

MELANNE VERVEER —

more stuff from
from

—

1

The DLC Update Monday, June 28, 1999

Highlights Include:

- Idea of the Week: New Democrat Idea Exchange
- Senate Rejects Bad Idea of the Week: Steel Import Quotas
- Congressional Reform? Not While We're in Charge
- Court to Congress: Fixing Class Action Suits is Your Job, Not Ours

Idea of the Week: New Democrat Idea Exchange

"A think tank," an old joke goes, "is a place where you take ideas that work in the real world and try to make them work in theory." There's a grain of truth in this adage. Most of the best policy ideas are developed by practitioners in the real world. And sometimes idea mavens in Washington can best add value by circulating them and connecting their originators into a broader discussion of the values and goals that can stitch together useful proposals into a governing agenda and a political message.

That's the idea behind the New Democrat Idea Exchange. Our web page now has an interactive feature encouraging New Democrats and Third Wayers from around the world to comment on ideas presented in the DLC Update, and more importantly, to share related ideas that are working in their own states and communities.

Over time, we hope the *Idea Exchange* will help New Democrats develop perspectives on issues that are off the radar screen in Washington, but are vital to state and local elected officials and the people they serve. In addition, we will encourage participants wherever possible to do something that Democrats have traditionally found difficult, but which is vital to the progressive spirit of our enterprise: thinking in terms of broad values and long-range policy objectives before designing government programs, rather than the other way around.

As it develops in the coming weeks, we encourage every reader of the DLC Update to give the *New Democrat Idea Exchange* a look, and then to actively participate. The best way to participate is to sign up for the DLC's e-mail version of the Update, which can be done by sending an e-mail **listserv@list.dlcppi.org** and in the body of the message type "subscribe newdemnews your full name" (without the quote marks). The New Democrat movement has always relied on the power of ideas as its most important resource. Together, we can give this movement a power surge. **Respond**

Senate Rejects Bad Idea of the Week: Steel Import Quotas

In March, the House indulged itself in promoting a genuinely bad policy idea with a small but vocal constituency: steel import quotas (for more information see the PPI Report, Steel Import Quotas: A Misguided and Counterproductive Approach). Buttressed by a strong veto threat from the Administration, the Senate killed a steel import quota bill this week.

Import quotas are plainly illegal under the World Trade Organization rules that the United States is

The DLC Update

Monday, June 21, 1999

Highlights Include:

- Idea of the Week: "Show Me Results"
- Pound Foolish
- Africa Trade: A New Seed in Scorched Earth
- A New Departure for America's Mayors

Idea of the Week: "Show Me Results"

What do charter schools, work-based welfare reform, community policing, and a "second generation" of environmental policies all have in common? Yes, they are all signature New Democrat policy ideas. Even more, they represent efforts to refocus public policy on ends rather than means, and on results rather than on micromanaging procedures or measuring success by such "inputs" as how much money you spend.

Thus, charter schools are public schools organized around publicly defined educational results--what kids actually and measurably learn--rather than a single model of how schools should operate or who should run them. Community policing makes overall levels of public safety the most important measurement of how well police are doing their jobs, rather than specific crime statistics or time-of-response to 911 calls. "Second generation" environmental policies adopt clearly defined national standards for environmental quality, but then also allow and encourage local community stewardship in determining how to achieve them.

The simple principle of reorganizing government programs to encourage and reward defined results, while providing maximum flexibility, is the central thrust of what New Democrats mean by "reinventing government."

The potentially revolutionary impact of creating performance-based public policies demonstrates why the President's proposal on educational accountability this year is critical (see the January 29, 1999, Idea of the Week: Performance-Based Grants). For the first time, it would make federal assistance to states and local school boards contingent on educational improvement, not just demographic characteristics or financial need. It also represents a model for federal-state-local aid programs largely financed and administered through domestic government.

The best overall effort to create performance-based government is in the "show-me- state" Missouri, where New Democrat Gov. Mel Carnahan has launched a statewide initiative called, appropriately, "Show Me Results." The initiative has led to the establishment of 23 statistically measurable goals for state government efforts, some assigned to individual agencies and others to interagency teams. Progress toward these results is the touchstone for virtually every state government decision, including agency budgets. In addition, citizens can easily judge the "payoff" for their investment of tax dollars by reviewing the specific results (see Missouri's web site on this initiative: <http://www.comap.state.mo.us/showme/>).

The "Show Me Results" initiative is one reason that Missouri was one of the rare states to actually pay

attention to what happens to welfare recipients after they leave the public assistance rolls. This is one of the most important national policy questions around, but one that has eluded many federal and state bureaucrats who ignore anyone who is no longer a "client" for their services. Missouri is interested in results, not just caseloads.

It's significant that Gov. Carnahan has made long-time DLC member Quentin Wilson, Missouri's Revenue Director, the overall coordinator for "Show Me Results." A truly evangelical New Democrat, Wilson is determined to make this initiative not just another "reinventing government" effort, but a fundamental departure point in what Missourians expect from their public servants, and what they get back in results.

Respond

Pound Foolish

As recent events in the former Yugoslavia should have amply displayed, the institutions and civic values of democracy do not magically appear in their full bloom the moment totalitarian systems are dismantled.

Fortunately, the United States has a proven instrument for democracy-building: the National Endowment for Democracy (NED). A publicly funded but independent body that works through non-government organizations in nations struggling toward democracy, the NED has an outstanding track record around the world. To cite just one example, NED is reaching more than 10 percent of the on-line population of China with uncensored news and a pro- democracy message through the Chinese VIP Reference News, an e-mail service. NED is also doing excellent work in the former Soviet Union in helping stable political parties form for participation in newly democratic elections.

NED costs the U.S. taxpayer relatively little given the critical nature of its mission. It has asked Congress for \$31 million for Fiscal Year 2000, the equivalent of a night's worth of cruise missiles during the Kosovo conflict. But Sen. Judd Gregg (R-NH) has acted to kill the entire NED budget in his capacity as Chairman of the Senate Appropriations on Commerce, Justice, Judiciary, and State. Gregg apparently thinks NED should go begging for its funding from the State Department, which has a "democracy fund." Its independence from the State Department is precisely why NED can be effective working through non-governmental organizations in countries suspicious of official U.S. diplomatic sponsorship.

Given the paltry sums involved, Gregg's action is hard to justify as "penny wise," but it's clearly "pound foolish."

Africa Trade: A New Seed in Scorched Earth

It's now been 21 months since the defeat of "fast-track" trade negotiating authority for the President, and there are finally signs that pro-trade forces are ready to plant a few new seeds in the scorched earth of that fiery conflict. Last week at the University of Chicago, President Clinton spoke at length for the first time since the fast-track defeat about America's responsibility to shape the direction of the new global economy just as the United States shaped the Industrial Age economy through the policies and institutions of the Progressive Era. Vice President Al Gore has conspicuously told his industrial labor movement allies that he will not abandon his commitment to open trade at their behest, and his rival for the Democratic presidential nomination, former Sen. Bill Bradley, has a longstanding pro-trade record. The three GOP presidential candidate frontrunners (Bush, Dole, and McCain) are also firm supporters of trade expansion.

It's time to get the United States back into its accustomed position of world economic leadership. And, there's now a vehicle for renewing our momentum with House consideration of an Africa Trade Bill (H.R. 434)--a bill identical to the legislation that passed the House in the last Congress before stalling in the

The DLC Update, Monday, June 14, 1999

Highlights Include:

- Idea of the Week: Medicare Consumer Coalitions for Prescription Drugs
- Turning the Corner in Kosovo, and in Europe
- Another Step for the Third Way
- GOP--Still Not Ready for Prime Time

Idea of the Week: Medicare Consumer Coalitions for Prescription Drugs

Senior citizens, and those who help pay for health care on their behalf, need stronger purchasing power to get a good price on prescription drugs. Fortunately, it can be done without the kind of excessive, bureaucratic regulations that could boomerang on seniors.

One of the biggest gaps in the traditional Medicare program is its failure to cover prescription drugs. Conversely, in recent years, prescription drug coverage has been one of the most attractive inducements for Medicare beneficiaries to enroll in HMOs.

It is almost universally recognized that some prescription drug coverage should be part of the "deal" to reform Medicare that will ultimately be cut. The Breaux-Thomas plan proposed by the two leading members of the Bipartisan Commission on Medicare Reform expands prescription drug benefits for low-income seniors through the Medicaid program. While the Administration has not yet fully developed the President's Medicare reform proposal, it did announce this week that its plan would include prescription drug coverage.

But there's a problem. The increasing use and cost of prescription drugs make the price tag for this benefit expansion huge--at least \$20 billion per year, according to some estimates.

Many House Democrats are supporting legislation to address the cost issue by requiring drug manufacturers to provide discounts to seniors. As with price controls generally, these mandated discounts would be (a) easy for manufacturers to evade by selling more drugs to make up for lower prices, or (b) prone to producing perverse results, such as the withdrawal of popular drugs from the marketplace whose prices are held below the cost of production.

A better idea is to give seniors what large wholesale purchasers of prescription drugs already have: collective purchasing power. In a Progressive Policy Institute Backgrounder, Medicare Consumer Coalitions: Helping Older Americans Afford Prescription Drugs, WayPoint Health President Dwight McNeill and PPI Senior Health Policy Analyst David Kendall lay out a plan for lowering drug prices for seniors without price controls.

Medicare Consumer Coalitions (MCCs) are purchasing cooperatives for seniors that would be run by community-based, private organizations such as grass-roots senior groups, AARP chapters, unions and employer retirees groups, or senior centers. They would do for seniors what employers, business coalitions, unions, and state and federal agencies currently do for members of health plans they administer: negotiate with providers for group purchases of the best quality health care (in this case, prescription drugs) at the lowest cost.

The idea of MCCs has been endorsed by the National Council on Aging (which coined the term MCCs) and the AARP. It is consistent with the Administration's position opposing price controls for prescription drugs under Medicare, and serves as an alternative to price controls to satisfy House Democrats' demands for legislation making prescription drugs more affordable for seniors.

Most importantly, MCCs are consistent with the overall direction the country needs to go in addressing the cost, quality and availability of health care. MCCs provide a model for expanding choice and availability for all Americans, and should be applied to purchasing health insurance for all Medicare beneficiaries, not just prescription drugs. Instead of increasing government control of health care markets, government should help create a "buyer's market" in health care.

Turning the Corner in Kosovo, and in Europe

This week's announcement of an agreement by Serbia to accept NATO's conditions for halting its bombing of the former Yugoslavia should be celebrated with some caution and continued resolve, given Yugoslav President Slobodan Milosevic's history of broken promises and the hard work ahead of repatriating Kosovar refugees and rebuilding the battered region.

But it appears the corner has been turned, not just in Kosovo, but in Europe as a whole. The North Atlantic Alliance has passed its first post-Cold War test under new--and previously untested-- center-left, Third Way leadership. President Clinton deserves credit for holding the alliance together thus far, and British Prime Minister Tony Blair gets kudos for articulating NATO's war aims and their greater significance.

As for the domestic political implications of these events, we will simply quote without comment remarks made by *The Weekly Standard* Editor and GOP strategist Bill Kristol on last Sunday's *This Week*: "Republicans come out badly. They were cackling on the Hill and the House that this is Bill Clinton's war, it is his problem. Great, so now it is Bill Clinton's victory. And I think it is Al Gore's victory."

Another Step for the Third Way

As noted above, the Kosovo agreement was an important step forward for the Third Way political movement, whose leaders today dominate NATO and the West as a whole. But another, if less dramatic, step was taken this week to show the Third Way's forward momentum: a manifesto signed by British Prime Minister Blair and German Chancellor Gerhard Schroeder on their common understanding of the Third Way.

It is a document worth reading in whole. From its first paragraph--an echo of the DLC's early slogan of "new ideas and enduring values"--the manifesto is uncannily similar to the New Democrat formulation of the current state of the progressive political tradition. The ethic of reciprocal responsibility, the central position of private sector economic growth in fostering equal opportunity, the need to modernize pension and welfare systems, the limits of public spending, the challenges and opportunities presented by the New Economy and globalization, the deference owed to traditional values, the role of "empowerment strategies" in reducing poverty, the task of "expanding the winner's circle" through better education and lifelong training--all these familiar New Democrat themes are front and center.

As conservatives are beginning to acknowledge (see Tod Lindberg's May 26, 1999, Wall Street Journal piece, "Why the 'Third Way' is Winning"), the Third Way can no longer be dismissed as a marketing slogan or empty rhetoric. It is an increasingly well-articulated, and commonly accepted governing philosophy sweeping the globe.

The DLC Update, Monday, June 7, 1999

Highlights Include:

- Idea of the Week: Digital Certificates
- What's Happening To People Leaving Welfare? Let's Find Out
- Al Gore's Breakthrough on Faith-Based Organizations
- Letting China Do Our Bidding

Idea of the Week: Digital Certificates

Each year more of the daily business of American life "goes digital." Millions of people now get some or all of their news and entertainment via the Internet. Millions more file their federal tax forms electronically. Researchers and students routinely "surf the web" for information that once required long hours in dusty libraries. A relatively small but rapidly growing number of people buy goods and services electronically--most notably books, music, and stocks.

But there is a built-in limit to the transactions we can conduct on the Internet: the inability to execute legally binding documents, whether it is signing a sales agreement or an application for a driver's license or filing a will. These still require personal authentication via written signature.

The technology already exists to replicate this personal authentication electronically, through a "digital signature" executed with a "digital certificate"--basically, an electronic pen that uniquely and securely identifies the user. The digital certificate would reside in each person's computer hard drive or on a "smart card"--an electronically imprinted data card--and would produce unique digital "signatures" that would make transactions even more secure than those executed with a written signature backed up by a driver's license.

And who would issue the "digital certificates?" Well, which public agency is currently in the business of collecting enough personal information on citizens to give them a reliable ID to support legally binding signatures? That's right, the state Departments of Motor Vehicles (DMVs) who issue driver's licenses.

With the personal data they already collect, state DMVs can create "digital certificates" and embed them on "smart cards." These cards could also, at the option of the recipient, bear digital imprints with additional personal information, along with banking, credit, or even voting data. The security of such digital information is superior to that of the wallet-held driver's license or credit card, and could be instantly canceled and reissued in the case of theft. States have a strong motive to instruct their DMVs to move in this direction, since it will make it possible to provide many services on-line, reducing the cost of government. (DMVs need to ensure that everyone can obtain digital certificates, but citizens will be able to get them from private vendors as well.)

In a new Progressive Policy Institute (PPI) report, Jump-Starting the Digital Economy, Marc Strassman and Robert Atkinson lay out the DMV strategy for issuing digital credentials, and address all the economic, security, and privacy issues involved. This needs to become a big political issue in the immediate future. Americans deserve full access to e-commerce and e-government services that digital certificates could make possible. There is no good reason on earth, or in cyberspace, that policymakers should deny them.

The DLC Update, Monday, May 31, 1999

Highlights Include:

- Idea of the Week: Smaller Schools
- Will the GOP Stick to Its Guns?

Idea of the Week: Smaller Schools

There is common-sense logic to the Clinton Administration's proposal to provide federal assistance to lower class sizes in early grades--smaller learning environments allow for more individual attention. However, evidence is mounting that "smaller is better" when it comes to entire schools, not just the classroom.

Educational research shows that students from smaller schools have better attendance rates, lower dropout rates, and fewer disciplinary problems. According to a 1997 Hudson Institute study, smaller schools were the single most important reason that parents preferred charter schools over traditional public schools.

Unlike large classes, which result from inadequate resources rather than any misconception that they work better, large schools have been deliberately engineered. Since World War II, the number of U.S. schools has declined by 70 percent, while the average size of schools has increased by about 500 percent. Furthermore, the largest schools--those with more than 2,000 students--tend to be concentrated in big cities, serving our most disadvantaged kids. The traditional argument is that mega-schools can offer greater fiscal efficiency, more elective courses, and greater opportunities for extracurricular activities.

In fact, big schools tend to be more expensive than small schools because they require more administrative support--indeed, many have their own in-house bureaucracies. The evidence on curriculum and extracurricular offerings is mixed, but certainly does not offset the disadvantages of oversized schools in teaching kids in a disciplined environment. A 1992 study by researchers Jean Stockard and Maralee Mayberry concluded that "behavior problems are so much greater in larger schools that any possible virtue of larger size is canceled out by the difficulties of maintaining an orderly learning environment."

Andrew Rotherham, director of the 21st Century Schools Project of the Progressive Policy Institute, summarized the available evidence in the February 24, 1999 issue of *Education Week*: "The research is pretty clear on this point: Smaller schools help promote learning. And, contrary to the prevailing wisdom, research shows that small schools are able to offer a strong core curriculum and, except in extremely small schools, a comparable level of academically advanced courses."

How small is small enough for schools? Rotherham says, "the consensus of researchers is that no school should serve more than 1,000 students and that elementary schools should not exceed 300 to 400 students."

We are happy to report that Vice President Al Gore is promoting the "smaller is better" message on schools. In his recent Iowa speech on education, Gore said:

We've done some things wrong in education, and here's one of them: herding all students in a 25-mile area into overcrowded, factory-style high schools. When teachers and principals must practice crowd control, it becomes impossible to spot the early warning signs of violence, depression, or academic failure--and it becomes even harder to do something about it.

Gore specifically called for making any new federal assistance for school construction available to school districts, not just for repairing old schools or building new ones, but for creating smaller schools if they so choose.

Small schools: a big idea that could have big consequences for public education.

Will the GOP Stick To Its Guns?

With public opinion polls showing large majorities of the American people--Republicans, Democrats, and Independents alike--favoring some measures aimed at keeping firearms out of the hands of kids, psychotics, and felons, the GOP's alliance with the gun lobby is under intense fire.

Outmaneuvered by Senate Democrats, most Senate Republicans went along with legislation favoring background checks at gun shows and childproof trigger locks on handguns. Now, House Speaker Dennis Hastert (R-IL) is promising enough Republican votes to pass similar, and perhaps even tougher, legislation as well.

The GOP is in the cross hairs of a weapon it knows quite well: a wedge issue. This is an issue where an important partisan constituency and/or funding group is decisively at odds with actual voters, and especially the swing voters who determine the outcome of close elections. The Republicans of the 1970s and 1980s were very adept at finding and using such wedge issues as crime, welfare, and national defense on liberal Democrats. The politician who is the victim of a wedge issue often looks like the proverbial deer in the headlights: frozen in terror at the prospect of choosing between swing voters and the loopier elements of the base, and desperate to evade the collision by changing the subject rather than moving in one direction or the other.

To the gun lobby and a small, but significant share of the GOP base, any concessions on gun control are a big step down the slippery slope to confiscation of guns and arrest by the "jack bootied thugs" (to quote a famous NRA fundraising letter) of the dreaded Bureau of Alcohol, Firearms, and Tobacco. To most voters, anyone who opposes trigger locks or worries about inconveniencing the kind of people who attend multi-state gun shows has a screw loose.

It is now pretty clear that a considerable number of Republican Congressmen have decided they would rather annoy Charlton Heston and risk the ire of gun collectors and backwood libertarians than lose the elections of 2000. And in fact, the specific measures at issue in Congress are so modest that even gun enthusiasts will probably get over it once it is clear the black helicopters are not appearing to haul them off.

But unfortunately for the GOP, the wedge may get deeper when other gun control measures come to the fore in Congress or in the states. Governor George W. Bush of Texas, for example, signed a Texas law in 1995 authorizing Lone Star residents to carry concealed weapons. Similar legislation has passed in other states, but a concealed weapons referendum in Missouri earlier this year (before the Littleton massacre) went down to defeat despite a well-heeled campaign in its favor.

The concealed weapons issue is a potential wedge issue because it reflects the exotic belief of many GOP conservative activists (not to mention the gun lobby) that the best way to fight crime is not, as you might imagine, to hire more police or to lock up more criminals, but to arm the population to fight crime themselves--vigilante-style. Indeed, some conservatives (and the NRA quite explicitly) go so far as to support concealed gun laws and other efforts to spread gun ownership on grounds the all our liberties depend on an armed population ready to violently resist its own government should the need arise.

The DLC Update, Monday, May 24, 1999

Highlights Include:

- Idea of the Week: Wealth-Building Assets for the Poor
- Senator Breaux on a Roll
- Preaching Change in Education to the Unconverted
- Left-Right Convergence on Health Insurance Tax Credit

Idea of the Week: Wealth-Building Assets for the Poor

It is increasingly obvious that a major source of economic inequality in America today is not just unequal income, but unequal access to wealth-building assets. The economic boom of the 1990s has lifted many millions of Americans into the largest upper-middle-class in the history of the world by making them capitalists. Rising middle-class incomes have helped, of course, but the real key to the huge expansion in wealth-producing investment has been the ability to tap personal assets like real estate, savings, and personally-controlled pensions and other benefits. The working poor, who could benefit most from this engine of upward mobility, have been largely shut out of this cornucopia. One-third of Americans have no savings available for investment, and another 20 percent have only negligible assets.

That is why New Democrats have so strongly supported efforts to create and "seed" Individual Development Accounts (IDAs), tax-free accounts that help working poor families join the mainstream economy and build financial and human capital assets (education and skills) that in turn can create wealth (see the DLC Update from April 10, 1998). Indeed, IDAs were one of the earliest New Democrat ideas, touted by Michael Sherraden in a 1990 Progressive Policy Institute (PPI) paper *Stakeholding: A New Direction in Social Policy*.

