significant deficit cutting deal would depend.

After all, if Washington is making progress, the deficit is coming down and the executive and legislative branches are working together, who's to say that anyone needs to do more? Whether any of those assumptions are correct, however, is another matter.

Did President Bush agree to a tax increase? No, everybody says, he did not. The White House and congressional Republicans, of course, would never admit to such an assertion. To do so would prove that Bush did what he said he would never do. And because he would never do that, they say, he did not. Got that? Nor are the Democrats inclined to embarrass a nice guy like Bush. So, they say, he didn't raise taxes.

Never mind April's budget pact between Bush and congressional leaders, in which the two sides agreed to raise \$5.3 billion in taxes. Taxes, it seems, are not taxes. Got that? And never mind the \$6.1 billion in tax increases that were actually enacted for 1990, through various tax changes that were just approved. Never mind that for those who will pay more—in taxes, that is—the changes sure feel like a tax increase. No, the President did not raise taxes—because he says he didn't. And if you need more proof, everybody else says so, too. So there!

Did Washington do a good job in cutting the deficit this year? It sure did. Ask the congressional leaders. "Well, I think so," Senate Minority Leader Robert Dole, R-Kan., said on Nov. 22 when asked on the *MacNeil/Lehrer NewsHour* whether the first session of the 101st Congress had been "productive on the budget deficit."

Dole said that Richard G. Darman, the Administration's budget director, "said it's the best budget agreement we've had in years. . . . so it's—you know, it wasn't good when we started, but I think we end up with a pretty good product." Well, if Darman said so, it must be true. Is everybody on board?

Also appearing on that show, House Speaker Thomas S. Foley, D-Wash., wasn't about to disparage this fall's deficit cutting "reconciliation" bill, which the House Budget Committee esti-

mated would bring in \$81.3 billion in savings over the next five years. Questioned by correspondent Judy Woodruff, he said: "Well, obviously we can always do more. I wouldn't say this was a perfect result, but it's—compared to other years, I think it's one of the strongest, if not the strongest, performances."

Never mind that little 1982 Tax Equity and Fiscal Responsibility Act, which, by itself, was projected to raise nearly \$100 billion in taxes over just three years. You know, the one that Dole, as Senate Finance Committee chairman, was so instrumental in bringing about. And never mind the 1982 reconciliation bill, which was projected to cut \$13 billion in spending over three years. Together, that's \$113 billion in deficit reductions

over *three* years, compared with \$81.3 billion over *five* years in this year's package.

And while we're praising this fall's fiscal 1990 pact as "one of the strongest, if not the strongest," you'd better ignore that three-year, \$63 billion reconciliation bill, most of it in tax increases, that Washington enacted in 1984. If everybody says this year's was the best, it must be. Who cares about history, anyway?

How well did Washington do this fall? Well, our leaders say, they cut the deficit by \$17.8 billion for 1990.

But, when you ignore a few one-shot savings that, they agree, should not be counted, they actually cut the deficit by only \$14.7 billion.

Of course, in that \$14.7 billion are a few other one-shot savings, or just plain gimmicks. They claimed \$1.7 billion in "savings" from taking the U.S. Postal Service "off-budget," although such a maneuver doesn't really save any money. And they claimed \$700 million more by forcing federal retirees to take their retirement benefits over two years, not all at once. No real savings there.

But in April, the White House and Congress had agreed to those maneuvers. And so, they included them as part of the \$14.7 billion. Some gimmicks are good, and some are bad, it seems, depending on when policy makers conspired to rely on them. Or, as Orwell might have put it, "All gimmicks are equal, but some are more equal than others."

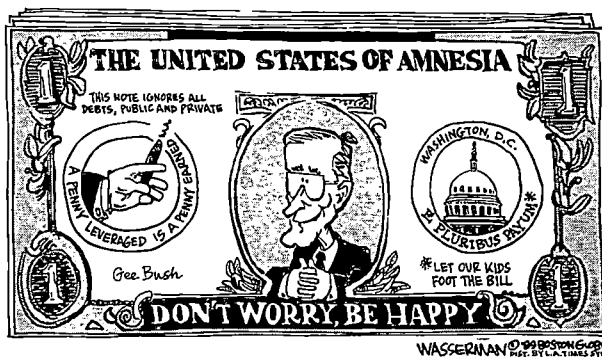
To reach that \$14.7 billion, policy makers also imposed 130 days of across-the-board spending cuts, calculated to save \$4.6 billion next year.

Remember those across-the-board cuts? They represented a wholly unthinkable gun that Congress held to its own head in 1985. Those cuts weren't ever supposed to take effect. Instead, with the threat facing them, policy makers were supposed to adopt a more rational deficit cutting approach to meet annual deficit targets.

Now, it seems, those cuts were not so unthinkable after all. Now, if Washington comes up short in meeting whatever deficit cutting target it imposed on itself, the nation's leaders may be inclined to employ those cuts to finish the job.