Now Senators Joe Lieberman (D-CT), Rick Santorum (R-PA), Dick Durbin (D-IL), and Spencer Abraham (R-MI) are proposing a big leap toward a national commitment to IDAs with the Savings for Working Families Act (S. 895). This legislation would create a federal tax credit of up to \$300 per account to banks that set up and match tax-free contributions by low-income families to IDAs. IDA funds could be used by families to buy a first home, start a new business, or pursue education or skills training. The bill, while giving the financial community incentives to assist America's working poor, also encourages deposits into IDAs by employers and charitable organizations, and makes it easy for low-income families to divert some of their Earned Income Tax Credit into IDAs.

At an estimated annual cost of \$200-500 million, the Savings for Working Families Act would create a national infrastructure of IDAs. It would give millions of working poor families personal bank accounts for the first time, and would put them on the road to participation in the great wealth-producing mechanisms of American capitalism. It is a big deal for a minimal cost, and an idea all New Democrats should support.

Senator Breaux on a Roll

As if leading the charge to modernize Medicare wasn't enough, Senator John Breaux (D-LA) this week took on another easy, uncomplicated issue: saving Social Security. Senator Breaux and GOP Senator Judd Gregg (R-NH) introduced bipartisan legislation that would keep Social Security solvent for another 75 years, while strengthening the system's safety net features and enabling all Americans to save for their own

The DLC Update, Monday, May 17, 1999

Highlights Include:

- Idea of the Week: Universal National Service
- Social Security Theater
- Message to Democrats: Accept Success, and Expand It

Idea of the Week: Universal National Service

Since 1994, about 100,000 citizens, most of them in their late teens or early twenties, have enlisted for a year of national service in AmeriCorps, a signature New Democrat initiative championed by President Clinton. They have taught, tutored, or mentored two million children; operated after-school programs for about half-a-million kids from low-income families; helped more than 200,000 senior citizens live independently; planted 52 million trees; and established 40,000 patrolled "safe zones" in neighborhoods and schools. In turn, they have also earned college scholarships for themselves, and undergone the increasingly rare experience of working with and for fellow citizens from different races, creeds, and socio-economic backgrounds.

AmeriCorps represents a non-bureaucratic way to address social problems while helping young Americans earn the opportunity to go to college and reinforcing an ethic of mutual responsibility and patriotism. It is opportunity, responsibility, and community in action.

So why not transform AmeriCorps from a worthy but small initiative into a truly national form of national service? That is the challenge posed by journalist Steve Waldman in the new Spring 1999 issue of *Blueprint: Ideas For a New Century*. Waldman proposes that national service be made universal, defined as "a common expectation that young Americans have for themselves." To make that possible, he recommends an expansion of national service opportunities to include one million Americans by 2004, by (1) doubling the size of AmeriCorps, (2) creating 300,000 part-time and summer community service positions for high school students, (3) returning to the original mission of the College Work-Study program by reserving half of the one million annual work-study slots to community service positions instead of supplying cheap labor for colleges themselves, and (4) creating a new domestic GI Bill that would give young people scholarships but rely on community groups to pay for their living expenses.

Not so long ago, when congressional Republicans annually threatened to kill off AmeriCorps entirely to secure concessions from its proud sponsor in the White House, Waldman's proposal would have been viewed as naïve, if not laughable. That's changed.

The new climate of GOP support for national service is partly attributable to hard work by Eli Segal and former Senator Harris Wofford (D-PA), the two directors of the Corporation for National Service (which oversees AmeriCorps), to disarm conservative critics by linking national service to measurable results of value to the communities served.

Something more fundamental is at work, however, in reviving Republican interest in national service and other public efforts to stimulate civic action. The GOP's shrill anti-government rhetoric of recent years has pretty much worn out its welcome with the American people. The "compassionate conservatives" surrounding Governor George W. Bush (R-TX), the "national purpose conservatives" quietly helping Senator John McCain (R-AZ), and the "empowerment conservatives" working in Congress to promote

civic action have all concluded that government has a necessary and appropriate role in working with businesses, non-profit organizations, and community-based initiatives to deal with the country's most pressing social challenges.

New Democrats reached the same conclusion years ago from the opposite direction. The Democratic Leadership Council (DLC) began championing national service in the mid-1980s because it (1) embodied a lost ethic of active citizenship and mutual obligation once central to Democratic values, and (2) offered a potential alternative governing model to the old welfare state's habit of addressing social problems through centralized bureaucracies and entitlement benefits.

The newfound interest of conservatives in the nexus between public action and civil society shows that national service, and other civic action initiatives, are slowly but surely emerging into the political limelight. As Elaine Kamarck, a PPI senior fellow and a key advisor to Vice President Al Gore, recently told the *Washington Post*, "It's no accident that (Gov. George Bush) is stealing the DLC themes because they are, in fact, winning centrist themes."

New Democrats should welcome this flattery-by-imitation from the right, but they should begin challenging conservatives to put their money where their mouths are, by supporting universal national service.

Social Security Theater

New Democrats who feared the President's reserve-the-surplus proposal was his last contribution to Social Security reform were cheered by recent reports that the White House had sent out feelers to House Ways & Means Chairman Bill Archer (R-TX) in response to his new reform package. After all, Senate Majority Leader Trent Lott had recently declared Social Security reform dead for this session, and partisan zealots on both sides were eager to stop trying before bipartisan discussions could start.

The partisan theater of you-go-first-no-you-go-first on Social Security reform is not only irresponsible, but increasingly unnecessary. A bipartisan vehicle is already on the table: the Stenholm-Kolbe bill (H.R. 1793). Already a sound combination of benefit structure reforms to strengthen Social Security's safety net features and incentives to encourage private retirement savings, Stenholm-Kolbe has been recently improved by incorporating a version of the President's Universal Savings Accounts (USA) proposal. Now the bill devotes a portion of Social Security payroll taxes to private savings accounts, but would also provide new, means-tested incentives to match retirement savings by low-to-moderate income Americans, modeled on the Thrift Savings Plan. Stenholm-Kolbe is an important departure for the Social Security debate because it would boost personal savings and economic growth, more than offsetting the impact of future benefit cuts. The bill has some political momentum as well, with Senators John Breaux (D-LA) and Judd Gregg (R-NH) already signaling the Senate should take a similar approach.

The President has helped bring Social Security reform back from the brink. Now it is critical that Congress get moving before the 2000 campaign fever grips Washington and makes major legislation all but impossible. The Stenholm-Kolbe proposal is the right place to start.

Message to Democrats: Accept Success, and Expand It

New monthly economic statistics and a new study by the National Bureau of Economic Research, contain very welcome news: "America's jobs boom is increasingly pulling many of the nation's most vulnerable citizens out of poverty and unemployment." In a May 8 *New York Times* article, Sylvia Nasar wrote that unemployment among African-Americans--already at historic lows--dropped to 7.7 percent in April.

The DLC Update, Monday, May 10, 1999

Highlights Include:

- Idea of the Week: First Amendment, Second Amendment, Third Way
- Poison Pill for Charter Schools
- Just Because You Say It's So, Doesn't Make It So

Idea of the Week: First Amendment, Second Amendment, Third Way

This week the U.S. Senate Commerce Committee held a hearing on the marketing of violence to children. Seven motion picture studio heads were invited to testify, but declined. Also this week, Republican presidential candidate Elizabeth Dole got booed at a GOP fundraiser in New Hampshire for suggesting that some firearm control measures--such as trigger locks on handguns- -might be in order to keep guns out of the hands of kids.

These two incidents showed that even in the wake of the mass murder in Littleton, Colorado, the gun lobby and the gun-loving entertainment industry see no particular reason to change their tune, or even to engage in discourse with the rest of American society about the possible impact of their mutually reinforcing activities on children.

Little or no words of remorse or self-criticism has come from the entertainment industry since Littleton. A few actors have called for gun control, though none has foresworn accepting future contracts for movies or television shows targeted to kids that glamorize gun violence. The attitude of the gun lobby was best expressed by National Rifle Association (NRA) President Charlton Heston, whose first reaction to the Littleton massacre was to suggest that armed security guards might have prevented it. That's the NRA's solution to gun violence in a nutshell: arm everyone, and when we're all packing heat all the time, what a peaceful world it will be!

In all the tearful words spilled by politicians about youth violence in the last two weeks, it does not take long to count those who talked about both those who sell guns and those who sell gun violence to children. Dole drew catcalls from many conservatives for defying the NRA, and much political analysis about the "soccer mom" strategy reflected in her decision to do so. Hardly any Republicans bothered to wonder whether the specific gun regulation proposals she offered might make sense. Needless to say, the NRA and other gun groups give heavily to Republican candidates. Meanwhile, hundreds of Democrats ritualistically, and safely, blasted the NRA and called for gun control, while alluding vaguely if at all to the possible responsibility of the entertainment industry, which gives heavily to Democratic candidates. Blasting the other party's interest groups is hardly an example of political courage, or a recipe for actually getting anything done.

Democratic Leadership Council (DLC) Chairman Senator Joe Lieberman (D-CT) was a major exception to Democratic indifference to violence-based youth entertainment. At the Senate hearing which studio chiefs did not bother to attend, Lieberman richly documented Hollywood's deliberate efforts to attract teenagers to movies featuring frequent and sadistic acts of murder, rape, and dismemberment, often with video game and other merchandising tie-ins exclusively aimed at children. He called not for censorship, "but better citizenship," through self-regulation by the entertainment industry. It is not that hard to do: just this week Vice President Al Gore announced a self-policing agreement with major Internet providers aimed at protecting children from adult material. Entertainment moguls will get a second chance to show some

responsibility by appearing at next week's White House Summit on Youth Violence, called by the President at the request of Senators Lieberman and John McCain (R-AZ).

What our political system needs to come to grips with youth violence is more people like Dole and Lieberman, who are willing to stand up to their own party's financial benefactors. To that end, we propose a bipartisan bargain: matched pairs of Republicans and Democrats who will go to the floor of the House or Senate (or state legislatures, or town meetings, for that matter) with an agreement that the Republican will discuss reasonable gun control measures aimed at protecting children and the Democrat will discuss ways to limit the targeting of children to sell violence saturated entertainment products.

More generally, there needs to be a bipartisan bargain to begin exposing and repudiating the pernicious pseudo-constitutional doctrines by which the gun lobby and the entertainment industry seek to protect themselves from scrutiny, and their products from regulation. Republicans should conspicuously distance themselves from the extremist idea--now all but Holy Writ to the NRA--that the purpose of the Second Amendment is to ensure a heavily armed population in case it proves useful to undertake the violent overthrow of the U.S. government. Democrats should hoot with derision at the idea that limiting the exposure of children to carnage-filled video games threatens "artistic freedom" or other First Amendment rights.

The vast majority of the American people support both reasonable gun control measures and reasonable limits on the time, place, and manner in which images intended for adults are available to children. First and Second Amendment ultras want not only to deny them self-government on these issues, but to deny any public discussion on the merits. It is time to marginalize the merchants of death, and reducing their grip on our political system is a good place to start.

Poison Pill for Charter Schools

Our last Idea of the Week: Counter-Punching On Vouchers was essentially a "poison pill" amendment to private-school voucher proposals. By requiring equal access and accountability to the public, it would have essentially converted private schools accepting vouchers into charter public schools.

Now legislation is moving in the California Assembly that would serve as a "poison pill" for charter schools. Assembly Bill 842 would require that teachers in charter schools-- now about to undergo a significant expansion in California--work in accordance with collective bargaining agreements governing traditional public schools in their districts. Since these agreements cover school schedules, class size and structure, school governance, and a host of other issues, they would eliminate the flexibility that makes charter schools work, and makes them an attractive place for many teachers to work, we might add. In effect, Assembly Bill 842 converts charter schools into traditional public schools.

There is some muttering in California Democratic circles that Assembly Bill 842 is a litmus test for Democrats who wish to continue receiving campaign contributions and political support from the teachers' unions, and a way for charter school supporters to make amends for breaking with the educational establishment.

We think it is critical that California New Democrats make it clear that you cannot simultaneously support charter schools and vote for this legislation, any more than you can say you support the Administration's Kosovo policy while opposing the bombings. You might as well just repeal the original charter school law; it would have almost exactly the same effect. The essence of charter schools is to provide flexibility in how a school is run in exchange for accountability for publicly desired results. You can run a public school under a performance-based "charter," or you can run a public school under the kind of bargaining

The DLC Update, Monday, May 3, 1999

Highlights Include:

- Idea of the Week: Counter-Punching on Vouchers
- Bill Bradley's Big Idea on Medicare

Idea of the Week: Counter-Punching on Vouchers

This week, business executives Ted Forstmann and John Walton formally unveiled their Children's Scholarship Fund, offering privately funded vouchers for 40,000 low-income families who are willing to pony up an additional \$500 for private school tuition. An incredible 1.2 million families with verified incomes low enough to qualify have applied to participate in a lottery for these 40,000 slots. Meanwhile, the Florida legislature enacted Governor Jeb Bush's proposal to create vouchers for use in private schools by low-income families in areas where public schools are graded as failing according to standardized tests. The other Bush brother, Governor George W. of Texas, indicated he is staking his political reputation on a voucher bill in his state. Mayor Rudolph Guiliani formally proposed public funds for private school vouchers in New York. And in Michigan, a ballot initiative authorizing vouchers was certified for a vote in 2000.

The response to the Forstmann/Walton initiative represented a thundering vote of no-confidence in the nation's public schools, especially in the inner cities. It shows, as does the renewed momentum for vouchers in various states, that there are limits to the patience of Americans about the glacial pace of reform in the public education system. These developments should serve as a wake-up call to those in the education establishment who have fought (with some success) public school choice, public charter schools, higher standards for students, an end to social promotion, accountability for teachers and administrators, and other measures to force public schools to improve their performance. The guardians of the educational status quo have won a few battles, but are in danger of losing the war, with America's great tradition of universal public education sacrificed in the bargain.

New Democrats should continue efforts on every front to make all public schools high-performance schools, with special emphasis on the citadels of failure and despair masquerading as educational facilities in many inner-city neighborhoods. But we have a specific idea to offer to New Democrats who are confronted with voucher proposals in state legislatures or city councils: offer an amendment that requires private schools receiving public funds to (1) accept accountability for results, and (2) agree not to "cherry-pick" students, but to educate the full range of children whose parents pay for vouchers through taxes. This would in effect turn private schools accepting vouchers into public Charter Schools.

The essence of public education is not government ownership of schools, but universal access and accountability to the public for results. It doesn't really matter whether public schools are run by the local school board, a group of parents, a teacher's union, a private educational enterprise, or the Little Sisters of the Poor. Indeed, many Charter Schools are run by private entities who negotiate a "charter"--a performance contract--that gives them public money in exchange for accepting the responsibility of educating the public-school population of kids.

An "accountability amendment" to a voucher proposal would make this crucial point about the nature of public schools clear: if you, the school operator, want public money, then you should agree to meet the same standards of access and performance we demand of schools operated by the city or county. To be sure, performance standards for schools should be raised almost everywhere (especially in those

jurisdictions whose students most want to flee), but private schools taking public money should not be allowed to evade them.

This will make perfect sense to voters, and even to some current voucher proponents. After all, parents and taxpayers would not countenance a decision by the local school board to buy a computer system, order school books, or repair a school roof, without a contract that spells out what the recipient of public money is promising to do. But most voucher proposals do exactly that--make a no-strings, no-expectations contract with private vendors--in purchasing the most precious educational material of all, the instruction of our children.

The simplest way to construct an "accountability amendment" is to use the accountability language from a strong charter school law--say, Minnesota's. The essentials are non-discrimination in accepting applicants, and a written agreement with public authorities that outlines what standards they agree to meet, by which objective measurements.

Many voucher proponents who simply want to privatize K-12 education, and many private schools who would love a no-strings public subsidy, will object to an "accountability amendment." Fine. Let's divide the sheep and the goats on vouchers by separating those who are interested in using every available means to improve public education from those who want to abandon it altogether. This latter group might well become convinced to abandon the coalition supporting vouchers and join the coalition supporting efforts to make all public schools perform like the best public or private schools.

Those who fight vouchers while defending an indefensible status quo are leading with their chins, and they're getting clobbered. It's time for serious supporters of high- performance public schools to get into the ring and start counter-punching.

Bill Bradley's Big Idea on Medicare

A constant theme of former Sen. Bill Bradley's underdog campaign for President is that America needs big ideas. Until this week, his big idea has been the idea of big ideas. But in a speech on health care at the New York Academy of Medicine, Bradley dropped a big one, suggesting the possibility of "a sliding scale contribution, based on people's ability to pay, that supplements the public funding" for Medicare. This is what is normally called a "means test," limiting public subsidies for people who aren't needy.

Before you could say "AARP," a Bradley spokesperson rushed out a comment saying, "This is not a statement of policy." Nice try, but when a presidential candidate makes a public speech addressing one of the great public policy issues of our time, then what is it? A practical joke?

The liberal activists who have been applauding Bradley's attacks on the cautious, incremental policy thinking of the Clinton-Gore Administration probably did not have this kind of big idea in mind. Indeed, strident opposition to means-tests in Social Security and Medicare is one of the iron tenets of liberal orthodoxy, on the belief that middle- and upper-class Americans will oppose benefits for the poor unless they are cut in on the action as well. It is the Left's version of trickle-down economics: you help the poor by fighting tooth and nail to make sure every retired millionaire in America gets government-provided health care and a full annual Social Security cost-of-living adjustment.

By even broaching the idea of a means-test for Medicare, Bradley is lighting the grill and looking hungrily at one of the oldest sacred cows of old Democrats. We are happy to throw a few charcoals on the fire.

Bradley's twin rationale for considering a Medicare means test is dead on: it is the fairest way to address

The DLC Update, Friday, April 23, 1999

Highlights Include:

- **Idea of the Week: Retirement Savings for Low Income Americans**
- **A Third Way Homecoming**

Idea of the Week: Retirement Savings for Low-Income Americans

This week President Clinton presented his proposal for Universal Savings Accounts (USAs)--personal retirement accounts with federal seed money and a federal match for savings by low- and moderate-income families. The USA proposal addresses one of the most urgent problems affecting retirement security in the 21st century, and should become an integral element, not simply an add-on, to Social Security reform.

Social Security is intended to serve as a supplemental retirement program, with private employer-sponsored pensions and personal savings and assets providing the bulk of retirement security.

But there are two big problems with the assumption of a "three-legged stool" supporting retirement. The first is that nearly two-thirds of Americans over the age of 65 do not actually have employer-sponsored pension income--a percentage that may soon rise due to increased workforce mobility. The second is that low-income Americans rarely have either private pensions or private savings, and rely heavily on Social Security benefits alone.

According to Timothy M. Smeeding and James P. Smith (in a November 1998 Progressive Policy Institute report, *The Economic Status of the Elderly on the Eve of Social Security Reform*) households headed by seniors in the bottom one-fifth of income depend on Social Security for 81 percent of their retirement income, as compared to just 20 percent for the top one-fifth.

More than a decade of Congressional experimentation with tax-preferred savings accounts have left the poor virtually untouched, since they have less income available after meeting essential living expenses, and also rarely have the federal income tax liability necessary to make IRAs cost-effective. IRAs have not even succeeded in increasing retirement savings for middle- or upper-income families, since most have shifted existing savings from non-tax-preferred vehicles to IRAs.

Any progressive approach to shoring up retirement security needs to address the private savings issue, especially for the poor. The issue transcends retirement: The most dramatic and growing class differences in the United States are not in earned income, but in wealth, including both assets (like homes) and savings. The U.S. economy of the 1990s has produced the largest upper-middle class in the history of the world, primarily because of the rapid expansion of wealth-producing private investment. The poor have been left out of this great American success story.

One of the major reasons the Democratic Leadership Council (DLC) has supported a two-tiered or partial privatization approach (one that maintains a government-provided retirement "safety net" while moving towards private savings accounts for individual pensions) to Social Security reform is to give the poor a means for accumulating income-producing wealth for retirement. In the past, we have praised the Moynihan-Kerrey proposal to carve out a portion of the Social Security payroll tax to seed private accounts, in part because that may be the only way to get low-income families onto the savings ladder.

President Clinton did not embrace the carve-out approach in announcing his proposal for extending the solvency of the Social Security system early this year. Rather, the President's proposal for private savings, Universal Savings Account (USA), would be an add-on to Social Security. It would give all lower- and most middle-income families an annual \$600 federal tax credit to seed a tax-free personal retirement savings account. Most importantly, the federal government (through a refundable tax credit) would match private savings up to \$700 per year per couple for low-to-moderate income families. That means an eligible household where the husband and wife each saved \$350 per year would wind up with \$2,000 a year placed in their USA account.

The proposal would let USA account-holders invest their savings in a range of government- regulated but privately operated investment funds, similar to the arrangement enjoyed by federal workers through the Federal Thrift Savings Plan. Assuming a 5 percent real rate of return, a two-earner family saving the maximum matched amount would have a \$250,000 nest egg after 40 years, and obviously more if they chose to save beyond the matched amount.

The President proposes to pay for the USA accounts by reserving 15 percent of future federal budget surpluses for this purpose.

The reaction has been interesting. Many old-fashioned liberal politicians who have routinely blasted personal savings accounts as an element of Social Security reform have warmly endorsed the very same idea as an "add-on." This casts a less-than-flattering light on the Left's arguments that personal savings accounts are too risky, too complicated for the poor to handle, and too costly to administer.

On the Right, opinion is split. Some oppose USA Accounts because they are not integrated into Social Security reform. Some worry (accurately) that the proposal undercuts the GOP's pet tax-cut schemes. Some support it as a way to make millions of Americans capitalists.

Many Democratic centrists have mixed feelings as well. Fiscal hawks tend to view the proposal as a new and unfunded entitlement. Supporters of partial privatization remain convinced that carving out Social Security payroll taxes is a better way to make USA Accounts fiscally sound, while making the whole system more progressive.

We agree with these concerns, but urge New Democrats to support the proposal as a step in the right direction, not just in terms of Social Security reform and retirement security, but as an important commitment to address the single largest economic injustice in American life today, the exclusion of the poor from the accumulation of wealth. Maybe the proposal will help both the Left and the Right "get" one of the fundamental tenets of the Third Way: progressive goals can best be achieved through market means.

A Third Way Homecoming

This week leaders of nineteen NATO countries are meeting in Washington to commemorate the 50th anniversary of the Alliance, and discuss its post-Cold War mission of maintaining peace and stability in and near Europe, now being tested in the former Yugoslavia.

But several key European leaders will linger in Washington on Sunday afternoon, April 25, for a discussion of another Trans-Atlantic mission aimed at meeting the challenges of the twenty-first century: Development of a Third Way governing philosophy attuned to the needs of a global Information Age society.

The DLC Update, Monday, April 19, 1999

Highlights Include:

- Idea of the Week: Tax Simplification by Software
- China and WTO: Close the Deal

Idea of the Week: Tax Simplification by Software

This tax season, millions of Americans struggled through the official IRS instructions to file their 1998 federal (and state) income taxes. An estimated 20 million other Americans popped a disk into a computer and let a tax preparation software package do the heavy lifting. Most of the growing array of tax software programs available in stores or on the Internet conduct an interview with the taxpayer and prepare (and even electronically file) the return, based on tax laws and IRS regulations and other guidance. From the point of view of many taxpayers, they produce today what politicians promise in the future: tax simplification.

There are many sound arguments for real, as opposed to virtual, tax simplification, but the explosion of tax preparation software shows how interactive technology can make even the most obscure and terrifying government programs and policies intelligible to anyone who can find a disk drive with both hands. Several years ago the IRS made it possible to download forms, instructions, and other materials from its web page. This year it improved the system for electronic filing. There's no reason in the world why the IRS could not begin making its own or privately produced tax preparation programs available to the public in the immediate future. If you can stroll down to the post office or leap onto the web to get your 1998 forms now, why not pick up a disk or download a preparation questionnaire for 1999?

Tax simplification by software is just one example of the potential for "digital democracy": the use of interactive technology to vastly improve public access to government information and services. Many federal, state, and local agencies are moving rapidly in the direction of posting an array of information on user-friendly web pages, but it is interactivity--the ability to actually conduct business with your public servants--that is the key to "digital democracy." At a minimum, citizens should be able if they wish to file forms, pay fees, and request information and services over the web. But we would argue that participating in genuine electronic "town meetings," and yes, electronic voting, are already technologically feasible and worthy of immediate consideration.

Not everyone, of course, has a PC or Internet access, but all families with cable TV or a telephone may have it built into their lifestyles within a few short years. In the interim, and to fill "gaps" in private usage, governments should rapidly expand electronic access through PCs in public libraries, schools, and other community facilities, and experiment with specialized interactive kiosks providing contact with government agencies in convenient locations.

Some may object that "digital democracy" is best left to the private sector--to consultants, accountants, lawyers, and webmasters who can supply access to government information and services for a small fee. It's fine with us if the government contracts with private firms to develop software and operate web pages, but publicly authorized access to publicly funded data and services should be a fundamental right in the Information Age. No one has so far objected that Washington, DC, Mayor Anthony Williams' efforts to make District agencies behave like public servants should be suspended lest they interfere with the free

market of intrepid entrepreneurs who are making an honest buck holding places in the driver's license line at the Department of Motor Vehicles.

"Digital democracy" is to the Information Age what civil service reform was to the Industrial Age: a simple matter of modernizing the public sector to take advantage of new techniques and to meet new challenges. Let's help simplify everyone's taxes by next April 15.

China and WTO: Close the Deal

Despite high expectations of success, the United States and China did not reach agreement on China's accession to the World Trade Organization (WTO) during Premier Zhu Ronji's visit to Washington last week. Some say the Clinton Administration did not believe enough details on the accession, its conditions, and its implementation by China had been reached to close the deal. Others say the Administration ducked at the last moment to avoid a crossfire of political attacks from scandal-mongers on the right and globaphobes on the left.

We don't know who's right, but we do know the President needs to close the WTO deal quickly and firmly, for three basic reasons:

1. ***It's a great deal for the United States.*** Whatever issues have not been resolved, those that have been resolved show that U.S. Trade Representative Charlene Barshefsky and her team of negotiators did their country proud under very difficult circumstances. China has agreed to the decade-long prime objectives of U.S. trade strategy towards that country: opening up a wide array of sectors to foreign trade and investment, and submitting its economic conduct to the rule of international trade law. Meanwhile, we made no trade concessions at all. U.S. negotiators should resolve the market-opening issues and close the deal.

Specifically, China has agreed to:

- deep, permanent reductions in tariffs on industrial goods;
- the elimination of most import quotas;
- opening its economy to foreign investment, including majority foreign ownership of firms;
- foreign banking operations;
- accession to a multilateral agreement on scientific standards that will open huge new markets for U.S. agricultural goods, especially meat, citrus and wheat;
- accession to three other multilateral agreements governing trade in information technology, telecommunications, and financial services;
- ***and most of all***, accession to the WTO's regime of continued trade liberalization, rules and remedies, and multilateral monitoring.

2. ***Because it's a good deal for the United States, the President needs to close it before it unravels.***

The political heat in Washington about trade with China is pretty mild compared to the heat Zhu faces back home for accepting most of the U.S. conditions for support of WTO accession.

3. Aside from its economic value, ***this deal is in the strategic interests of the United States.*** It advances our interests in two crucial ways: it vastly increases our leverage over China's economy, and it creates a legal framework and strong incentives for China to behave as a law-abiding member of the international community. A stable and cooperative relationship serves U.S. national security interests.

The DLC Update, Monday, April 12, 1999

Highlights Include:

- Idea of the Week: Information Age Trade Statistics
- Nobody Here But Us Internationalists
- High Noon for Education Reform in Milwaukee

Idea of the Week: Information Age Trade Statistics

Trade statistics are like baseball statistics. Nobody really understands them, but everyone uses them to support their arguments. Should Mark McGwire or Sammy Sosa have won the 1998 MVP award? Let's talk about slugging percentages, whatever they are. Is America doing well in the global economy? Let's wave those trade deficit numbers, so long as they support our point of view.

But what if baseball fans had to consult several different and differing sources to figure out how many times McGwire and Sosa went long last year? What if official scorers refused to deal with sacrifice flies because it was too complicated for their scoresheets? And what if every game had to be stopped for several minutes after every play to make sure the right data was collected? That is how we keep up with statistics in the game of trade.

Much of the problem derives from a statistical service that was set up to measure the industrial economy, in which all goods moved by truck, ship, and rail. Goods moving by air are rarely counted, even though they include most high-tech products. The measurement of new and increasingly important transactions such as electronic commerce is crude at best. Small value exports (under \$1,000) are not properly measured, understating the importance of small-business trade and small exporters. One Census Bureau economist calculates that U.S. exports are consistently undercounted by \$62 billion--or one-third of the overall trade deficit.

Data collection and the processing of exports and imports are also inefficient and archaic. In 1997, the trade community spent \$3.2 billion filing forms with the 104 different federal agencies involved in trade transactions. Many government agencies also publish trade data, resulting in a myriad of different, confusing sources. Finally, the process of data collection and publication takes far too long. Trade statistics are currently published with a six-week lag, leaving policymakers in the dark for long periods, as happened during the recent debate over steel imports.

Such data problems will only get worse as the economy increasingly shifts from an industrial to an information-age structure. We need a trade data system that imposes minimal costs and delays on exporters and importers, and properly measures this New Economy, if we are to effectively monitor, understand, and react to its new realities. Business also need to adopt new technologies, accept shorter filing deadlines, and embrace change in the old system.

Part of the solution has already been proposed by Vice President Gore's Reinventing Government Initiative. Its recently unveiled "International Trade Data System" (ITDS) is a single, integrated, government-wide system for the electronic collection, use, and dissemination of trade data. The trade community would send in just one standardized and harmonized set of information--electronically where possible--and trade data users would have access to all published data through a single web site. The system would eliminate repetitive and confusing processing, speed the flow of goods and services, increase access to data, and

speed up data publication. *(For a description of the proposed system, see <http://www.itds.treas.gov>).*

Implementing ITDS would cost an estimated \$256 million. That's about one-fourth of what the Customs Service alone is asking for to create a new stand-alone computer system for tracking transactions along the border in isolation from other federal agencies. Congress should appropriate the funds for ITDS this year. Its debates over who's winning and who's losing in the game of trade could at least proceed with a common set of stats.

Nobody Here But Us Internationalists

Two years after the defeat of "fast-track" trade negotiating authority for the President, the Democratic Party looks certain to go into the 2000 elections with a Presidential candidate firmly committed to continuing the Clinton Administration's open trade policies.

Former Senator Bill Bradley may be looking for an opening to the Left in his uphill challenge to Vice President Al Gore, but it is unlikely he will abandon his longstanding support for expanded trade and a strong U.S. commitment to leadership in the global economy.

Meanwhile, the Vice President recently went out of his way to inform a group of union activists in Iowa that his support for open trade was non-negotiable. Asked to repudiate Clinton Administration trade agreements, Gore replied, "I see it differently than you....If you want someone who agrees with you 100 percent of the time, keep on looking."

So, the two standing Democratic candidates for President are not going to engage in a destructive debate on trade policy that questions whether the world's economic superpower should continue to shape a global economy created in our image, or cower behind tariffs, quotas, and sanctions. But that is all the more reason that Vice President Gore and Senator Bradley should engage each other, and the rest of the Democratic Party, in a constructive debate about ways to "expand the winner's circle" of Americans who are prepared to benefit from our participation in the global economy.

It is a debate that is long overdue among Democrats. Indeed, many globaphobes on the Left have virtually refused to talk about lifelong training, portable benefits, and other worker empowerment initiatives on grounds that Americans should resist, not adapt to, the New Economy and global competition. In other words, "losers" should rebel, not try to become "winners."

But it is more obvious each day that the United States cannot, should not, and will not turn back the clock, melt down the microchips, and secede from the world. "Anti-trade" Democrats should develop a lively interest in helping those left behind by globalization catch-up. Pro-trade Democrats should meet them more than half-way, while challenging pro-trade Republicans to show how compassionate their conservatism really is. Messrs. Gore and Bradley are in an excellent position to start this--the next, great debate on trade.

High Noon for Education Reform in Milwaukee

For the last few years, New Democrat Mayor John O. Norquist of Milwaukee has been engaged in hand-to-hand combat with state and local teachers' unions over education reform in his city. He wants a broad-ranging experiment that lets parents and students choose among a menu of traditional public schools, charter public schools, and private schools that accept public accountability (see the [May 28, 1998 DLC Update on Charter Districts](#)). Instead of working with the Mayor to shape reforms, the forces of the education status quo--the unions, the local school board, and the public school bureaucracy--have opposed

The DLC Update, Monday, April 5, 1999

Highlights Include:

- **Idea of the Week: DNA Tests for Convicted Criminals**
- **Kosovo and NATO's New Mission**
- **China and the WTO**

Idea of the Week: DNA Tests for Convicted Criminals

Evidence of DNA left at crime scenes is the most scientifically accurate way of determining the identity of a crime's perpetrator. It also expands the odds of catching bad guys, since many are not considerate enough to leave behind fingerprints.

Almost all states require DNA sampling for sex offenders, and partly as a result, the FBI has created a national DNA database. But DNA evidence is also available in a wide variety of crimes. So why not expand DNA testing of criminals convicted of other heinous crimes as well?

That is the conclusion reached by the Colorado Democratic Leadership Council (DLC), which has developed legislation sponsored by state Representatives Jennifer Veiga and Dan Grossman of Denver to initiate collection of DNA samples for criminals convicted of murder, assault, kidnapping, arson, burglary, or aggravated robbery. This legislation, (House Bill 1235), has been reported out of a House committee, and is drawing bipartisan support.

These DNA samples will augment efforts to track down sex offenders, since many have committed other crimes. However, expanded DNA testing will also help crime-fighting across the board, especially as techniques for identifying DNA evidence at crime scenes improve.

Some people react negatively to the idea of DNA testing because of its novelty, and probably because of fears unrelated to the use of DNA evidence in court--particularly fears about cloning. But there is no reason to fear collection of a type of evidence that is really just the biological equivalent of a fingerprint, and every reason to support an initiative that could help victims of violent crime obtain justice.

Kosovo and NATO's New Mission

Later this month, the United States will host a series of events commemorating the 50th Anniversary of the North Atlantic Treaty Organization (NATO). As fate would have it, NATO's post-Cold War importance is on full and vivid display in the former Yugoslavia even as the 50th Anniversary approaches.

The collapse of communism did not eliminate every threat to Europe's peace and stability, which remains a pillar of U.S. foreign policy. The kind of barbaric ethnic grievances, genocidal human rights violations, and imperialist fantasies currently being exhibited by Serbia are the most pressing post-Cold War challenge to U.S. strategic interests in Europe. At a time when U.S. and European leaders are actively discussing a role for NATO in dealing with destabilizing violence outside Europe, the alliance can hardly stand by as destabilizing violence breaks out in Europe itself.

That is why we support the President's and NATO's decision to intervene in Kosovo. It represents an appropriate and necessary new mission for NATO in maintaining European peace and stability, and in

The DLC Update, Monday, March 29, 1999

Highlights Include:

- Idea of the Week: Citizen-Soldiers
- Let Gore Be Gore
- Devolutionary Gun-Runners
- Education Reform? What Education Reform?

Idea of the Week: Citizen-Soldiers

Warnings by military officials that the current NATO operations against Serbia could produce significant U.S. casualties were a sobering reminder to Americans that our men and women in uniform are not action figures or professional athletes whose exploits we watch on television. They are American citizens who are risking their lives to promote our values and interests in a dangerous world.

It is as good a time as any for the United States to take a long and overdue look at the relationship between our people and the armed forces that protect us. More than a quarter century after the de facto end of military conscription, the Army, Navy, and Air Force are struggling to recruit qualified enlistees to meet the needs of today's downsized armed services. As a result, we are depending ever more heavily on recruits drawn from the one-third of high school graduates with no plans for college, and we are paying them at levels that tend to reduce the resources needed to reward and retain career non-commissioned and commissioned officers.

Is conscription the only way we can draw our military personnel from a broader segment of the population, including those who are college-bound or already in college? Not at all, argues Northwestern University military sociologist, and Progressive Policy Institute (PPI) fellow, Charles Moskos. He proposes a return to the concept of the citizen-soldier, but through a short-term enlistment option rather than a draft.

Moskos calls for making a 15-month enlistment available: five or six months of training, followed by an overseas tour (and a post-service reserve duty requirement, as is the case with other enlistees). These short-term citizen-soldiers would also be eligible for post-service educational benefits, including student loan forgiveness, an especially attractive inducement for current or recent college graduates. Indeed, one of the great attractions of a 15-month enlistment is that it would be less disruptive of college plans than the three or four years now required as minimum commitments.

In a March 8, 1999 op-ed piece appearing in *The Washington Post*, Moskos argues that short-term enlistees would not only address the current recruitment shortfalls, but would help diversify the armed services at a lower cost and without sacrifices in training or quality. He notes that more than one-third of today's soldiers fail to complete their initial enlistment commitments, often because they have been involuntarily separated for disciplinary violations. "Much better to have a soldier serve 15 months honorably than to be discharged prematurely for cause," he says.

But the most important reason for considering a citizen-soldier option is that it would help reconnect young Americans with their civic obligation to give something back to their country for the blessings of life in a free society, without the compulsion associated with a military draft. As Moskos says: "If serving one's country became more common among privileged youth, more future leaders in civilian society would have

had a formative citizenship experience. This can only be to the advantage of the armed forces and the nation."

If the resources were made available to create and expand a short-term military enlistment option, it could--along with the AmeriCorps National Service initiative--provide an opportunity for service to the community for a broad cross-section of young people, while also providing a way to earn upward mobility through educational benefits, just as the World War II generation did thanks to the GI Bill. Today's ethic of federal education assistance as an entitlement sends exactly the wrong message to young people: the blessings of citizenship are free. As we are again witnessing in the Balkans, that just isn't true.

Let Gore Be Gore

This week the Rev. Jesse Jackson announced he would not run for President in 2000. Following similar announcements by Senator Paul Wellstone (D-MN) and House Minority Leader Dick Gephardt (D-MO), it officially signaled that Vice President Al Gore will not face a primary challenge from the ranks of those on the left wing of the Democratic Party who are unhappy with the New Democratic direction of the Clinton-Gore Administration.

Up until now, the Vice President has been under heavy pressure to systematically reassure liberal activists and interest groups that the New Democratic reform period of the Clinton-Gore era ended with the balanced budget achievement, and will not extend into efforts to change Social Security, Medicare, or public education policies. The theory is that liberals exercise disproportionate influence over the presidential nominating process, and so long as a candidate to Gore's left was a strong possibility, it was only prudent to defer any clear effort to claim the political center until the general election campaign.

With that out of the way, the Vice President should let his public professions echo what we believe to be his private inclinations: to become a loud and proud New Democrat, solidifying his identification with the successful and very popular policies of the Administration he has served so loyally. Such a move would come not a moment too soon. The leading candidate for the GOP presidential nomination, Texas Governor George W. Bush, is clearly and consciously trying to reposition his party to recapture the political center, often using themes and tactics cribbed directly from the New Democrat playbook. Without a strident conservative opponent to make it all easy, the Democratic nominee in 2000 may have to fight tooth and nail to consolidate the political breakthrough made by President Clinton in the last two elections, and to claim the mantle of progressive reform he embodied.

Ah, but are we forgetting something? Hasn't the Vice President's remaining primary opponent, former Senator Bill Bradley, made a few gestures towards running to Al Gore's left?

Unless we've missed something, Senator Bradley's one distinct feint to the left has been to criticize the President for signing the 1996 welfare reform bill. That he has chosen to distinguish himself from the Vice President by attacking the single most popular policy achievement of this Administration should be a cause for wild celebration, not fear and trembling, in Al Gore's camp. More generally, for reasons both of ideology and temperament, Mr. Bradley is not a favorite of the liberal activists if only because of his staunch support for open trade.

If there is any wind in the sails of Senator Bradley's candidacy? We suspect it is driven by the cold front of polls showing the Vice President trailing George Bush and Elizabeth Dole. That's all the more reason to position the front-runner where he intends to arrive in his 2000 acceptance speech.

Devolutionary Gun-Runners

The DLC Update, Monday, March 22, 1999

Highlights Include:

- Idea of the Week: An SEC for Health Care
- Progress or Partisanship on Medicare?

Idea of the Week: An SEC for Health Care

Last year Congress notably failed to move an inch toward real progress on the hot-button health care issue du jour: patients' rights. Democrats had their proposal, aimed at making Republicans look like insurance company stooges unwilling to help Helen Hunt force her HMO to let her child see a real doctor. Republicans had their proposal, aimed at showing they disliked lawyers as much as HMOs, and intended to "neutralize" the issue during the 1998 campaign.

We believed, and still do, that there are elements in both parties' approaches that together could empower health care consumers with the choices, the information, and the purchasing power they need to make competition work for higher quality health care at affordable prices (see David Kendall's October 1998 Progressive Policy Institute (PPI) Backgrounder, Better Luck Next Time: Moving Beyond Partisan Posturing on Patients' Rights).

But so far this year, both parties are trundling out last year's partisan proposals and re-staging the drab pageantry of last year's partisan posturing on patients' rights. With prospects for compromise on this legislation low and getting lower, we are delighted to offer a new idea for placing real, live patients--not just their self-appointed champions among Congressional bill-writers, federal and state bureaucrats, doctors and lawyers--in the driver's seat on health insurance decisions.

In a new PPI report Protection of the Health Care Consumer: The 'Truth' Agency, Harvard Business School Professor Regina Herzlinger suggests that the same simple institutional reforms that saved the securities industry from fraud, misinformation, runaway costs, and a crisis of public confidence back in the 1930s, could work wonders in creating a consumer-driven market for health insurance today.

According to Herzlinger, the key to the securities reform initiated by President Franklin D. Roosevelt was the Securities Exchange Commission (SEC)--a "truth" agency that did not attempt to evaluate or micromanage securities offerings, but did insist on full disclosure of information to investors and a level playing field for competition. The SEC did not, and does not, "rate" securities, but does require that issuers provide the information necessary for private-sector rating services to make reliable evaluations, and for competitors to make reliable comparative claims.

Specifically, Herzlinger proposes a health care "truth" agency that would:

- Register all health insurers (as the SEC registers securities firms) as eligible to operate across state lines if, and only if, they fully disclose information on the financial integrity of their firms, the scope of their policies, and the quality of services they provide, with powerful penalties for companies that cannot back up their representations to the public.
- Work with private sector organizations (like the securities industry's Financial Accounting Standards Board) that would audit health insurance plans and provide common measurements of their price, quality of care, and level of consumer satisfaction.