In the world of budgetspeak, the unthinkable can become the thinkable overnight. Or, up can be down. All it takes is a little common understanding. □

## Budgetspeak



**P**ity Hamilton Burger. The long-suffering foil to unbeatable criminal defense lawyer Perry Mason, prosecutor Burger suffered ignominious defeat after defeat, extending his record-setting courtroom losing streak before a nationwide television audience.

It turns out that the fictional Burger was a victim of bad timing. The Eighties has proved to be the decade of the prosecutor. Federal crime-busters such as Joseph E. diGenova in Washington, Rudolph W. Giuliani in New York, "Mad Dog" Robert W. Merkle in Tampa and Anton R. Valukas in Chicago became superstars. They were treated as hometown heroes and cheered by the national news media (even though Giuliani lost his campaign for mayor).

In a time of scoundrels, the U.S. Attorneys waged a counterattack on corruption. Corrupt judges in Chicago, cocaine kingpins in Miami, thieves on Wall Street and crooked bankers all over were foiled by dedicated federal crime fighters. At times, it seemed the only known antidote for the epidemic of white-collar crime was a powerful dose of prosecutorial virtue.

"The function of the prosecutor is to ultimately make all men angels and then go out of business," Otto Obermaier, the new U.S. Attorney for the Southern District of New York, summed up in the November issue of the American Bar Association's *ABA Journal*.

In pursuit of this lofty goal, federal prosecutors have relied on tough-guy tactics sanctioned by Congress and public opinion. And the lawmen certainly can employ heavy artillery in their war on crime. Congress has supported federal prosecutors with more firepower in virtually every antidrug bill and criminal justice legislation enacted in the 1980s.

Given these weapons, federal enforcers hardly hesitate to use them. Look at a recent ruling by the Internal Revenue Service (IRS) requiring criminal defense lawyers to identify clients and provide detailed client information regarding fees and methods of payment. Failure to furnish this information can lead to both civil and criminal penalties, but many defense attorneys have refused to submit it, citing their clients' constitutional rights.

"Unquestionably, these latest actions by the IRS present a serious threat to the criminal defense bar and attorney-client relationship," the National Association of Criminal Defense Lawyers (NACDL) warned in a Nov. 14 letter to its members. The IRS effort "presents a serious challenge to the adversary system of justice, and places honest, ethical lawyers in a serious dilemma," the letter concluded.

Since the Supreme Court in June ruled in favor of the government, federal prosecutors have wasted little time in demanding fee information from defense lawyers, including such luminaries of the bar as F. Lee Bailey.

So far, the Justice Department and its U.S. Attorneys have been careful to seek forfeiture of legal fees only in drug cases, knowing there is public support in these instances. Before Valukas quit his post in Chicago, he assured local defense attorneys that forfeiture would not be sought in commodities fraud cases. But there is no reason prosecutors can't demand fee in-

formation in any criminal case and back up the request with a grand jury subpoena.

Some of the defense lawyers' complaints can be dismissed as gripes from attorneys doing a thriving business representing the most despicable defendants. But defense counsel dispute a statute that forces them into the role of stool pigeon.

Federal prosecutors obviously feel differently, arguing that the fruits of crime should not be used to pay for expert legal advice. It's "the same as a bank robber going to a lawyer with money he just stole from a bank," Kenneth Magidson, head of the Gulf Coast Drug Task Force in Houston, told the *Chicago Tribune* recently. "An attorney's no special person."

But as government watches the lawyers, who is watching government? *The Wall Street Journal's* editorial page has crusaded against the feds' use of the 1970 Racketeer Influenced and Corrupt Organizations (RICO) Act. Much of the newspaper's criticism focused on the weapons prosecutors could wield even before trial, especially the forfeiture of assets allegedly gained through criminal actions. (See *NJ*, 3/11/89, p. 572.)

Now, in a decision almost universally regarded as harsh criticism of government prosecutors, a federal judge in New Jersey has merely slapped the wrists of executives with a New

Jersey securities firm that was forced out of business by the feds in a RICO case.

There are other hints that times may be changing. Prosecutors could lose one of their biggest advantages if a decision by Judge Harold H. Greene of the U.S. District Court for the District of Columbia is upheld by appellate courts. In a decision last month, Greene found new criminal sentencing guidelines unconstitutional on the ground that they violated a defendant's right to due process.

More important, Greene's decision raised a troubling question about prosecutorial discretion in criminal cases. Under the guidelines, which restrict judicial discretion, mandatory minimum penalties are imposed for various crimes. The guidelines really give prosecutors the upper hand by determining punishment at the same time charges are filed. The prosecutors call the shots by deciding what charges to file, and judges have almost no authority even to tinker with sentences.

"The sentencing statute has largely replaced the traditional role of judges in the critical sentencing phase of the criminal process by vesting most sentencing decisions in prosecutors," Greene's Nov. 16 opinion said. The sentencing guidelines, he added, "have thus effected what may be the most fundamental change in the criminal justice system to have occurred within the past generation."