- Encourage a host of private-sector analysts (a key part of the securities purchasing system) to use disclosed information to evaluate the cost and quality of health insurance plans, helping to hold down costs by stimulating competition.

With this limited but essential set of tasks, a "truth" agency--or "SEC for Health Care"--could simultaneously make health insurance information reliable, improve the fairness of insurance policy prices, help consumers redirect their money from good to bad health plans, and lower everybody's transaction costs.

This step would not solve every problem connected with health insurance plans, or with the health care system, but it would surely accomplish more, at a lower cost, and with less bureaucracy, than the war of sterile words between partisan warriors marching nowhere under the tattered banner of "patients' rights."

Progress or Partisanship on Medicare?

As we feared (see our March 16, *DLC Update Special Edition: Medicare's Moment of Truth*), the National Bipartisan Commission on Medicare Reform met and disbanded this week without agreement on any proposal to restructure the soon-to-be insolvent entitlement program for retiree health care.

Despite heroic efforts by Commission Chairman Senator John Breaux (D-LA), his proposal to remodel Medicare on the highly popular and successful Federal Employee Health Benefits Program (FEHBP) fell one vote short of the eleven (out of seventeen) votes necessary for adoption. Other than Senator Breaux and his New Democrat colleague Senator Bob Kerrey (D-NE), no commission Democrats could be convinced to back the proposal. While some of those Democrats had principled (if, in our view, misguided) policy objections to the proposal, it is also clear that opposition from the Clinton Administration is what really doomed Breaux's efforts.

To his credit, President Clinton implicitly took responsibility for this outcome at a press conference held just minutes before the final Commission meeting, in which he outlined his concerns about the Breaux proposal and announced his adamant intention to pursue his own legislative package on Medicare this year. For a point-by-point analysis of the President's objections to the Breaux plan, we recommend you read a new PPI Backgrounder, Setback to Bipartisan Medicare Reform, by PPI Senior Health Policy Analyst David Kendall . But the most important question now is how and when the President will decide to redeem his pledge to seek bipartisan action on Medicare in the rapidly closing window of legislative opportunity before Washington becomes consumed with the 2000 election campaign.

It is not clear to us how any truly bipartisan package of recommendations will differ from Senator Breaux's, or how the overheated partisan climate surrounding this Congress and this Administration will provide a better incubator for a successful compromise than the just-concluded commission. On the other hand, this President has pulled political and legislative rabbits from a hat so often that we are not about to reject the possibility that he might do so on Medicare.

Our main concern is that Democrats from the President on down recognize that Medicare is one of the biggest, baddest, and most immediate policy challenges facing America, posing an unavoidable test of the Party's hard-won reputation for fiscal discipline and public sector reform. To be sure, Medicare reform will necessarily anger liberal activists and interest groups that want to keep the middle-class entitlement programs pickled in brine, even if retiree benefits eat up every available dollar of present or future budget surpluses, leaving nothing but spare change for all the causes Democrats are supposed to care about. There is, of course, no real evidence that actual voters share this reactionary attitude, and much evidence they are open to a Medicare system that offers higher quality, better benefits, and, most of all, a choice of health

The DLC Update, Monday, March 15, 1999

Highlights Include:

- Idea of the Week: Permanent Extension and Modernization of the R&D Tax Credit
- Avoiding a Y2K Lawsuit Frenzy, Insuring Y2K Liability Fairness

Idea of the Week: Permanent Extension and Modernization of the R&D Tax Credit

What if you wanted to buy a house, but did not know if the tax deduction for mortgage interest would exist two years from now? You might just buy a smaller house, or defer the decision.

That is the situation that now exists with the federal research and experimentation tax credit, known also as the R&D credit, that provides tax incentives for firms to invest in research. Partly because of arcane budget scoring issues, and partly because of the internal tax politics in Congress, the credit has never been made permanent. Instead, since being enacted in 1981, the credit has lapsed three times and has been extended nine times.

The credit expires again June 30. As Congress revisits the issue, it should reshape the credit to fit the contours of the New Economy. But most importantly, it should make the credit permanent.

Promoting private-sector growth to broaden opportunities for all Americans is a central tenet of New Democrat thinking. And promoting innovation--which is spurred by R&D investments-- is the key to fostering growth in the New Economy. The lion's share of per capita economic growth stems directly from technological innovation. A mere 1 percent increase in the nation's investment in research increases productivity 0.23 percent per year. This is important because spurring productivity is the best way to raise wages, and despite recent good news about productivity gains, the slow growth in productivity in the last two decades is responsible for slow growth in wages. The domino effect is that boosting productivity and wages can help enable a smaller workforce to support a growing population of retirees. Empirical evidence, including studies by the former Congressional Office of Technology Assessment, shows that the R&D tax credit is cost effective and stimulates research.

But the uncertain status of the tax credit hampers companies making decisions about strategic R&D investments, thereby discouraging greater emphasis on the innovation that is the driving force of the current economic boom.

Representatives Robert Matsui (D-CA) and Nancy Johnson (R-CT) have introduced H.R. 835 to make the credit permanent. The legislation has the strong support of the New Democrat Coalition, whose members are promoting it in floor statements. "This credit will never reach its full potential until we make it permanent," said Representative Anna Eshoo (D-CA). "This is one of the most important things we can do to insure the continuing growth of America's economy."

Congress should modernize the credit to make it an even more effective tool for promoting economic growth, by broadening its applications and making it even more accessible to more firms--the aim of bipartisan legislation brewing in the Senate.

In our view, these five steps are critical to modernizing the R&D tax credit:

1. **Make it permanent.** The uncertainty over whether the credit will be in place adds risk to the already

risky R&D investments made by companies, and it reduces the effectiveness of the credit.

2. **Make it easier for more firms to qualify for the credit.** Because of the R&D to sales ratio required by current law, many firms do not qualify for the credit. This is the case for many firms that have merged, downsized, faced defense spending cuts, or otherwise restructured.
3. **Expand the credit's support for collaborative R&D.** Collaborative research-- whether in partnership with a university, national laboratory, or industry consortium--is aimed at research with the greatest risk for companies, but the greatest reward for society as a whole.
4. **Make it easier for small and new businesses to access the credit.** New and young technology-based companies are playing a key role in driving the new economy. Many of these companies invest significant amounts on R&D before they generate sales and are unable to qualify for the credit.
5. **Simplify the credit.** Due to different public and private accounting standards, firms often end up using two separate accounting methods to make use of the credit. Simplifying the regulatory definitions of R&D to more closely align with standard accounting definitions would reduce administrative costs.

The bottom line: Growth in the New Economy is increasingly driven by innovation born of investments in research. By encouraging R&D, government policy can play an important catalytic role in spurring economic growth. The R&D tax credit is the right approach. The time has come, two decades after its introduction, to make the R&D credit permanent and more effective.

Avoiding a Y2K Lawsuit Frenzy, Insuring Y2K Liability Fairness

The seeds of the Year 2000 (Y2K) computer problem were sown decades ago when, in an effort to conserve high-cost computer memory, computer programmers designed software that stored and processed dates in a two-digit format. As a result, when "00" is entered for the Year 2000, computers and other electronic devices such as ATMs or cash registers may malfunction and process "00" as 1900, or simply shut down all together. This seemingly simple oversight has far-reaching implications for almost all aspects of our electronically dependent and networked society.

Already, U.S. companies are expected to spend more than \$50 billion to fix Y2K problems. But on top of this, Lloyd's of London has estimated Y2K litigation costs could reach \$1 trillion dollars world-wide, and the fear of lawsuits may keep some businesses from effectively engaging in Y2K remediation efforts. It is essential that individuals who suffer legitimate economic injuries due to Y2K disruptions retain the right to sue. But left unchecked, strident litigators could discourage preventative action by businesses and stifle innovation and economic growth. A new paper [Avoiding a Y2K Lawsuit Frenzy, Insuring Y2K Liability Fairness](#) from the Progressive Policy Institute (PPI) outlines the challenges this poses to the economy.

In addition to the potentially huge costs of litigation, there is another unique element to the Y2K problem. In contrast to cases of business liability where individual firms, or even industries, engaged in some wrongful and damaging practices, the Y2K problem potentially affects all aspects of the economy, and is for all intents and purposes a unique, one-time event. It is best understood as an incomparable, societal problem rooted in the early stages of our nation's transformation to a digital economy. Applying some of the existing standards of litigation to such a distinct and communal problem is simply not appropriate.

As PPI argues in its paper, legislation is needed to limit frivolous lawsuits while protecting the right of

The DLC Update, Monday, March 8, 1999

Highlights Include:

- Idea of the Week: "Early Bird Special" for Emissions Reductions
- Some Gray Matter for California Schools

Idea of the Week: "Early Bird Special" for Emissions Reductions

While the debate over global warming simmers, the result is a regulatory freeze. Companies ready to make significant emissions reductions in greenhouse gasses are caught betwixt and between. If they act now, they may not get credit later if, or when, the 1997 Kyoto Treaty to reduce emissions is ever ratified and implemented.

It is not just that there is a lack of incentive for acting, there is in fact a disincentive. A company that seeks to be environmentally responsible and reduces emissions now could be forced to do so again when an international treaty is put in place--receiving no "credit" for yesterday's leadership and being forced to go through an economic "belt tightening" twice.

This is where the "early bird special" comes in. Bipartisan legislation (S 547) introduced last week by Senators John Chafee (R- RI), Connie Mack (R-FL), and Joe Lieberman (D-CT) would grant "credit" for voluntary actions taken over the next few years by industry, power plants, and others to reduce greenhouse gas emissions in advance of an international agreement taking effect as early as 2008.

The idea is simple: Reward efforts to reduce greenhouse gas emissions sooner rather than later by giving companies "credits" for taking action. These credits could be saved by the company to meet future domestic emissions requirements or they could be traded to others who need help to manage their own reduction obligations. Trading "credits" is modeled on the emissions trading system (see the DLC Update from February 27, 1998) currently employed in the successful effort to combat the sulfur dioxide (SO₂) emissions that cause acid rain. Thanks to this market tool, the actual cost of reducing sulfur dioxide emissions is less than half of the \$500-\$1000 per ton estimated by various parties in 1990 when the program was enacted.

To date, neither the Administration nor Congress has yet laid out a credible program for how the United States will reduce greenhouse gas emissions. Billions of investment dollars and ultimately millions of jobs hang on whether Congress chooses to launch a domestic agenda on climate change in advance of full international agreement on a climate change treaty.

In the meantime, the looming problem of greenhouse gas emissions remains all too real. Change in the earth's heat balance could result in large and unpredictable environmental, economic, and social disruptions. In our view, the potential damage that could be caused by big swings in climate warrants precautionary action even if the science leaves many questions still unanswered. (The American Geophysical Union, the world's largest society of earth scientists, including climatologists, recently endorsed this view.)

For the last year or so, we have argued for a pro-growth, investment-oriented economic strategy as a hedge: Begin reducing emissions today, but if the science 10 years down the road suggests that global warming is not the problem we think it is now, then the U.S. economy would be no worse off, and arguably better off. If the problem continues to loom, then the pro-growth strategy--eventually combined with workable

international rules--would be a significant down- payment on reducing the risks from greenhouse-driven climate change over the next century.

Encouraging early action is not only good for the environment it is good for the economy.

- A credit program would give business the certainty needed about climate and environmental policy to strategically plan capital investments over the next decade and spur investment in research and development (R&D) for technological innovation, encouraging greater emphasis on factors that are contributing to the current economic boom.
- Higher energy efficiency reduces resource costs, making the economy more efficient and freeing up more capital for investment. Between 1973 and 1985, energy use in America remained relatively constant, and at the same time, our gross domestic product increased by 35 percent.
- Finally, spreading the cost of emission reduction will be less painful if it is spread over a greater period of time and among as many emitters as possible.

Although many in the industry and the environmental community differ about the best structure for an early action measure and details of the exact "credits" system, the Chafee-Mack-Lieberman approach hits the mark by fostering a much needed bipartisan discussion on a large, difficult, and looming problem. Fostering "credit for early action" is common sense. It encourages a pragmatic and tangible first step to a complex problem undertaken through private innovation. In the end, "credit for early action" is an insurance policy for the American environment and economy from the possible dramatic risks of climate change without putting us in the poor house. As the debate proceeds, both sides should remember that the costs of no action are ultimately greater than the costs of a less-than-perfect early action program that spurs innovation, and is put in place sooner rather than later.

Some Gray Matter for California Schools

California Governor Gray Davis made education reform a cornerstone of his successful campaign last fall and rightly so. His ideas clearly resonated with California voters. Keeping his promise, Davis recently sent a four-point proposal for school reform to the California legislature:

- 1. Pass an intensive reading instruction plan.**
- 2. Make schools more performance oriented with a new accountability plan.**
- 3. Update the state's teacher peer review and assistance program.**
- 4. Create a high school exit exam.**

The reading portion of the plan has widespread support. After all, who can oppose making sure kids learn to read by third grade--one of the prime indicators of academic success. And, after consultation with educators, improvements were made to the accountability provision to broaden legislative support.

The other, less sexy but equally important proposals are where Davis has been met with the usual resistance to education reform. The peer review plan builds on California's existing Mentor Teacher program and would make receipt of professional development funds contingent on a school district's adoption of a peer review program. This is something the teachers unions allegedly support, but as David Broder wrote recently in *The Washington Post*, the California Teacher's Association is "busily sandpapering down the bills, cushioning its members against wrenching change."

The exit exam for high school students is another provision where old fault lines are being exposed. The

The DLC Update, Friday, February 26, 1999

Highlights Include:

- Idea of the Week: Idea of the Week: Dealing With Sprawl Without Demonizing Suburbs

Idea of the Week: Idea of the Week: Dealing With Sprawl Without Demonizing Suburbs

It was the "surprise" political issue of 1998, a key factor in successful Democratic gubernatorial candidacies in Georgia and Maryland, and a key initiative for a Republican governor in New Jersey. Voters from coast to coast approved some 200 ballot initiatives on growth management, many of which authorized new public spending to buy up "open spaces" vulnerable to development. It is a red-hot issue in the new-growth Sunbelt, and a red-hot issue in the old-growth Northeast. Vice President Al Gore made it a centerpiece of his 1998 campaign speeches, and his most distinctive contribution to the Clinton-Gore Administration's post-impeachment domestic agenda. It is, of course, "sprawl."

For all its novelty on the campaign trail, the issue of sprawl--a.k.a. suburban sprawl--is not new. As the environmental movement took root in the late 1960s and early 1970s, the "paving of America" through suburbanization was commonly cited as a major threat to the quality of our land, air, and water. During the energy crisis of the late 1970s, many experts confidently predicted that suburbanization would come to a halt once transportation costs made it prohibitively expensive to commute long distances. And during the long "urban crisis" that afflicted America's great cities from the 1960s through the early 1990s--and in some places, continues--a whole host of liberal critics attributed the poverty and social dysfunction of the inner cities to the flight of wealthier citizens made possible by rapid and ever-widening suburban development.

In other words, the old sprawl critique was essentially aimed at suburbanization itself, and indirectly, at the lifestyle choices of suburbanites. With those suburbanites now themselves in an uproar about sprawl, there is a huge temptation on the Left to say, "we told you so," and to revive policy proposals that would address sprawl by discouraging suburbanization and forcing urban infill--i.e., pushing new development back into the cities. Give up those "sports-utes" and big back yards, liberal critics seem to say to suburbanites, and get ready to experience the joys of cluster-housing and mass transit.

Conservatives are deeply conflicted about dealing with sprawl--it arises from the concerns of their suburban core constituency, but inherently involves governmental activism to shape private development decisions. But conservatives do know a weak straw man when they see one. Much of their commentary on sprawl has been in the form of blasting the liberal critique of suburbanization, and suggesting that the sprawl issue is just a pretext for getting government into the business of dictating development patterns and lifestyle options.

New Democrats have an opportunity, and an obligation, to overcome this stale Left-Right argument and offer a "third way" of dealing with sprawl without demonizing the suburbs. It is certainly a political imperative to avoid the Left's back-yard-barbecue bashing. One of the reasons the Democratic Party spent so many years in the political wilderness in the 1970s and 1980s was that Democrats were perceived as choosing the wrong side in the "growth debates" that grew out of the environmental and population control movements. Democrats have now fought their way back to a competitive posture in the suburbs, in part by championing economic growth and fiscal discipline. President Clinton carried 24 of the 28 largest suburban counties in America in 1996.

Suburbs are only going to grow larger and politically stronger in the future. Congressional Quarterly estimates that suburbanites will make up a majority of the population in 212 of 435 U.S. House Districts after the 2000 census and reapportionment. Republicans fear, and Democrats hope, sprawl can become a wedge issue in the suburbs, much like education. But any anti-suburban bias or overweening federal-government paternalism in Democratic approaches to sprawl could backfire horribly.

In creating a "third way" approach, here are a few simple facts to keep in mind about sprawl.

- **Sprawl is, in part, the product of population growth, economic growth, higher incomes, and even the New Economy, which makes dispersal of jobs and households easier.** Thus, sprawl can be managed, but not eliminated without stifling growth and technological change.
- **This is the most quintessentially state and local of domestic policy challenges.** Every state has its own approach to land-use regulation, with 50 variations on development permits; local, regional, and state planning; local government powers; and private property rights. Each creates a distinct environment for dealing with growth issues, and the experience with and capability for planning development across city or county lines varies. Hence, there is no one-size-fits-all policy to deal with sprawl because the unique characteristics of each place demand different approaches. What makes sense in a highly suburbanized state--for example, buying up open land, or placing it off limits to development--may not work in one with a sizable rural population and smaller cities starved for development.
- **On the other hand, this is inherently a federal issue as well.** Federal transportation, community and economic development, housing, and wastewater treatment grants are prominent tools used by states and localities to attract or guide development. Highway funds, in particular, are often cited as a culprit in stimulating sprawl because they give states and localities a better deal for building new roads than for fixing or expanding old ones. In addition, federal environmental laws and regulations are a constant element in development decisions throughout the country. Congress and the Administration cannot take a "pass" on sprawl, but they should approach it in a way that recognizes local conditions.
- **Understand that existing policy subsidizes sprawl.** As the previous bullet makes clear, federal, as well as state, infrastructure policies subsidize sprawl--especially the federal highway program that Congress engorged with a huge new infusion of cash last year. A General Accounting Office (GAO) report on federal programs and policies that subsidize "sprawl," requested by Senators **Carl Levin** (D-MI) and **James Jeffords** (R-VT), is due out later this month, and it deserves a great deal of attention. As we have noted previously (see [DLC Update for Feb. 5, 1999](#)), fighting sprawl is a lot harder to do if your own government is helping to create it.
- **Be careful how you encourage "regional" cooperation to deal with sprawl.** Suburbs always have an economic and political relationship with the cities they surround, so it is tempting to assume you must solve "suburban sprawl" through metropolitan-wide planning. That may be true in some cases, but not in others, where relationships between inner- and outer-suburbs, between suburban cities and counties, and between state government and the suburbs, are the real key to fighting sprawl. And remember, region-wide metropolitan institutions and governing bodies created to deal with sprawl will strike many suburbanites as a back-door method of curbing their political independence.

We are happy to report that Vice President Gore's "livable communities" initiative for coping with sprawl seems to have been designed with these cautionary tales in mind. The federal role in subsidizing sprawl through new highway construction is reflected in an increase in federal funds aimed at helping

communities deal with traffic congestion and pursue alternative transportation methods. (We hope the Vice President will soon take the next logical step of reconsidering the pro- sprawl bias in federal programs generally). New federal funds for growth management planning are carefully designed to let local communities decide what kind of cross-boundary planning mechanisms they want and need. And the "open spaces" initiative is well-crafted to make it easier for states and localities to buy land threatened by development, but not so easy that it becomes another federal subsidy dictating local action.

One very important new tool for local communities in coping with sprawl is last week's Idea of the Week: Civic Environmentalism. Locally driven and controlled civic partnerships, backed up by federal standards and funding, can create sound environmental solutions at a reasonable cost. A civic environmental approach is ideally suited to sprawl problems because it tailors solutions to enhancing the qualities that make a place special to its residents.

New Democrats should respond to the new political issue of sprawl, but carefully, and never forgetting that where and how one lives is among the most personal of decisions.

DLC Update Archive

If you would like to comment on this Web site, please send an e-mail to webmaster@dlcpqi.org.

[DLC Homepage](#) | [About DLC](#) | [DLC Archive](#) | [The New Democrat Movement](#)
[Blueprint: Ideas for a New Century](#) | [The New Democrat](#)

[PPI Homepage](#) | [About PPI](#) | [PPI Archive](#) | [The Third Way Philosophy](#)

The Democratic Leadership Council (DLC) & The Progressive Policy Institute (PPI)
600 Pennsylvania Ave., S.E., Suite 400, Washington DC 20003,
Phone: (202) 546-0007, Fax: (202) 544-5002

The DLC Update, Friday, February 19, 1999

Highlights Include:

- Idea of the Week: Civic Environmentalism
- Weyrich Turns Off, Tunes Out, Drops Out

Idea of the Week: Civic Environmentalism

If you believe the current debate in Washington over many environmental issues, America faces stark and unavoidable choices between environmental protection and economic growth, between federal micromanagement and local control of resources, and between single-minded advocacy of the collective interest in clean water, air, and land and single-minded protection of individual property rights.

Throughout these "green wars," New Democrats, moderate Republicans, and a growing cadre of state and local community leaders and activists have worked to create a "third way" in environmental protection. This third way, the hallmark of the Progressive Policy Institute's Center for Innovation & the Environment, recognizes the power of market forces and administrative flexibility in producing environmental results, and emphasizes local and regional stewardship as essential tools of an effective national environmental policy. It also recognizes the importance of giving the public easy access to accurate, understandable information about environmental conditions in their communities--to hold those responsible for pollution accountable and to judge the success of the regulators.

The best examples of this third way can be found outside Washington, in communities where environmentalists, local officials, businesses, and citizens are ignoring the "green wars" and coming together to address local and regional environmental problems with striking results. We believe this "civic environmentalism" movement is the best news on the environmental front in years, and a powerful example of where the debate in Washington should go in the future.

In a new PPI report, *Civic Environmentalism in Action: A Field Guide to Regional and Local Initiatives* (call 800-546-0027 for a copy), Mark Landy, Megan Susman, and Debra Knopman analyze case studies of "place-based solutions" to environmental problems, and examine the implications for policymakers.

Civic environmentalism engages a broad band of citizens in solving the problems that affect their own communities and regions. Thriving on partnerships between the public and private sectors, civic leaders develop and pursue "custom tailored" actions to solve environmental problems particular to their place. Because the geography of environmental problems rarely meshes with existing political boundaries, civic environmentalism plays on a common interest in a shared environment, not on city, county, or state lines.

Those closest to the problem piece together and implement solutions, relying on legal tools, technical assistance, and financial resources provided by the state and federal governments. The challenge for government at all levels is to provide the tools and resources to let these productive civic relationships flourish and allow locally or regionally grown solutions to work.

Civic environmentalism is a clear departure from the first generation of national environmental policies that tended to impose top-down and prescriptive solutions on communities to address one problem at a time, independent of the circumstances in a particular place. For yesterday's problems, stemming mainly from large industrial sources of pollution, the first generation policies worked (and continue to work albeit with diminishing efficiency). The more complex and often diffuse environmental problems of today--like

those brought on by sprawling suburban development--demand new tools of community engagement that cut across bureaucracies, and harness rather than fight market forces.

Civic environmentalism's defining principles are collaboration, flexibility, and accountability for environmental and economic outcomes. Its essential ingredients are scientifically sound and clearly articulated environmental standards; a concerned and active citizenry willing to talk with each other; fair access to technical expertise; and market-oriented policy tools to make the exercise of private property rights promote rather than block broad public needs. Successful examples of civic environmentalism include:

- The Chesapeake Bay Program, which has helped reduce the flow of pollutants to the bay by leveraging the public's deep attachment to the Bay to stimulate changes in local land-use practices, outside the dominion of the federal Clean Water Act.
- North Carolina's Sandhills Safe Harbor initiative, which has enabled local landowners to voluntarily participate in long-range plans to conserve the habitat of red-cockaded woodpeckers, avoiding the controversial and expensive federal prescriptions normally required for compliance with the Endangered Species Act.
- The Gilbert-Mosley Brownfield initiative in Wichita, Kansas, in which city leaders created a voluntary effort that cleaned up polluted sites more rapidly and less expensively than would have been the case if the site had fallen into the federal Superfund program.

All three examples show how federal policy can encourage civic environmentalism (especially in establishing clear environmental goals) or inhibit it. The key is in focusing on results rather than micromanaging means, and in stimulating collaboration instead of confrontation between affected parties.

There is a third way beyond the green wars that creates better environmental outcomes, more rapidly, at lower costs, and with less sacrifice in both community control and individual rights. But Congress cannot explore this third way until its contending environmental factions call a truce.

Weyrich Turns Off, Tunes Out, Drops Out

This week, Free Congress Foundation President **Paul Weyrich** sent out a letter to his fellow conservatives suggesting it might be time for the right to withdraw from political engagement with an American people whose culture "is an ever-widening sewer." It appears Weyrich was pushed over the edge not just by the acquittal of President Clinton, but by Americans' opposition to impeachment. "If there really were a moral majority out there, Bill Clinton would have been driven out of office months ago," he said. "Americans have adopted, in large measure, the MTV culture that we so valiantly opposed just a few years ago, and it has permeated the thinking of all but those who have separated themselves from the contemporary culture."

Weyrich goes on to suggest a "quarantine" of conservatives from mainstream culture "to make sure that we and our children are not infected." He offers homeschooling, boycotts of television and other entertainment products, and "private courts" as ways of "bypassing the institutions that are controlled by the enemy."

This astonishing statement comes from one of the founding fathers of the modern American conservative movement. The Heritage Foundation, the "Big Bertha" of conservative think tanks, was his handiwork, as was the American Legislative Exchange Council (ALEC), which has been very effective in influencing state legislators around the country. Weyrich's letter essentially concedes the complete failure of the movement whose institutions he helped shape: "What we have been doing for thirty years hasn't

The DLC Update, Friday, February 12, 1999

Highlights Include:

- Idea of the Week: The Politics of Real-Life Accomplishment
- Fork in the Road on Medicare
- William Hague Goes To Texas

Idea of the Week: The Politics of Real-Life Accomplishment

Today the impeachment trial of the President is expected to finally end. Hearing the sounds coming from Congress, both parties appear ready to second the President's repeated demand to get back to the people's business. We hope so, for there is much to be done. But there are also reasons for skepticism.

Congressional Republicans, dismayed at the deep damage they have done to their public standing with their impeachment crusade, say they want nothing more than to get back to legislating instead of investigating. Last month Speaker **Dennis Hastert** (R-IL) won plaudits in the news media for promising to make this session a lean, mean, bipartisan policy machine. Then he decided to push as his first legislative initiative two bills on environmental regulations that had passed last year. These bills were immediately and deeply buried in the Senate, as they will be this year as well. We hope this is not the new Speaker's version of bipartisanship: to pass legislation that he knows will never reach the President's desk, much less the statute books. Is the point to address the national agenda through action, or to posture and position yourself for the next election?

The same questions should be posed to many congressional Democrats who have been calling for a return to substantive activity in Congress, but who seem distinctly reluctant to work with Republicans on any legislation that might take away a Democratic campaign issue in 2000. Some Democrats, excited about growing signs of a serious erosion of voting support for congressional Republicans, are all but openly opposing bipartisan legislative action on grounds that it might give the GOP a record of accomplishment to campaign on. Some say President Clinton should break off all contacts with congressional Republicans in gratitude for the help he received in the impeachment process from traditional liberals who oppose bipartisanship.

This goes to show there are strong forces in both parties who view governing as little more than the continuation of partisan warfare by other means. For these partisan warriors, laying aside impeachment to focus on serious policy issues means using the legislative process to communicate a "message" on patients' rights, or education, or Social Security, or Medicare, or taxes, or tobacco, or campaign finance reform, not to do anything about them. Indeed, according to this line of reasoning, reaching agreement with the other side--something of a necessity in an era of divided partisan control--defeats the whole purpose, which is to sharpen partisan differences instead of overcoming them.

The loser in this equation, of course, is the public, whose natural interest in a functioning federal government is held hostage to the next election cycle, as implicit punishment for their stubborn refusal to give one party or the other total control in Washington. But divided government has been more the rule than the exception in recent decades--in 34 of the last 50 years, one party has controlled the White House while the other party has controlled at least one House of Congress. The willingness to reach bipartisan compromises on legislation is no more a threat to the delineation of clear partisan differences now than it was 20 or 30 or 40 years ago.

As the "problem-solving" wing of the Democratic Party, New Democrats have a special stake in demonstrating that a modernized public sector can actually have a positive impact on the well-being of the American people. The Clinton-Gore Administration is exhibit A in the power of the politics of real-life accomplishment. The President enjoys high approval ratings because his policies *have worked* in improving the economy, disciplining government, raising living standards, reforming the welfare state, and reducing crime.

That is why the suggestion that the President somehow owes it to liberals to "hang tough" against cooperation with Republicans in gratitude for their help on impeachment makes no political sense. The President survived the impeachment ordeal because the American people liked the job he was doing and appreciated the real-life results, primarily because of initiatives like balancing the budget, welfare reform, trade expansion, and anti-crime measures that required cooperation with at least some Republicans, and that most hard-core liberals harshly opposed. He should work to convince the Democratic Left that his approach is the best strategy for building a majority, not adopt theirs.

The success of this Administration and the New Democrat movement generally has depended on a willingness to use public resources to help people solve problems. Affecting real life in a positive way requires cooperation with the opposition when you do not have the power to do it on your own. If that means sharing the credit and making at least some of your opponents appear less than demonic, so be it. In the end, good government is the best politics. This is a hard-earned lesson for Democrats, and it would be a shame if they forgot it just as it was beginning to yield positive results for the party and for the American people.

Fork in the Road on Medicare

The ongoing work of the National Bipartisan Commission on the Future of Medicare provides a good example of the choice Democrats must make between bipartisan action to address national priorities and partisan positioning for future campaigns. In the midst of highly delicate efforts by Commission co-chairs, former DLC Chairman Senator John Breaux (D-LA) and Representative Bill Thomas (R-CA), to broker a bipartisan proposal that would model Medicare on the highly successful Federal Employee Health Benefits Program (see the January 15, 1999 DLC Update), seven of the Commission's nine Democrats (all but Breaux and his colleague Senator Bob Kerrey (D-NE)) signed a letter threatening to withhold support for a compromise unless a long series of questions about the proposals can be satisfactorily answered.

To make a complicated story simple, this letter represents a tactical alliance between some Democrats who want to shape the compromise in a direction more to their liking, and other Democrats who want to sabotage it entirely so as to preserve "protecting Medicare" as it is today as a campaign issue for 2000.

Medicare represents an issue where the choice between responsible governing and the psychology of the permanent campaign has big consequences: for the solvency of the Medicare system, for the maintenance of a balanced federal budget, for the shape of the U.S. health care system, and for the health security of millions of current and future Medicare beneficiaries. Refusing to undertake serious Medicare reform because defending the current system will enable Democratic candidates to engage in "medagoguery" against Republican reform proposals is short-sighted, even as a matter of political calculation. It digs Democrats into a reactionary position that not only paralyzes bipartisan efforts to reform Medicare, but ensures Republicans will get the credit when the impending fiscal crisis in Medicare forces congressional action. There are plenty of deep and visible issues that divide Democrats from Republicans on health care policy. Democrats do not need to take the wrong position on Medicare reform just because it involves working with the wrong party in Congress.

The DLC Update, Friday, February 5, 1999

Highlights Include:

- **Idea of the Week: Paying Down the Debt**
- **Two Cheers for the FY 2000 Budget**

Idea of the Week: Paying Down the Debt

Like our last Idea of the Week: Performance-Based Grants, this one is so common-sensical in private life that its extension to public life should not be much of a reach. For nations, as for individuals, there are plenty of compelling reasons to borrow against future income to finance large undertakings. Just as individuals borrow to buy houses, automobiles, and college educations, nations borrow to finance capital infrastructure, to fight necessary wars, and to counter the human consequences of bad economic times (to cite just a few examples). But for nations, as for individuals, when times are good and pocketbooks are flush, it is critical to use any and all excess cash to pay down those loan balances and credit card bills.

As it happens, most of today's national debt of \$5.585 trillion was undertaken not for any cataclysmic national challenge, but to pay for an extended and notably unsuccessful experiment with Republican supply-side economics. But the bills will come due anyway, and with the federal budget in surplus and the economy still booming, it is time to start thinking beyond the monthly minimum payment.

There are a variety of advantages to the kind of aggressive national debt reduction initiative the President has proposed in his State of the Union address and his FY 2000 budget.

- **It will reduce federal spending.** Interest payments on the national debt in FY 1998 were about 15 percent of the federal budget. The President's plan would reduce them to 2 percent of the budget by 2015. In other words, using surpluses to cut down the debt increases future surpluses significantly, and shows how fiscal discipline can become a self-sustaining good habit over time.
- **It will encourage economic growth.** Paying down the national debt will reduce demand for capital, lowering interest rates. In essence, it will lower the cost of future borrowing for both private and public investments. Capital investment by businesses should increase significantly, along with an increase in new jobs. With mortgage interest dropping, homeownership should become accessible to a whole new segment of moderate-income Americans, enabling them to accumulate real wealth and economic security. The economy as a whole would become less dependent on foreign capital investment to finance past borrowing. Government borrowing at every level would become less expensive as well, including expenditures on roads, prisons, schools, and other capital facilities. The positive economic effects go on and on, and are mutually reinforcing.
- **It will help stave off the insolvency of the Social Security and Medicare systems.** This, of course, is the primary sales pitch the President has chosen to make for his proposal to devote budget surpluses to debt reduction. Since current federal operating budget deficits are being financed with Social Security trust fund surpluses, financing and reducing debts with general revenue surpluses in the future will allow full use of the trust fund for benefit payments. As many observers have noted, it appears the Administration may be engaging in fuzzy math in calculating the impact of debt reduction on Social Security trust fund solvency, since Social Security funds make up a part of the surplus that is to be used to pay down debt. More importantly, unless Social Security's benefit structure is reformed, the system will still face obligations exceeding its revenues before long.

Because general revenues will be spent to make up shortfalls, the system will absorb an ever higher percentage of national wealth. Make no mistake, reducing the national debt will give Congress more breathing room to come up with a consensus proposal to reform both Medicare and Social Security.

- **It will improve public confidence in government.** Federal budget deficits and the ever-mounting national debt have become the great symbol of government irresponsibility, and a major contributor to public mistrust of democratic institutions. For most Americans, fiscal discipline is a moral issue, not just a fiscal issue. Last year's announcement that the federal budget would finally come into balance produced the most significant uptick in public opinion poll measurements of faith in government in a generation. Beginning to pay down the national debt is the best way to continue this positive trend. And because paying down the debt would represent a positive intergenerational transfer--using current assets to reduce obligations that future taxpayers will face--it should help reduce the deep sense of alienation from political life that is so pervasive among younger Americans, who have widely come to view the rising national debt of the last two decades as a bitter birthright.

In addition to these benefits, paying down the debt can be viewed as potentially representing a long-overdue shift in federal budget policy from current consumption to future investment. Instead of eating our seed corn, the country is actually beginning to plant new seeds.

This, in fact, is the key to long-term political benefits Democrats could derive from promoting an effort to use surpluses to reduce the debt. Just as the balanced federal budget helped render harmless ritual attacks by the GOP on Democrats as tax and spend liberals, prudent use of budget surpluses will blunt Republican claims that public investment is just a code word for more federal spending.

Paying down the debt is a win-win proposition for the country, and certainly for New Democrats.

Two Cheers for the FY 2000 Budget

Aside from its debt reduction features, the President's FY 2000 budget proposal has been greeted, as usual, with criticism on the Left for being insufficiently big and bold, and with criticism from the Right for representing a return to Big Government.

Our view is that most of the new items in the budget represent logical--and now affordable--expansions of successful Administration initiatives. It makes perfect sense to expand the nation's commitment to community policing, and to extend the principle of community-based crime fighting to prosecutors and drug prevention efforts. A tax credit for stay-at-home parents addresses the major flaw in last year's Administration proposal to step up tax subsidies for institutional child care. More money for school-based after-care programs is not only helpful to parents struggling to balance family and work, but is also the perfect compliment to the President's bully pulpit efforts to end social promotion policies. Helping local governments buy up strategically located land to prevent its development is an appropriate federal intervention to back up the Vice President's commitment to fight suburban sprawl. Calling such initiatives too big or too little misses the point: they extend clearly articulated domestic strategies of this Administration in clearly justified ways.

As noted in the last two *DLC Updates* (1999 State of the Union Address and Performance Based Grants), there's one big idea embedded in this budget: performance-based education grants. These grants could potentially signal a new relationship between Washington and state and local governments focused on achieving clear national policy objectives with the maximum degree of administrative flexibility. There are signs the Administration is moving in a similar direction--less micromanaging of other levels of government, but with more accountability for results--in the environmental protection arena. This welcome

The DLC Update, Friday, January 29, 1999

Highlights Include:

- Idea of the Week: Performance-Based Grants
- Boxing Bill Clinton

Idea of the Week: Performance-Based Grants

Here's a pop quiz. If you had some money to give to someone to do an important job, would you prefer to: (a) Give it to them with a detailed blueprint of how to go about doing the job, whether or not they did it well? (b) Give it to them and let them do whatever they wanted, so long as they were trying to get the job done? Or (c), give it to them to do the job, but with a portion of the money contingent on getting it done well?

If you answered (c), then you understand the basic logic of the President's new proposal for federal assistance to states and school boards for K-12 education. As noted in last week's DLC Update, the President said in his State of the Union address that virtually all federal school assistance should be made contingent on acceptance of a five-part strategy for education reform designed to promote accountability for educational results--with the amount of aid keyed to success in achieving these results.

This is a radical departure from the status quo not only in federal education policy, but in the relationship between the federal government and state and local recipients of federal dollars. For decades, the old, familiar pattern of federal grant design has been the so-called "categorical grant"--essentially (a) above. Federal cash is doled out for a narrow purpose by some population or "need" formula with its use micro-managed by federal bureaucrats, and little or no attention is paid to actual results other than as an ex post facto justification for more congressional "funding." As a generation of state and local officials and reformers have noted, categorical grants tend to reproduce federal bureaucracies in state capitals, city halls, and county courthouses while complicating if not thwarting the use of federal money in a way that responds to local needs.

A more recent trend, especially beloved of Republicans, is to create "block grants" in their purest form--essentially (b) above. In the legitimate pursuit of freedom from the micro-management of *means* in categorical grants, block grants offer an illegitimate indifference about *ends*--the national purposes that make expenditure of federal funds necessary and appropriate in the first place. A good example is the education block grant promoted by congressional Republicans. It would require that a certain percentage of federal K-12 funds be spent in the classrooms, but otherwise does not specify what state governments or school boards should seek to accomplish with the funds. Furthermore, funding is by formula, just as with the old categorical grants. The overall message from the federal government is: "We don't care what happens to this money. You can even waste it--so long as you waste it in the classroom."

The President's proposal is the logical "third way" for federal engagement of state and local governments in education and other areas traditionally managed by them, offering simple conditions linked to the national purpose that provides the rationale for federal funding, and rewarding success instead of failure. It builds on the example of the performance bonuses recently offered by the federal government--first proposed by the Progressive Policy Institute and attached to the landmark 1996 welfare reform legislation by DLC Chairman Sen. Joe Lieberman (D-CT)--to states that succeed in placing welfare recipients in private sector jobs. Furthermore, performance-based grants offer a good model for state governments offering assistance to local governments or private sector organizations in a wide variety of issue areas.

The details of the President's performance-based education grant proposal have not yet been released, and state and local officials have appropriately withheld comment until it is clear the actual proposal matches the President's rhetoric. If it does, however, it is critical that New Democrat governors, legislators, school board members, and other local elected officials, accept the challenge of accountability.

It is understandable that state and local officials in both parties would prefer the maximum amount of federal assistance with the minimum amount of accountability for its use. But it is important to the country that public officials who spend taxpayer dollars, regardless of the immediate source, accept accountability for achieving the public policy goals according to the best and clearest yardsticks of the desired outcomes. State and local officials have nothing to fear but failure. More to the point, nothing should succeed like success.

Boxing Bill Clinton

Robert Borosage of the Campaign for America's Future penned a column in the January 28 issue of the *Los Angeles Times* praising the President for more-or-less promising to keep the middle-class entitlements to Social Security and Medicare the way they are today, and then blasting him for failing to propose a big increase in federal spending on programs aimed at helping the poor. More specifically, Borosage is angry that the President chose to "save Social Security" by pledging future budget surpluses to pay down the national debt, thus reducing borrowing from Social Security revenues that could otherwise be used to cover the system's enormous unfunded future liabilities. The President is in "a staggeringly conservative box," says Borosage, encumbering surplus revenues that should be devoted to an attack on poverty.

Let's see if we can get this straight. Like so many other traditional liberals, Borosage has worked night and day for years to make the current benefit structure of Social Security an untouchable sacred cow. Never mind that millionaires get far more Social Security benefits than poor widows. Never mind that a whole generation of retirees during the last two decades received enormous windfalls in high benefits financed by high, regressive payroll taxes on the working poor. Never mind that the steadily declining ratio of retirees to workers has made the current benefit structure increasingly incompatible with the goal of keeping the promise of Social Security alive for future generations. Never mind that runaway spending on Social Security and Medicare has placed an ever-tightening squeeze on other public investments in the federal budget--especially for investments in the health and education of those trapped in poverty. In campaign after campaign, Borosage and his allies made it clear that anyone who wanted to change a comma in the Social Security law should be run out of the Democratic Party.

Liberals put the President in a "staggeringly conservative box" by ruling out Social Security reform. With savings from reform taken off the table, the President duly proposed to keep Social Security solvent in the only other responsible way--by using budget surpluses. And now his liberal critics have the temerity to say he should ignore the Social Security fiscal crisis and instead make the budget surplus--a surplus created by fiscal policies opposed by the Left wing of the Democratic Party--available to help the poor.