For defense lawyers, Greene's decision hints that some judges may be wary of the extraordinary power that gradually accrued to prosecutors. "It is an encouraging development," said H. Scott Wallace, NACDL's legislative director. After years of smashing victories, prosecutors might be facing some defeats. In the end, that might herald a more level playing field for prosecutors and defendants. □

## Prosecutor Power



Federal prosecutors at the Justice Department

Richard A. Bloom

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## Skepticism About Internationalism

"Many things that were characteristic of the Cold War should be abandoned," President Mikhail S. Gorbachev declared at the conclusion of the Malta summit meeting with President Bush. What he had in mind, the Soviet leader explained, was "the use of force, the arms race, mistrust, psychological and ideological struggle."

For 50 years, U.S. foreign policy has been premised on the existence of a totalitarian threat—first Fascism, then Communism. During almost all of our history before that, isolationism was the guiding principle of American foreign policy.

Is there a danger that the United States could return to isolationism, now that we have achieved our mission of defeating totalitarianism? Not likely. Americans have become used to a world leadership role, and the public, being better educated, is more conscious of the complex strands of interdependence that tie the nation to the rest of the world.

Nevertheless, isolationist pressures are bound to be felt. Isolationism is a populist sentiment. It is most prominent among the poor and the poorly educated, those who believe that most of the things we do for the rest of the world are wasteful, pointless and unappreciated. Sometimes, as in Vietnam, they are right.

The end of the Cold War poses a challenge to 50 years of internationalism. The challenge is to come up with a new mission in the world. It is a challenge that both political parties will have to face. Republicans will have to figure out how to continue selling defense spending and interventionism when the United States does not face a clear military threat. Democrats must demonstrate that America's economic challenges require globalist, rather than protectionist, solutions.

There is a bottom-line requirement for our new mission in the world: It has to be firmly grounded in self-interest. Americans do not seem to be in the mood for noble ventures or great sacrifices.

The public is not quite convinced that the Cold War is over. By 54-37 per cent, a majority rejected that view when polled by CBS News-*The New York Times* just before the Bush-Gorbachev meeting. People do, however, see a sharply diminished Soviet threat.

About equal numbers of Americans now see the Soviet Union as "a peace-loving nation, willing to fight only if it thinks it has to defend itself," and "an aggressive nation that would start a war to get something it wants." That is the same balance that prevailed at the end of World War II, before the Cold War started. As recently as 1985, the "aggressive" view of the Soviet Union outweighed the "peace-loving" view by 4-1. Just since last May, the number of Americans who believe the Soviet Union is trying to dominate the world has dropped from half to a third.

So why is there still a Cold War? Because Americans see the Communist threat as changing, not necessarily dying. In a *USA Today* poll taken last month, only a fourth of Ameri-

cans endorsed the view that "Communism is dying." But 55 per cent preferred the formulation "Communism is being reshaped to be more open." The third option, that Communist hard-liners are "waiting for an opening to crack down," was accepted by only 17 per cent.

The public approves of the economic initiatives Bush announced at Malta—encouraging U.S. business investment in Eastern Europe and granting favorable trade terms to the Soviet Union and Eastern Europe. But the public does not like the economic aid package Bush was pressured by Congress to accept. Most Americans reject any increase in aid to Eastern Europe, including the nearly \$1 billion aid package passed by Congress.

Only a fourth of Americans object to the defense cuts being considered by the Bush Administration. And while half of the public believes U.S. troops should remain in Europe, the number who think those troops should be reduced or withdrawn has been growing—from 13 per cent in 1982 to 15 per cent in 1982, 16 per cent in 1986 and 34 per cent now.

As the Communist threat diminishes, Americans are not looking to make new commitments. They are looking to disengage and demobilize—and to exploit new opportunities for trade and investment.

Every four years since 1974, the Chicago Council on Foreign Relations has asked Americans to rate the importance of various foreign policy goals. The goals that come out at the top of the list are self-interested: protecting American jobs, securing adequate energy supplies, reducing the U.S. trade deficit, achieving arms control.

Internationalist goals always fall to the bottom of the list—promoting human rights, bringing democracy to other countries, helping to improve the standard of living in less developed nations, protecting weaker nations against foreign aggression.

Cold War goals—stopping the spread of Communism, defending the security of America's allies, matching Soviet military power—come out in the middle. As the Cold War loses intensity, these goals are sure to drop in importance. That means that either Americans will become more self-interested or their leaders will have to find a new way to package internationalism.

Here's an example. In May 1988, the Americans Talk Security project asked the public to react to two statements. One said, "It's time to reduce our financial commitments to other countries and spend more on our problems at home"; 84 per cent agreed. The other statement said, "To keep the U.S. economy growing, America must increase its participation in the world economy and in international affairs generally"; 77 per cent agreed.

Americans are not really hostile to internationalism. They are just skeptical. Before we go off committing resources and incurring new obligations, people want to know, what's in it for us? □

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