As it happens, we strongly agree that the plight of America's inner-city poor has received far too little attention in recent years. But, unlike the President's liberal critics, we recognize that many of the initiatives of the Clinton-Gore Administration they have opposed--such as work-based welfare reform, private-sector job growth fueled by expanded trade and fiscal discipline, community policing, and more recently, tough public school reform--are in fact tangibly improving the lives and hopes of the poor. We also understand that the President's proposal for federally endowed and matched private retirement savings accounts--which Borosage calls "a Wall Street boondoggle that inevitably will benefit middle-income savers over low-income strugglers"--is the first step toward helping the poor accumulate wealth to supplement Social

The DLC Update, Friday, January 15, 1999

Highlights Include:

- Idea of the Week: Modeling Medicare on the Federal Employees Health Plan
- Al Gore Fights Sprawl
- "Expanding the Winner's Circle" with Regional Skills Aliances

Idea of the Week: Modeling Medicare on the Federal Employees Health Plan

Back during the health care reform debate of 1994, advocates of universal health coverage often punctuated their calls for action by pointing out that members of Congress, as federal employees, enjoyed a great health insurance package subsidized by taxpayers. In fact, the Federal Employees Health Benefit Program (FEHBP) is one of the most successful and popular employer-sponsored insurance packages in the country, offering a wide variety of choices while keeping premiums relatively low through competition.

With Medicare facing insolvency in the near future, and with many Medicare beneficiaries dissatisfied with inflexible and limited benefits, it is time to look at significant changes in this old-fashioned, fee-for-service insurance program for the elderly. Under the leadership of former DLC Chairman Sen. **John Breaux** (D-LA) and Rep. **Bill Thomas** (R-CA), the Bipartisan Commission on the Future of Medicare, established by Congress and the President to deal with the crisis, is moving in the direction of modeling tomorrow's Medicare on today's FEHBP. It is an excellent idea, and one that the Progressive Policy Institute (PPI) has long advocated (see **David Kendall's** Policy Report, *A New Deal for Medicare and Medicaid*).

Indeed, the FEHBP approach, which would expand the range of health plans available to Medicare beneficiaries while creating downward pressure on costs, may be the only way to simultaneously address the twin concerns of Medicare's spiraling costs and inadequate benefits. The federal government's contribution to health plan premiums would be set by the marketplace, based on a minimum benefit package and seniors would have the option of spending some of their own money to purchase more elaborate plans, just as many now do in buying supplemental Medicare policies. All beneficiaries would profit from the federal government's purchasing power and ability to negotiate plans that deliver high-quality care.

Modeling Medicare on FEHBP represents a solid political compromise as well as a substantive step forward toward an information-age health care system.

Most Democrats object to Republican schemes to simply give Medicare beneficiaries vouchers to buy insurance on grounds that they would encourage healthier and wealthier seniors to opt out of a common purchasing pool, and because the actual benefits you can buy with fixed-amount vouchers will erode over time. The FEHBP model would maintain group purchasing and a minimum benefit package, and would automatically adjust the federal subsidy to what it takes to buy adequate health care in the marketplace.

Most Republicans object to Democratic efforts to keep the federal government as an insurance provider for Medicare because it prevents choice and competition among health plans. The FEHBP model would create a level playing field for competition between Medicare's traditional insurance plan and newer types of private plans.

The FEHBP model would modernize Medicare while improving its solvency, and would contribute to the

overall evolution of the U.S. health care system in a direction that empowers consumers with the information and purchasing power to secure high-quality care at an affordable price. New Democrats should support Sen. Breaux's efforts to convince the Medicare Commission, and then Congress and the President, to embrace this positive compromise.

Al Gore Fights Sprawl

Even before it became the surprise political issue of 1998 in many state and local elections, and a welcome substantive diversion from name-calling and scandal-mongering, Vice President **Al Gore** was all over "sprawl" in speeches around the country. Now he has consolidated his leadership on this issue with a package of proposals in conjunction with the Administration's FY 2000 budget proposal. Dubbed the "Livability Agenda," the Vice President's proposals would:

1. help state and local governments finance purchases of "open spaces" threatened with uncontrolled development (the object of many successful referenda in November);
2. beef up federal transportation programs supporting mass transit and traffic congestion efforts; and
3. provide matching funds for local community partnerships designed to voluntarily promote "smart growth" policies across jurisdictional lines.

This agenda has two very important features that will help move the "sprawl" debate in a positive direction.

First, it identifies a limited and appropriate role for the federal government in giving states and local communities the tools they need to address "sprawl," while recognizing that this is quintessentially a local issue.

And **second**, it shows that the Vice President has not bought into the phony war heating up among many liberal and conservative urban policy wonks who treat "sprawl" as an excuse to continue age-old fights over the plight of the cities.

Already, some on the left are treating not suburban sprawl, but suburbanization itself, as the "problem", with mandatory redirection of economic development back into the cities as the "solution"--perhaps by big regional governments. Predictably, some on the right are using these arguments to dismiss the whole "sprawl" issue as a plot to stigmatize suburban lifestyles and give government control over development and population patterns. Both sides fail to recognize that "sprawl" has been forced onto the national political stage by suburban residents themselves, who are tired of watching their quality of life erode due to the traffic congestion, overcrowded schools, degraded natural resources, and sheer ugliness that have accompanied unmanaged and unmanageable development and poorly coordinated public policies.

That is why the most important element of the "Livability Agenda" may be the "Regional Connections Initiative"--small but critical grants to help local communities voluntarily cooperate across city and county boundaries to address regional growth management issues on their own terms. It recognizes that communities must identify their own "sprawl" issues and work toward their own solutions, without one-size-fits-all prescriptions from Washington.

While we applaud the Vice President's efforts to identify a positive federal role in dealing with "sprawl," we hope his next step will be to acknowledge and address the negative federal role in encouraging it in the first place--especially the federal highway programs that Congress engorged with a huge new infusion of cash last year. Last June, Sens. **Carl Levin** (D-MI) and **James Jeffords** (R-VT) asked the General Accounting Office (GAO) to develop a list of federal programs and policies that subsidize "sprawl." The report is due out in March, and it deserves a great deal of attention. Fighting "sprawl" is a lot harder to do if

The DLC Update, Friday, November 20, 1998

Highlights Include:

- **Idea of the Week: Taking Measure of the New Economy**

Idea of the Week: Taking Measure of the New Economy

We all know what the New Economy means, right? It is technology. It is globalization. It is new workplaces where people work in teams rather than assembly lines. It is young and fast paced and changing every day. It is exciting if you're part of it and scary if you're not.

But how much, in terms of facts and figures, do we *really* know about the New Economy: its size, its shape, its pace, and its implications for present and future generations? And how much of our "knowledge" is based on stereotypes and anecdotes?

To establish a real-life statistical foundation for discussions of the New Economy, the Progressive Policy Institute's (PPI) **Robert D. Atkinson** (Director of PPI's Project on Technology, Innovation, and the New Economy) and **Randolph H. Court** (PPI Technology Policy Analyst) have produced an important benchmark document called *The New Economy Index: Understanding America's Economic Transformation*. Using thirty-nine statistical "indicators," *The New Economy Index* examines the forces driving economic change; the effects of the New Economy on Americans, their work, and their standards of living; and the critical elements of future economic growth and equity.

This report confirms the growing belief that a new U.S. economy is no longer a future prospect, but a present reality. Structural changes in our economy are being produced by four major forces:

1. **The information technology revolution.** The advent of powerful, low-cost personal computers, high-speed telecommunications, and the Internet are transforming our economy. This transformation is happening not just in "high-tech" firms. Equally important is the application of information technologies to other economic sectors to cut costs, restructure work, enable the rapid development of new products and services, and change the competitive dynamics within and between industries.
2. **The changing industrial and occupational mix.** Where and how Americans work is steadily changing. Virtually all the jobs lost in the production and distribution of goods between 1969 and 1995 have been replaced by jobs in offices. Managerial and professional jobs now account for nearly 3 in 10 jobs.
3. **Globalization.** It is here. The sum of U.S. exports and imports has risen from 11 percent of the U.S. GDP in 1970 to 25 percent in 1997.
4. **Entrepreneurial dynamism and competition.** The economic landscape is increasingly crowded with small, high-growth companies. More than 350,000 companies posted sales growth of 20 percent per year between 1993 and 1997, and produced 70 percent of the country's net new jobs.

The impact of the New Economy on the American standard of living is mixed. Per capita GDP and productivity growth rates have declined steadily since the 1960s. Low productivity gains are in turn the main factor explaining sluggish income growth, especially among non-college educated workers who are not qualified for the high-skill jobs where wages are rising rapidly. Even workers whose wages are going up steadily are experiencing less job stability and receiving fewer non-wage benefits.

The New Economy Index focuses special attention on measuring our progress towards taking steps that could accelerate economic growth while spreading its blessings more widely throughout the U.S. population.

It shows that the "digital economy" is growing rapidly with households, schools, and businesses quickly gaining access to the Internet and other on-line services, but with government lagging significantly behind. "E-commerce"--the on-line conduct of business, including sales of goods and services--is beginning to take off, with huge implications for the U.S. economy and American lifestyles.

The report raises an alarm about the sharp reductions in federal government expenditures on basic and applied research and development--a big part of the origins of the Information Technology revolution--during the 1990s.

It also demonstrates that despite widespread understanding of the need for a better trained and educated workforce in the New Economy. Corporate expenditures on worker training are actually declining somewhat, and are centered on top-tier employees, while sharply increased public spending on schools have not produced significant improvements in K-12 educational performance.

Given the role of the public sector in creating economic policies that sustain economic growth, and more specifically, in helping finance both basic research and education and training, *The New Economy Index* stresses the need for genuine public-private cooperation in enhancing the potential of the New Economy to serve the national interest. Appropriately, the report was unveiled on November 18 at the inaugural meeting of PPI's **New Economy Task Force**, a high-level group of elected officials and entrepreneurs co-chaired by Senate Minority Leader **Tom Daschle (D-SD)** and Gateway chief executive officer **Ted Waitt**. (Co-hosting the event with Sen. Daschle was communications pioneer **Mark Warner**, who also chairs PPI's Project on Technology, Innovation, and the New Economy).

The event drew 12 members of Congress, 17 high-tech entrepreneurs, and extensive media coverage. Many of the reporters present contrasted the PPI event with a conference sponsored by the libertarian conservative Cato Institute this weekend billed as "Washington vs. Silicon Valley." The kind of friendly, cooperative spirit of public-private partnership envisioned by Cato is suggested by the title of the conference's first panel: "Why Silicon Valley Should Not Normalize Its Relations With Washington." PPI's event reinforced the natural affinity between the high-tech community and New Democrats.

Both public and private leaders at the PPI event stressed their mutual need for better understanding of the high-tech community in Washington, and better understanding of the political and legislative process among high-tech entrepreneurs. But the event, like *The New Economy Index*, also reflected an awareness that the positive blessings of the New Economy can only be realized if technological improvements spread outside high-tech companies into sectors of the economy that could benefit from improved productivity and the higher wages it makes possible. In remarks prepared for the November 18 event, PPI's Atkinson summed up the implications for public policy:

We tend to think of technological and economic change as creating "winners" and "losers." Some people on the Right think we should celebrate the "winners" and leave the economy alone. Some people on the Left think we should slow down change so that the "losers" can catch up. It is absolutely crucial we understand that only by accelerating change and spreading the use of information technologies more widely can we achieve the productivity gains that will raise wages and incomes for those so far "left behind" in the New Economy. Getting access to the technological tools of the New Economy--and getting the education and skills to

use them--is the best way to help Americans produce more and earn more. That is why PPI supports a two- pronged strategy for "expanding the winner's circle"--public support for policies that will encourage the continued transformation and "digitization" of the U.S. economy, and for the education and training that will ensure we all benefit.

Publication of *The New Economy Index* is intended to spur a new and much better informed debate on economic change and how to shape it as a vehicle for growth, upward mobility, and U.S. international leadership. It's a unique resource for anyone who wants to talk or think about the New Economy, and it is required reading for New Democrats.

For more information on PPI's Technology, Innovation, and the New Economy Project, visit our new [Tech Project Web site](#).

#

If you would like to comment on this *Update* or Web site, please send an e-mail to webmaster@dlcppi.org.

[DLC Home Page](#)| [PPI Home Page](#)| [About DLC](#)| [About PPI](#)| [Library](#)| [Join/Order](#)|
[The New Democrat](#)| [Additional Resources](#)| [Get Connected](#)|
[DLC Update](#)| [DLC Talking Points](#)| [The DLC Briefing](#)| [Top of Page](#)

The DLC Update, Friday, November 13, 1998

Highlights Include:

- Idea of the Week: Personal Economics
- Newt Walks the Plank
- Is "The Body" A New Democrat?

Idea of the Week: Personal Economics

For many years, public schools taught "home-economics"--a combination of instruction in domestic tasks and household book-keeping targetted at young women as preparation to become "homemakers." In response to rapidly changing gender roles and career paths in the 1970s and 80s, some schools sought to "de-gender" home economics by encouraging male students to put on the apron and learn how to bake cookies as well, while others quietly de-emphasized or abandoned "home ec" as a pre-feminist relic.

But ironically, young American men and women need instruction in home economics more than ever. The tools to manage a family's finances and to navigate an increasingly complex economy should be addressed through a reinvented home economics curriculum.

Both private employers and public policy are placing escalating demands on Americans to manage their own financial affairs. This includes not only paying bills and balancing check books, but planning for their children's education, their own (and sometimes their parents') retirement needs, and improving their own job skills.

The success of America's current welfare reform experiment and other efforts to reduce entrenched poverty and dependence will require a quantum leap in the financial management skills of low-income Americans. Millions of low-income Americans currently do not have personal checking accounts, much less access to credit or wealth-building assets. They cannot meaningfully join the mainstream economy unless they have the knowledge and experience to use its most basic tools. Empowering low-income Americans with economic literacy is essential if we are ever to empower them with such key attainments of middle-class life as homeownership.

But economic literacy is not just a problem for the very poor. A survey of consumer credit counselors indicates that many young people, regardless of socio-economic status, are clueless when it comes to the complexities of I.R.A's, mortgages, insurance, and basic estate planning.

Home economics for the 21st century would address all these issues as a basic component of public education, as well as basic preparation for career success and citizenship.

Rep. **Dennis Kucinich** (D-OH) has taken one step in the right direction by introducing legislation (H.R. 4175) encouraging instruction in entrepreneurship in public schools. Kucinich cites studies showing that about 7 of 10 high school students express interest in starting their own businesses; yet few public schools provide instruction in how to make those dreams come true.

It is time to take the apron off home economics and bring it back as personal economics literacy instruction for a new generation of Americans.

The DLC Update, Friday, October 30, 1998

Highlights Include:

- **Idea of the Week: Governing**

Idea of the Week: Governing

The late phases of this year's midterm elections are turning into a wild spree of negative campaign ads, personal attacks, and money skullduggery. In a large percentage of the close races for Congress and governorships, candidates from both parties are routinely calling each other liars and extremists, not to mention liars about extremism and extreme liars. Last-minute national party and "independent" television ad campaigns--mainly on behalf of Republicans--are being launched into close districts like cruise missiles usually aimed at driving up the disfavored candidate's "negatives" and whipping up the party faithful into a hate frenzy.

We don't expect campaign discourse to resemble the Lincoln-Douglas debates of 1858. The dominance of television advertising in our political system means that candidates must simplify and intensify their message to seize public attention and effectively convey who and where they stand. But folks, this campaign is reaching dangerous new lows, not just in tone, but in the huge gap between what candidates are talking about and the policy challenges they will face if elected.

One reason for this downward trajectory in substance is the combined effort of the national news media and elements of the Republican Party to obliterate discussions of real issues in their mindless pursuit of the Lewinsky scandal.

In many respects, this is a planned disaster driven by the year-long self-fulfilling prophecies of political professionals in both parties. They predicted that 1998 would offer a low-turnout, issueless election--a "Seinfeld Election" about nothing--in which swing voters were irrelevant and "energizing the base" with violent partisanship was the key to victory. After all, if you exclude from your campaign strategy those voters who are open to persuasion by candidates' stands on the issues, there's not much reason to do any persuading on issues. And certainly, if you don't invite swing voters to the game, you can not be surprised when they don't show up.

The problem, of course, is that those lucky candidates who actually win office after branding the opposition as scum, or worse, must accept responsibility for governing once the votes are counted. Assuming continued divided partisan control of the executive and legislative branches in Washington (and in many states), that means actually working with the opposition to use public resources to help address public problems. For many winners, it also means appealing for support to a citizenry whose pool of trust and engagement with politicians is shallow at best, especially when they have just spent weeks channel-surfing frantically to avoid exposure to the snarling images of candidates in their living rooms.

That is a challenge no doubt, but some candidates are making it even more formidable by making their rare references to issues revolve around genuinely terrible policy ideas. Here are two troubling examples--one from each party--and how they could be avoided:

- **Hands Off Social Security!** We strongly support President **Bill Clinton's** "Save Social Security First" pledge, which we understand as an effort to keep budget surpluses off-limits to hungry Congressional appropriators and tax cutters until they have dealt with the long-term fiscal crisis facing Social Security. But some Democratic candidates (and even a few Republicans) are running

ads saying something very different: surpluses literally should be spent on keeping Social Security benefits exactly the way they are today, presumably forever. At the same time, some Democrats, and an independent ad campaign by the AFL-CIO, are shrilly attacking Republicans for even considering the idea of letting workers keep a small portion of their Social Security payroll taxes to save or invest towards their own retirements. This, of course, is an implicit attack on the President's own position, which is that such "partial privatization" should be on the table during the Social Security reform debate. Just as importantly, this posture would commit the Democratic Party to a permanent fiscal policy of starving all other public investments--in education and training, basic research, infrastructure, health care, child care, help for the working poor, and national defense--in an endless and hopeless effort to keep Social Security solvent without reforms. That is bad policy and, in fact, a betrayal of traditional Democratic values and priorities.

A better approach is to couple frank talk with voters about the need to strengthen Social Security and the underlying intergenerational compact it reflects with reforms that will make the system fairer and retirement more secure. That may mean changes in the benefit structure to reduce the big windfalls currently earned by wealthy retirees and to encourage more private savings to supplement Social Security. It definitely means exploring every avenue for increasing the "return" on Social Security payroll taxes instead of using them to finance federal government operating deficits. What it does not and cannot mean is ruling out changes altogether and squelching debate.

An even better approach to the issue of retirement security is to discuss the overall challenge of an aging population and how its needs can be met without sacrificing the prosperity of their children and grandchildren. What most voters, including seniors, are really worried about is not just Social Security but the economic and moral stress on families that are struggling to cope with multiple generations--especially the "sandwich generation" of baby boomers who are increasingly responsible for taking care of their parents and their kids simultaneously.

- **Lock 'em All Up.** A depressing number of Republican candidates--and again, a few Democrats--are flaying their opponents for any hint of resistance to legislation eliminating parole or any other exceptions to mandatory sentencing laws. While this attack line may convey the intended toughness on crime, it ignores the fact that abolishing parole also eliminates the one constitutional means of supervising ex-cons, the very people most likely to commit crimes in the future.

A better approach is to simply call for longer sentences for violent criminals--which can be accomplished by an act of any legislature--supplemented by parole to encourage acquisition of civilized habits by prisoners and to allow for post-prison supervision, including tests for substance abuse or illegal gun ownership.

An even better approach is to talk about the full panoply of crime-fighting options--not just longer sentences, but community policing, targeting of resources on high-crime "hot spots," and reclaiming public spaces from crime and disorder.

As these examples suggest, there are plenty of ways to convey politically popular positions without promoting bad public policy. It may take more creativity than running cookie-cutter ads full of simplistic slogans and personal attacks, but Lord knows political consultants are paid enough to show some originality. Ultimately, candidates--and even donors--need to begin standing up to their high-priced political talent and refusing to write checks for campaign tactics that make governing difficult.

If they do, they may be surprised to find out that good government is actually good politics. Take a look at the House New Democratic Coalition (NDC)--a group largely drawn from politically marginal districts, but nonetheless committed to problem-solving in government and bipartisanship in a divided Congress. As of this writing, *not a single one* of the NDC's 41 members is trailing in pre-election polls. Defying the stereotype that centrists always are more vulnerable because they run in more marginal districts, a surprisingly large number of the House and Senate Democrats who are in trouble this year are traditional liberals campaigning on heavily partisan themes.

An even more striking example is President Clinton himself. No one could possibly be under the illusion today that the President's job approval rating is at high levels because of personal popularity or clever sound-bite slogans. With all his troubles, Americans support his performance in office because he has advanced policies *that have made a positive difference in their lives*--a good economy, yes, but also lower crime, lower welfare dependency, lower teen pregnancy rates, and even a federal budget surplus.

After November 3, every winning candidate should take a long look at the country's challenges and the public's appreciation for New Democrat and other effective, problem-solving policies. Before making any post-election pledges, they should remember that governing is not something you just do between campaigns--it is why you run in the first place. And in the long run, governing is the best politics.

###

If you would like to comment on this *Update* or Web site, please send an e-mail to webmaster@dlcppi.org.

[DLC Home Page](#) | [PPI Home Page](#) | [About DLC](#) | [About PPI](#) | [Library](#) | [Join/Order](#)
[The New Democrat](#) | [Additional Resources](#) | [Get Connected](#)
[DLC Update](#) | [DLC Talking Points](#) | [The DLC Briefing](#) | [Top of Page](#)

The DLC Update, Friday, October 23, 1998

30 Ideas of the Week

Expanding the Winners Circle | Promoting Technological Innovation | Education Reform | Welfare Reform and Employment System | Fighting Crime and Safer Communities | Health Care | Modernizing Entitlements | Environmental Policy | A New Governing Philosophy

In February of this year, we started an experiment in the *DLC Update* of offering one specific, useful new policy idea each week: the "Idea of the Week." We've done 30 so far, and our informal feedback indicates that these ideas are being put to good use, sometimes leading to new federal and/or state legislation. Since many readers may have missed a few, we thought it would be helpful to list them by issue category, with the date of publication, and a brief summary statement for each idea. With your help, many more will be forthcoming.

1. *"Expanding the Winner's Circle" in the New Economy by Equipping Americans with Better Skills*

- Skills Vouchers (3/13): folding government training programs into vouchers that workers can control in order to get the continuous training they need from a competitive marketplace of public and private sector resources. This year's federal job training legislation partially implemented this idea.
- Encourage Employer Efforts to Expand Training (7/31): companies that want a tax break for the cost of providing training to employees should offer it to all employees, not just top executives.

2. *Promoting Technological Innovation*

- Regional Skills Alliances (2/6): public-private partnerships involving businesses, academic institutions, and even labor unions that can identify critical skills needs and help workers meet them.
- Research (5/8): government plays an indispensable role in funding basic scientific research that can then be applied in the private sector.

3. *Education Reform*

- End "Social Promotion" Policies (2/6): higher academic standards must have consequences for students, teachers, and schools.
- School-based Child Care (4/17): another way to give kids more time for learning; also makes child care more affordable and convenient for parents. The latest federal budget agreement expands funding in this area.
- Summer School (4/24): expanding summer school opportunities is critical to giving kids the chance to catch up after a school year where they've failed to meet standards.
- Charter Districts (5/29): allowing public or private enterprises to run public schools in exchange for acceptance of high public standards; makes charter schools the rule, not the exception.
- Improve Teacher Quality (6/19): by attracting bright, liberal arts majors and career-changing professionals through alternative certification, and by rewarding high-performance teachers with better pay. The Clinton Administration has pledged to make higher quality a key in a new initiative to begin hiring 100,000 additional teachers.
- Character Education (7/24): schools should formally try to instill strong values and good habits

in students; Maryland has pioneered this program.

- Make Head Start Smart (10/2): Head Start should be more focused on preparing kids for school. The new Head Start reauthorization bill moves in this direction.

4. *Moving from a Welfare System to an Employment System*

- "Soft-second" Mortgages (3/6): use government loan guarantees to make homeownership possible for low-income families who make a commitment to responsible homeownership and citizenship practices. This recent innovation by some local public housing authorities is also encouraged by HUD.
- "Smart Cards" (3/27): ATM-like cards that federal assistance recipients can use instead of checks, paper food stamps, etc. Virtually eliminates fraud. This Texas innovation is now widely being imitated by other states.
- Housing Vouchers for Welfare Recipients (4/4): let welfare recipients use housing subsidies in new housing that is closer to jobs and transportation. A big feature in the new housing reauthorization bill.
- Individual Development Accounts (4/10): tax-preferred savings accounts (perhaps "seeded" by government) that low-income families could use to build assets for home purchases, skills training, higher education, or starting a business.
- Employment Maintenance Organizations (7/10): a Milwaukee experiment that creates a broker for custom-tailored, employment-related services for welfare recipients at a fixed cost to government.
- Auto Choice (9/11): would dramatically lower auto insurance premiums in the inner cities by offering consumers the chance to opt out of high-priced policies providing the theoretical opportunity to sue for "pain and suffering" recoveries.

5. *Fighting Crime and Building Safer Communities*

- Restorative Justice (2/13): an overarching principle for orienting all criminal justice decisions toward building safe communities.
- Coerced Abstinence (5/22): checking ex-cons and probationers, the most likely future criminals, for drug and alcohol abuse; a Maryland initiative.
- Reclaim Public Spaces (8/7): making parks, downtown areas, transportation facilities, and other "public spaces" safe for public use is perhaps the most meaningful measurement of progress against crime and disorder.
- "Hot Spots" (10/9): targeting resources to high-crime areas where police, prosecutors, probation officers, and social services agencies can work with law-abiding citizens to reduce crime and restore order. Another big Maryland initiative.

6. *An Information-Age Health Care System*

- Health Plan Report Cards (2/20): provides comparable information on the performance of health plans in meeting their promises, satisfying their customers, and producing good health. Contained in Democratic "patients' bill of rights" legislation.
- Health Marts (5/15): supermarkets for buying health plans among a broad array of options, available to employers and individuals. Included in Republican "patients' bill of rights" legislation.
- Physician Profiles (6/12): publicly available information on the backgrounds, specialties, accomplishments, and malpractice records of doctors. A Massachusetts initiative, also being pursued by Florida.

- Health Care Tax Credits (9/25): giving employees the option to buy their own health insurance; also an avenue for universal coverage.

7. *Modernizing Entitlements*

- Social Security Reform (3/20): key principles--solvency, partial control over contributions, better reflection of longer working lives, and income disparities--for reform. Reflected in the **Kerrey-Moynihan** reform proposal.
- Lower Payroll Taxes (7/17): a useful byproduct of Social Security reform and a good progressive tax objective.

8. *Toward a Second Generation of Environmental Policies*

- Emissions Trading (2/27): a market-based approach that gives companies an economic premium for coming up with new strategies and technologies for reducing pollution.

9. *A New Governing Philosophy*

- A National Conversation (6/8): the DLC's effort to match young, progressive leaders from around the country with new progressive ideas.
- The "Third Way" (8/14): an alternative to the stale left-right debate. Increasingly a global formulation for new progressive political movements in Europe and Latin America, as well as the United States.

###

If you would like to comment on this *Update* or Web site, please send an e-mail to webmaster@dlcppi.org.

[DLC Home Page](#) | [PPI Home Page](#) | [About DLC](#) | [About PPI](#) | [Library](#) | [Join/Order](#) |
[The New Democrat](#) | [Additional Resources](#) | [Get Connected](#) |
[DLC Update](#) | [DLC Talking Points](#) | [The DLC Briefing](#) | [Top of Page](#)

The DLC Update, Friday, October 16, 1998

Highlights Include:

- Idea of the Week: Real Patients' Rights
- The GOP's K Street Strategy: A Cynical Abuse of Power

Idea of the Week: Real Patients' Rights

The formal burial of the "patients' bill of rights" legislation in the U.S. Senate last week ended one of this Congressional session's few substantive debates. Frankly, that is all many members of both parties intended from the very beginning, with Democrats seeking a campaign issue by forcing the GOP to kill their bill, and Republicans laboring to neutralize the issue by offering their own legislation.

But the issue is bound to come up again in the next Congress. When it does, it is crucially important that both parties junk their flawed, partisan, election-year vehicles and take a fresh look at how health care consumers can be empowered in their dealings, not only with managed care plans, but with the entire health care system.

As Progressive Policy Institute (PPI) senior analyst for Health Policy **David B. Kendall** shows in his new Backgrounder: Better Luck Next Time: Moving Beyond Partisan Posturing Over Patients' Rights you can put together a truly effective contribution to health consumer empowerment with key elements from both Democratic and Republican bills.

Here's how:

- Promote **Health Plan Report Cards** (see the February 20, 1998 Idea of the Week: Health Care Report Cards), as provided for in the Democratic **Daschle-Dingell** patients' rights bill (H.R. 3065 and S. 1890), and the bipartisan bill offered by Sens. **Chafee, Graham, and Lieberman** (S. 2416). Today, health plans compete for business primarily on the basis of cost and coverage. Quality factors--such as competency of staff, dispute resolution, customer service, and most of all health care outcomes--are less important because consumers, including employers, do not have access to information necessary to make comparisons and choices. Legislation should require that health plans make such information available to all consumers, using comparable data. Ultimately, a public-private partnership should be created (as recommended by the White House Quality Forum under the leadership of Vice President **Al Gore** to develop institutions and processes (perhaps similar to the Securities and Exchange Commission (SEC)) for fair and full assessment of health plan quality indicators.
- Create **Health Marts** (see the May 15, 1998, Idea of the Week: Health Marts provided for in the House Republican patients' rights bill (H.R. 4250). One of the most important impediments to consumer power in the health care marketplace is simply a lack of choice in health plans, especially for consumers whose health plans are chosen by employers. Health Marts (basically cooperative supermarkets for buying health insurance) would enable employers to offer a much wider range of plans, while also making it easier for smaller businesses, or individuals, to afford quality health insurance in the first place. Health Marts could also provide a vehicle for expanding health insurance for the uninsured if future Congresses move to create health care tax credits (see "Idea of the Week" in the September 25, 1998 *DLC Update*) as an alternative to employer tax deductions for health insurance purchases.

- Develop an **Arbitration System for Health Plan Grievances** before resorting to litigation, as provided for in the Democratic, Republican, and bipartisan patients' rights bills. An arbitration system, similar to the one already provided for Medicare patients in managed care plans, would guarantee speedy resolution of adverse decisions by health plans through an independent arbitrator, without the cost and inconvenience of lawsuits. Litigation could still be available if patients are unhappy with the arbitrator's decision, or suffer damages the health plan cannot cover through the reversal of decisions by the arbitrator.
- Create **Limited Rules to Protect Consumers** from common problems as provided for to some degree by all the current legislation. Some complaints against managed care plans are so common, and involve benefits or treatments that are so reasonable, that legislating a solution is not a bad idea. The classic example is access to emergency care. Some health plans, out of a reasonable desire to discourage patients from running to the high-cost emergency room with routine medical conditions, have unreasonably created bureaucratic hurdles that sometimes prevent patients who need emergency care from getting it promptly. All the current bills solve this problem by legislating a "prudent layperson" standard that guarantees coverage for emergency room visits if the patient has reason to believe he or she truly faces a medical emergency.

There is a fifth key element of real patients' rights legislation: **Do No Harm**. Along with the four good ideas outlined above, there are a wide array of bad ideas nestled in every Congressional patients' rights proposal--from regulatory micro-management of health plans to special protection for the market share of favored medical professionals.

Congress could have "better luck next time" on patients' rights legislation if it cools down the partisan rhetoric and sticks to provisions that empower consumers, instead of bureaucrats, providers, or lawyers.

The GOP's K Street Strategy: A Cynical Abuse of Power

Even as they pontificate about the President's morals, and even as their public relations firms churn out campaign ads about the GOP's unshakeable commitment to "ethics," "values," and "integrity," House Republicans are engaging in a blatant and cynical abuse of power: the "K Street Strategy."

Named after the legendary Washington address of many trade associations and lobbying firms, the "K Street Strategy" is an effort that was launched the moment the GOP took over the Congress in 1995. Under the stewardship of House Majority Leader **Tom DeLay** (R-TX), its thrust is to deny access to the legislative process to those business groups who do not agree to tilt campaign contributions heavily to Republicans and hire only Republicans as staff members.

As befits an access-peddling and shakedown effort that would have embarrassed Boss Tweed, Republicans have pursued the "K Street Strategy" off the record--until this week, at least. The initiative suddenly broke into the open thanks to an internecine struggle among House GOP barons about exactly how abrasively and arrogantly they should pressure one trade association--the high-tech Electronic Industries Alliance (EIA)--to do their bidding. Already suspect because some high-tech CEOs endorsed the President's re-election in 1996, the EIA offended the House leadership by naming former U.S. Rep. (and DLC Chairman) **Dave McCurdy** (D-OK) as its new president, apparently frustrating the career aspirations of retiring Rep. **Bill Paxon** (R-NY). Rep. **John Boehner** (R-OH), the leadership's liaison to business groups, began quietly pressuring EIA to fire McCurdy and hire Paxon, only to discover that DeLay had poached on his turf by letting EIA officials know he had put a hold on pending copyright legislation out of anger at the McCurdy hiring.

The DLC Update, Friday, October 9 , 1998

Highlights Include:

- Idea of the Week: Hot Spots
- Believe It or Not, A Housing Bill
- World Financial Crisis The Long and Short of It

Idea of the Week: Hot Spots

Crime policy is back as a "hot button" issue. That may surprise some observers who assumed that recent nationwide reductions in violent crime would take the issue "off the table." But, lest we forget, crime levels remain dangerously high by historical standards.

What's happening now is a very healthy debate over exactly how to further reduce crime. Many conservatives continue to insist that longer mandatory sentences for convicted criminals, including juveniles, is the "silver bullet" that will make communities safer. Meanwhile, New Democrats are building on President **Bill Clinton's** impressive success in making Democrats a credible crime-fighting party by supporting not only tougher sentencing, but an array of ideas for helping communities fight crime and the disorder it breeds.

Exhibit A is Maryland Lt. Gov. **Kathleen Kennedy Townsend**, who is continuing the legacy of her father, **Robert F. Kennedy**, as a crime-fighting progressive.

Our May 22, 1998 *DLC Update* drew attention to Townsend's leadership in making Maryland the first state to implement widespread drug testing of parolees and probationers (see Idea of the Week: Fighting Drugs With Coerced Abstinence) But, Townsend has also been the prime mover in another initiative that exemplifies New Democrat thinking on crime: "Hot Spots."

The idea behind "Hot Spots" is to focus extra resources on high-crime areas, in conjunction with community-based strategies for reducing crime and disorder. A year ago in Maryland, thirty six neighborhoods formally became "Hot Spots"-- one in each county that together accounted for 11 percent of the state's violent crime. In each "Hot Spot" a locally-developed strategy guides both state and local resources. One common feature has been the creation of community-based teams of police and probation officers, jointly supervising high-risk adult and juvenile offenders. Other initiatives have been tailored to specific neighborhoods, such as nuisance abatement, after-school programs for high-risk youth, or breaking up drug markets.

"Hot Spots" avoids three common mistakes made in many previous efforts to target high-crime areas:

- **Mistake 1:** Many police departments conduct "sweeps" of high-crime areas--often commercial corridors--that either displace criminal activity into adjacent areas or only temporarily interrupt long-term crime patterns. *Alternatively*, "Hot Spots" covers entire neighborhoods, and involves a sustained commitment of resources, not just a one-or-two-shot "strike."
- **Mistake 2:** Most "attacks" on high-crime areas involve only the police, which narrows the effort to solely those measures police can take. *Alternatively*, "Hot Spots" involves probation officers, prosecutors, social services agencies, schools, and community leaders--a combination that permits a

flexible strategy appropriate to each neighborhood.

- **Mistake 3:** Some of the "zero tolerance" campaigns recently launched in high-crime neighborhoods have employed tactics that actually reduce community support for law enforcement, such as roadblocks where the citizenry at large is exposed to constant harassment and possible arrest for petty automobile violations. *Alternatively*, "Hot Spots" focuses heavily on community involvement in fighting crime and disorder, and makes peaceful use of public spaces, such as parks, a primary objective.

Best of all, "Hot Spots" seems to be working. Though the initiative is only one year old, initial results are strongly positive. Robberies dropped by two-thirds in an Anne Arundel County neighborhood. Overall violent crime dropped by 25 percent in a Wicomico County neighborhood. Among other "Hot Spots," drug market activity dropped in Easton, burglary and theft were cut sharply in Edgewood, and vandalism, robbery, and auto theft went down quickly in Mt. Ranier.

Perhaps the most eloquent testimonial to "Hot Spots" came from a man named **Steve Sohansky**, owner of an auto parts store located in a Baltimore County Hot Spot:

"Thank God somebody is doing something that makes sense. I've been critical of government programs in the past. 'Hot Spots' is the best use of taxpayers' money I've seen in a long time. It is simple and it just makes sense to have officers located where the crime problems are."

Simple, and it just makes sense.

Believe It Or Not, A Housing Bill

After literally years of delay, Congress has finally passed legislation reauthorizing federal housing and community development programs. The Clinton Administration prevailed on most key items in a dispute with Congressional Republicans, resulting in a modest but important step forward for national housing policy.

The big sticking point in past efforts--the income "mix" of families eligible for the Section 8 rent subsidy program--was resolved pretty much to the Administration's liking. The legislation represents a rejection of both the old-line liberal demand that only the poorest of the poor qualify (at the expense of many "working poor" families), and the conservative demand for an income ceiling so high that many needy families would be forced back into the public housing projects Section 8 was intended to slowly replace.

On a more innovative front, the bill authorizes 50,000 new housing vouchers for former welfare recipients who seek to move closer to jobs or to transportation facilities needed to get to jobs (see our April 3, 1998 [Idea of the Week: Housing Vouchers for Welfare Recipients](#)). It's important because it begins to realign housing policy, along with welfare policy, to promote empowerment and self-sufficiency rather than subsidies and dependence.

Accelerating this realignment ultimately means shifting the Department of Housing and Urban Development's (HUD) focus away from rental housing (whether in public housing projects or in Section 8-subsidized private housing) to homeownership. HUD has already taken a step in the right direction with its encouragement of "Soft Second Mortgages" (see [Idea of the Week: "Soft Second" Mortgages](#)) that help low-income Americans buy their first home.

Following up on his victory in the last housing debate, we hope HUD Secretary **Andrew Cuomo** will focus

the next housing debate on empowerment and homeownership.

World Financial Crisis--The Long and Short Of It

No, this week's meetings of the World Bank and International Monetary Fund (IMF) governors did not produce a "solution" to the world financial crisis. But they did produce a big step forward toward clarity, and perhaps unity, in how to respond. The overall task, President Clinton noted in his speech to IMF governors, is to "tame the pattern of boom-bust on an international scale" as we have learned to do at home.

That requires short-term emergency measures and long-term reforms in the world financial system. Both require international coordination and strong leadership from the United States and Europe.

In response to the immediate crisis, central banks in the United Kingdom, Denmark, and Spain cut interest rates immediately after the Federal Reserve Board cut rates in the United States. Maybe that's a coincidence rather than a coordinated action. If so, perhaps such serendipity can be quietly arranged, if not publicly acknowledged, with other impending efforts to stimulate economic growth and financial liquidity.

The prospects for an intelligent long-term policy were greatly improved by IMF Director **Michel Camdessus'** speech this week to the IMF's 182 government representatives, in which he (1) accepted "the golden rule of transparency" for long-secret IMF operations, (2) recommended the IMF take a more cautious approach in requiring orderly deregulation of capital flows, and (3) suggested the IMF crisis response should now include debt re-negotiation for both borrowers and lenders ensuring both sides bear the pain.

The bottom line is that the world needs to move urgently on both the short-term crisis and long-range reforms. British Prime Minister **Tony Blair** has called for an emergency economic summit in London next month. It's a good idea, and a good opportunity to begin serious talks on devising a whole new architecture for the world financial system, while repairing the current system's leaky plumbing.

###

If you would like to comment on this *Update* or Web site, please send an e-mail to webmaster@dlcpqi.org.

[DLC Home Page](#) | [PPI Home Page](#) | [About DLC](#) | [About PPI](#) | [Library](#) | [Join/Order](#) |
[The New Democrat](#) | [Additional Resources](#) | [Get Connected](#) |
[DLC Update](#) | [DLC Talking Points](#) | [The DLC Briefing](#) | [Top of Page](#)

The DLC Update, Friday, October 2, 1998

Highlights Include:

- Idea of the Week: Making Head Start Smart
- Saving the Surplus
- A Seinfeld Election?

Idea of the Week: Making Head Start Smart

Head Start is one of the most popular, and least understood, of social programs. As a part of President **Lyndon Johnson's** War on Poverty, its original purpose was highly salutary: to ensure that children from less privileged backgrounds would receive the extra instruction and socialization essential to place them on roughly equal footing with their peers at the critical starting point of the educational process.

But as Progressive Policy Institute senior fellow **Diane Ravitch** explained in the July/August 1998 issue of *The New Democrat* "Is Head Start Smart?," Head Start has increasingly focused on goals remote from educational preparation. Head Start facilities have become free child care and social services centers for working families, and even job centers for many parents employed as teachers or aides. The low priority placed on Head Start's educational mission has been reflected in low pay and low educational qualifications for its teachers: less than 30 percent have a bachelor's degree. Furthermore, in part because of its tradition of radically decentralized governance, Head Start has no standard curriculum or common set of educational goals or standards even on such basics as initial exposure to written language and numbers.

Unfortunately, the political debate over Head Start has usually ignored its mission or its performance and instead has focused on its scope and funding. "Expanding Head Start" has been a battle cry for many Democrats and some Republicans for decades. Argues Ravitch: "Federal policymakers face a choice about the future of Head Start: expand it without fundamental change, or change it to emphasize cognitive development and school-readiness. Federal officials should develop a curriculum and set standards for what teachers should know and what students are expected to learn."

Clearly someone in Congress was listening. This week a House-Senate conference committee on a bill reauthorizing Head Start (S. 2206) shifted a significant portion of new federal funds from Head Start expansion to quality improvements, especially in its educational preparation efforts. Funds were authorized to pay higher salaries and demand higher educational and training standards for Head Start teachers, to develop education performance goals and accountability measures, and to conduct a major new national study of Head Start's effectiveness.

While these are important steps in refocusing Head Start's educational mission, a longer-range challenge is on the horizon: determining how to coordinate Head Start with the growing interest in public pre-kindergarten programs for all children.

Georgia is providing a glimpse of the future. While Gov. **Zell Miller's** lottery-funded HOPE college scholarship program has received much national attention, the same lottery also is financing the nation's first statewide voluntary pre-K program. This program currently educates 60,000 four-year-olds from every background in state-licensed public and private facilities. Interestingly enough, Georgia's pre-K program has had no negative impact on Head Start programs, which serve 13,000 four-year-olds. Together, the pre-K and Head Start programs serve more than 80 percent of Georgia's four-year-olds. If lottery proceeds

allow the pre-K program to expand further, however, there is talk of refocusing Head Start on three-year-olds, which makes perfect sense from the perspective of maintaining a "head start" for disadvantaged kids. *For information on Georgia's pre-K program, call Celeste Osborn, Director of the Office of School Readiness, at 404-651-7431.*

Regardless of the vehicle for pre-K education, the key to success is the same as for other levels of public education: focus on outcomes, not just inputs; create high common standards while encouraging innovative ways to achieve them; insist on accountability for everyone involved; and keep expectations high for what children can learn. This formula will give all of our children a head start in life.

Saving the Surplus

Even as President **Bill Clinton** announced that Fiscal Year 1998 had ended with the first federal budget surplus since 1969, the Senate prepared to act on House-passed Republican legislation to use the surplus to finance an \$80 billion tax cut package. The package is modest, and not all bad, but it reflects the time-tested GOP tax strategy of nestling tax reductions for its wealthy constituencies in the candy coating of middle-class tax breaks.

The President is almost certain to veto the package if it passes the Senate, on grounds that it violates his pledge to reserve surpluses (in effect reducing the national debt) until Congress has acted on comprehensive Social Security reform legislation. That's the right position. The current surplus would disappear were it not for the use of Social Security revenues borrowed against unfunded obligations to provide retirement income for the baby boom generation. The achievement of a budget surplus will be hollow indeed if it is used for new spending or tax cuts while huge future deficits are staring us in the face.

But it's important to understand that the partisan collision between tax-cutting Republicans and Social-Security-loving Democrats disguises big divisions in each party over long-term fiscal policy.

The political brilliance of the President's "Social Security First" strategy is that it temporarily unites traditional liberals who want to spend surpluses to keep Social Security benefits just as they are, and New Democrats who want to use the leverage of the reserved surplus to push through serious reform of Social Security. It also appeals to conservative fiscal hawks who simply want to pay down the national debt before spending any surpluses on tax cuts or new spending. But down the road, of course, Democrats will have to come to grips with their very different approaches to "saving" Social Security.

On the Republican side, the \$80 billion tax cut package represents a temporary truce between supply-siders who were recently pushing for a multi-year *trillion dollar* tax cut, and fiscal hawks for whom \$80 billion is about as far as they want to go in cutting taxes. Speaker **Newt Gingrich** persuaded the supply-siders to go along by promising action early next year on a much larger tax package, perhaps including a big across-the-board cut in income tax rates and the abolition of capital gains and estate taxes. The GOP day of reckoning on tax policy may come even sooner than Democratic conflict over Social Security.

In the long run, the tax cut vs. Social Security battle lines will not hold. New Democrats should make it clear they not only support fundamental Social Security reform, but continue to support fundamental tax reform to clean up the deduction-ridden tax code and give working families a better break.

A Seinfeld Election?

All year long, even before L'Affaire Lewinsky consumed Washington, many political pros in both parties were telling us this would be a low-turnout midterm election dominated by the liberal and conservative

The DLC Update, Friday, September 25, 1998

Highlights Include:

- Idea of the Week: Health Care Tax Credits
- Ideas For a New Century: Get Your *Blueprint*
- Miracle on Capitol Hill?

Idea of the Week: Health Care Tax Credits

This year's preoccupation in Congress with addressing abuses by managed care health plans has sidetracked a broader debate about the future shape of our health care system. Now that it's reasonably clear neither party's version of "patient's rights" legislation is going to be enacted in this Congress, it's time to get back to that broader debate.

In fact, there is a major new reform that is beginning to draw support from both political parties: moving away from the current employer-based system of health insurance to one that empowers individuals with the choice and the resources to buy their own policies.

The mechanism for achieving this shift is obvious: creating an alternative to the current federal tax break for employer-paid health insurance.

The central flaws in the employer-based system are well known. It subsidizes health insurance for those lucky enough to work for an employer that decides to take advantage of the tax break, while leaving other employees--not to mention the unemployed and the self-employed--on their own. It equally rewards employers who provide a choice of high-quality health plans, and those who don't. And it undermines personal responsibility for health care because so many of the costs appear "free" to employees.

Its advantage, of course, is to give real purchasing power to many workers who would otherwise have no way to buy insurance through a large group.

Republicans tend to like health care tax credits because they increase individual choice over health insurance. Democrats tend to like them because they provide a way to expand coverage to the uninsured. We share both concerns: enlivening the health care market place with real, system-wide competition that helps improve quality while holding down costs, and finally moving towards universal access to health insurance.

Last June, another influential voice **Nancy Dickey**, President of the American Medical Association--weighed in with a call for completely replacing the employer-based system with individual ownership of health insurance. She noted that such a step would resolve "many of the issue-by-issue, regulation-by-regulation battles that we currently fight and that consume so much of our time and energy." At a very different point on the political spectrum, Rep. **Jim McDermott** (D-WA), a long-time supporter of the "single payer" approach to health care reform, has actually introduced a bill (H.R. 539) that would create a refundable (i.e., payable in cash to those without income tax liability) tax credit for workers who lack employer-based insurance.

The key differences between the AMA and McDermott approaches are that the former would eliminate the tax break for employer-based insurance, while the latter would preserve it but supplement it with a tax

credit for those not covered. Combining Republican and Democrat approaches, the "third way" is clear: a universal, refundable tax credit for purchase of health insurance as an alternative to the employer-based tax break. The uninsured would get covered, while those already covered by an employer-paid plan could "opt out" if unsatisfied and buy their own insurance with the new credit.

This single step would simultaneously promote individual responsibility for health care, more choice and competition among health plans, competitive pressure to increase quality while reducing costs, and financing universal coverage.

Let's hope that's where the continuing health care debate moves in the next Congress.

Ideas For a New Century: Get Your *Blueprint*

This week the DLC formally inaugurated a new policy journal designed to identify the central ideas that will carry American politics into the 21st century. Called ***Blueprint: Ideas for a New Century***, this new quarterly aims at framing the national political debate going into the election in 2000, which is shaping up as the most pivotal "year of decision" in a generation.

Each issue of ***Blueprint*** will focus on one important policy issue, and will supply both a complete briefing and cutting-edge policy proposals from a national network of progressive thinkers.

The inaugural issue sets the political context for the policy debates of the 21st century. Entitled "The Next Politics," it features:

- Former White House advisors **Bill Galston** and **Elaine Kamarck** with the "Five New Realities" of demographic and economic trends that will shape the politics of the next several decades.
- Presidential pollster **Mark Penn** with an exclusive new public opinion survey on the "Active Center" of the electorate and its implications for both political parties.
-
- Former Vice Presidential speechwriter **Daniel Pink** on the politics of "free-agent workers"--the ever-increasing percentage of Americans who do not work in traditional workplaces.
- ***Blueprint*** editor **Andrei Cherny** on generational change in the Democratic Party.
- **Al From** and **Will Marshall** with "Ten Commandments" for Democrats hoping to succeed in the new political environment.

Future issues of ***Blueprint*** will focus on such topics as "expanding the winner's circle" for success in the new global economy; modernizing the Social Security and Medicare entitlement programs; bringing public schools into the Information Age; and reweaving the strands of our civic life.

For more information on *Blueprint*, call (202)546-0007, or visit the *Blueprint* web page at www.dlc.org/blueprint.

It is required reading for New Democrats or anyone interested in new ideas.

Miracle on Capitol Hill?

The DLC Update, Friday, September 18, 1998

Highlights Include:

- Idea of the Week: Recycling Computers for Schools
- Leadership in Crisis: The President on the World Economy

Idea of the Week: Recycling Computers For Schools

Getting computers and Internet access into the public schools is an idea that has captured the attention of lawmakers, school administrators, teachers, and parents during the last few years. In the 1996 Telecommunications Act, Congress set up a program to help "wire" schools and public libraries for Internet access, especially in low-income areas. Vice President **Al Gore** has led Administration efforts to move the country towards universal access to the tools of the Information Age. Many states and school systems have launched ambitious efforts to get computers and modems into classrooms. And increasingly, parents and taxpayers view computer labs as an important signal of a school's commitment to quality education.

But the single biggest cost impediment to making schools laboratories of the Information Age is just what you would expect: the hardware. Though the cost of basic PCs continues to drift downward, the price tag is still around \$1,000, making them a very expensive addition to the public school classroom.

The Oakland Unified School District in Oakland, California has found a way to cut those costs to the bone: The Oakland Technology Exchange.

Reported in *Wired News* by Randolph Court (now a Technology Policy Analyst at the Progressive Policy Institute), the Technology Exchange is the brainchild of a retired IBM systems engineer named Bruce Buckelew, who noticed how many workplaces were discarding old PCs as they upgraded their information systems. Buckelew realized this junked hardware could be more than adequate to meet the needs of the financially hard-pressed Oakland public schools.

Since the fall of 1996, the Oakland Technology Exchange has received large donations of used machines from area businesses including PeopleSoft, Clorox, and from the U.S. Army. Microsoft and IBM have chipped in software licenses as well. But the program does not simply involve corporate charity, it also enlists students at the Oakland Technical High School. These students work after school refurbishing the computers, installing new software and repairing monitors and computers to maximize their usefulness for other students in Oakland's schools. Now Oakland Tech students have a chance to learn job skills, earn a few bucks, and perform some real community service in recycling computer hardware, at a rate of about 25 refurbished PCs a week. Overall, the program has moved some 3,000 computers into the Oakland Unified School District's 90 public schools.

The Oakland Technology Exchange is an example of the kind of locally driven public-private partnerships that can make big leaps in social progress in areas where state or national policies lag. More importantly, every community in American can emulate its lessons, and its innovative spirit.

Leadership in Crisis: The President on the World Economy

President **Bill Clinton** delivered a major address on the global financial crisis this week, in an impressive illustration of his determination to discharge his responsibilities despite the self-induced crisis of the

The DLC Update, Friday, August 14, 1998

Highlights Include:

- Idea of the Week: The Third Way
- Gut Check on Education

Idea of the Week: The Third Way

What is the "big idea" that is the fountainhead for the "new ideas" New Democrats seek to develop? It's the "Third Way."

President Clinton talks about the "Third Way" often, as does the First Lady, who thinks it offers a formulation for a new ideology that can unite Democrats. British Prime Minister Tony Blair refers to the "Third Way" as the central principle of his "New Labour" Party.

In short, the Third Way is becoming the global generic brand name for the progressive politics of the Information Age. The term first came into use in 1990 as the DLC's shorthand for the distinctive viewpoint of New Democrats. It signaled our determination to overcome the stale left-right debate that had dominated American politics for a generation, and to modernize the Democratic Party and the public sector into instruments for addressing the very new problems facing the country in a new era.

For Democrats, the Third Way does *not* mean abandoning such traditional progressive principles as equal opportunity, civil rights, cultural tolerance, an active public sector, a sense of collective responsibility for our individual destinies, or a special commitment to Americans in need. It does mean rethinking how we apply these principles, just as progressives rethought public policies at other great turning points in our history like the Industrial Revolution, the Great Depression, and the Civil Rights Movement. And it does mean abandoning the recent tendency of traditional liberals to place defense or expansion of government programs at the top of their agenda, even if they no longer promote the goals they were originally designed to achieve or reflect the values they were originally intended to vindicate.

While challenging the left to adjust to changing times, the Third Way also creates a new and more vigorous intellectual and political competition for the right. For decades, political conservatives have prospered simply by critiquing the big government excesses and cultural eccentricities of traditional liberals. By taking away these easy targets, the "Third Way" forces conservatives to try to articulate a positive governing agenda, which they are currently incompetent to offer with any degree of unity or coherence.

Most broadly, the Third Way represents an acceptance of two verdicts of history that many on the Left have been slow to acknowledge. First, capitalism is the best economic system yet devised for creating growth and efficiently allocating resources, and second, two-parent families nurturing such values as faith, work, personal responsibility, civility, and openness to new ideas are the best social unit yet devised for raising children.

But at the same time, the Third Way represents a rejection of the right's tendency to turn capitalism into a religion, confusing means with ends, and abandoning the public responsibility to shape market forces to produce broad-based economic and social progress. It also means rejecting the right's reluctance to support families and reinforce mainstream values with public resources that give them the tools they need to do what they do best: create opportunity, instill responsibility, and embody community.

Put it all together, and you have a new political ideology that uses market means to pursue public goals; that combines fidelity to traditional values with a fearless determination to shape rapid economic and technological change; and that insists on organizing public resources for the common good while recognizing the increasing impotence of large, centralized bureaucracies and the increasing importance of self-governing individuals and community institutions. That means tough environmental standards met through market-based innovations like emissions trading. That means replacing the welfare system with a competitive employment system. That means saving public education through choice, competition, and accountability for measurable results. That means opening global trade while "expanding the winner's circle" of Americans prepared with skills to participate in the blessings of economic growth. That means every "idea of the week" we have promoted in the DLC Update and many more to come.

The Third Way is important not just to ideologues and intellectuals, but to elected officials, political activists, and citizens. It shows that the "centrist" politics of New Democrats is not located in the mushy middle of the old political spectrum, aimed at split-the-difference compromises between liberals and conservatives in their endless, and often pointless, battles over funding levels for existing government programs, and their common efforts to reward constituency groups with patronage favors and public subsidies. And it vindicates the stubborn desire of people--not just in America but in Europe, Latin American and Australia--exhibited in serial rejections of traditional political parties, for a public philosophy that transcends the old left-right choices a stubborn desire for "a Third Way."

For a clear and thorough articulation of the Third Way, read the New Progressive Declaration or to receive a copy by mail, call (800)546-0027.

Gut Check on Education

After months of listening to the "debate" over national education policy in Congress, dominated by Democrats wanting to throw money at public schools and Republicans wanting to throw money at private schools, it is refreshing to hear the debate on education underway in California's critical gubernatorial campaign.

Here's what Democratic candidate Lt. Governor Gray Davis and Republican candidate Attorney General Dan Lungren agree on:

- Much higher standards for California public schools;
- Rapid expansion of charter schools;
- Regular testing of students before promotion to higher grades, supplemented by expanded after-school and summer school opportunities for those who need to "catch up";
- Regular testing of teachers to ensure competency in core subject areas they are teaching; and
- State takeover of under-performing schools, with the power to dismiss administrators and teachers who don't measure up.

In other words, both candidates favor a coherent program to make every element of the public school system accountable for measurable results.

They disagree on several points. Davis supports, while Lungren opposes, written contracts with parents to elicit cooperation with school performance goals. And Lungren supports, while Davis opposes,

The DLC Update, Friday, August 7, 1998

Highlights Include:

- Idea of the Week: Reclaiming Public Spaces
- New Dem, Old Dem, Weird Dem, Dead Dem
- The G.I. Bill for Workers Halfway Home
- All Together Now

Idea of the Week: Reclaiming Public Spaces

In New York City, Mayor Rudy Giuliani's popularity is heavily dependent on his success in dramatically reducing crime through a classic and systematic application of community policing strategies.

In Denver, the even more popular Mayor Wellington Webb has made converting abandoned, ill-used, or environ-mentally degraded city land into "open spaces" for use as parks and other recreational facilities a signature initiative .

In each city, the conventional approach to measuring Hizzoner's success is by looking at indicators like crime rates and park acreage. But in both cases, something much more important is going on.

In New York and in Denver, and in many other cities, citizens are beginning to reclaim public spaces. They are beginning to rediscover what drew millions of Americans to cities to begin with, aside from economic necessity: the ability to come together to work, play, study, hurry about, stroll, and loaf in a word, live in a genuine community drawn from highly diverse backgrounds.

Public spaces parks, neighborhood streets, schoolyards, public transit, sports facilities, downtown and uptown commercial and retail areas are the great symbols of urban community life. Their abandonment over the years to crime, disorder, moral decay, pollution, fear, and hopelessness, have been the great symptoms of urban decline.

When New Yorkers can again ride the subway and walk through Times Square without feeling as though they have landed on a hostile, alien planet, the quality of life of New York goes up in ways no crime statistics can adequately measure. And when citizens of Denver can commune with owls, foxes, hawks, and pelicans in a twenty-five acre urban wildlife preserve, Heron Pond, the fear of over-development that has so divided metro Denver residents by date of arrival goes down a few notches, with civic implications beyond measure.

So: we recommend that in every American city, public- and private-sector leaders focus not just on the usual statistics of urban well-being, but on the measurement that most reflects overall civic health. How many "public spaces" are available, and how many citizens use them?

New Dem, Old Dem, Weird Dem, Dead Dem

Until Geoffrey Fieger entered the Democratic primary for Governor of Michigan, New Democrat Doug Ross held a narrow lead over Larry Owen, the candidate of Michigan's powerful unions and the party

The DLC Update, Friday, July 31, 1998

Highlights Include:

- Idea of the Week: Employer Efforts To Expand the Winner's Circle
- Reg Reform Limps Toward the Finish Line
- What's Under the Republican Big Tent But Air?

Idea of the Week: Employer Efforts To Expand the Winner's Circle

New Democrats strongly believe that we must find ways to overcome zero-sum battles between people who are "winning" or "losing" in the New Economy, and begin to "expand the winner's circle" of Americans who are prospering. That means most obviously that every citizen should have access to lifelong skills training to take advantage of the new jobs and careers made possible by the New Economy. But it also means all Americans should have opportunities to be rewarded not only for hard work but for innovating: for finding better ways to do their jobs, contributing to higher productivity for their employers, their industries, and their country.

Federal and state governments have an important role to play in skills training, and the new training reform legislation awaiting final action in a House-Senate conference committee is a critical step toward making publicly-financed training more readily available, more relevant to actual labor market trends, and more flexible and decentralized. But by far the most important resource for skills training is by private employers, who best know what skills they will need in the immediate future, and who provide the actual jobs workers are training to fill.

Private employers are an even more dominant provider of incentives for work-place innovations, although the nation as a whole has a huge stake in the ability of everyone in the economy to innovate in big and small ways each day.

Some employers offer both training and innovation incentives to all or most employees. But more typically, they limit both to higher-echelon management employees. Should Americans care? Absolutely. We all subsidize training and innovation incentives because employers are allowed to write them off their taxes. Once upon a time, employers could write off health insurance and pension benefits offered only to executives, until Congress said, "offer it to all your employees or pay for it yourself." That's why so many employees have health insurance and pension benefits today.

A couple of years ago Progressive Policy Institute Vice President Robert Shapiro (now Undersecretary of Commerce for Economic Affairs) proposed that the "non-discrimination" rule for tax-preferred employee benefits be extended to training and innovation incentives. This idea makes more sense every day. With innovation and worker skills now typically ranked by economists as the number one and number two factors influencing economic growth with capital investment in plant and equipment number three U.S. economic policy should promote them as widely as possible throughout the work force.

Employers would profit from such policies far more than from the current non-discrimination rules on health and pension benefits, since it would directly improve the productivity of their own work force. As Shapiro suggested, any non-discrimination rule on training should address one major reason companies do not already broadly offer such benefits: the fear that it will equip workers to take jobs elsewhere. Employers should be authorized to make training contingent on agreements to stay employed for a limited

period of time, so that companies can reap at least some fixed portion of their investment in higher skills.

We encourage state-level New Democrats to examine state tax and economic development policies to determine if there are similar ways to encourage broad-based, non-discriminatory incentives for worker training and innovation incentives. It's also a useful issue for challenging those Republicans at every level who are forever scheming to come up with new tax incentives to promote capital investment in plant and equipment. If you're for tax breaks to help the people at the top of the income scale promote economic growth, how's about making sure an existing tax break helps everyone produce more growth and benefit from its blessings?

Reg Reform Limp Toward the Finish Line

Like one of those backwater border skirmishes that continue after a truce is signed, a fitful struggle to enact regulatory reform legislation continues as a relic from the "green wars" of the 104th Congress. Conceived originally as an effort to require economic benefit-cost analysis before the promulgation of environmental regulations with some nasty legal sand traps thrown in for good measure reg reform was mortally wounded in the crossfire between business and environmental lobbyists. But Senators Carl Levin (D-MI) and Fred Thompson (R-TN) soldiered on, and have finally crafted a reg reform bill that is acceptable to the Clinton Administration, though not to most environmental groups.

We're not real optimistic about prospects for passage of the Levin-Thompson bill, since Administration approval is contingent on absolutely no further changes, while Senate Democratic agreement to proceed with the bill is contingent on the ability to offer a variety of amendments. That's a shame in some respects, because the legislation would usefully incorporate not only benefit-cost analysis but consideration of more efficient regulatory methods in federal law.

But it's hard to avoid the conclusion that reg reform is being rapidly eclipsed by real world developments. Even as Washington continues to wrangle over the information that federal regulators should consider, citizens are accessing the same information and using it to affect local decisions on pollution and land use. Monthly "hits" on EPA's internet home page, chock full of data, maps, and fact sheets, have climbed from 300,000 in January 1995 (when the "green wars" first broke out) to *30 million* in June of this year.

Even on the federal front, critics of traditional command-and-control environmental regulation should begin to consider whether it makes more sense to perpetually try to add consideration of market impact to the current regulatory process or to move forward to a "second generation" of policies in which market forces are used as a primary instrument for environmental protection.

What's Under the Republican Big Tent But Air?

A couple of weeks ago we mocked Speaker Newt Gingrich for promoting serial GOP congressional agendas with the self-discipline of a five-year old on a shopping spree at Toys R Us. Maybe we were too harsh. GOP reaction to new Congressional Budget Office projections of huge future budget surpluses indicates Newt's party really cannot decide whether to go for the Sony Play Station or the *Armageddon* action figures. House Republicans are eager to spend tomorrow's surpluses today, with a ten-year tax cut ranging from \$700 billion to a bit over a cool trillion. Senate Republicans are equally determined to sock back the bulk of future surpluses for Social Security reform. If Republicans controlled the White House and had two-to-one margins in both Houses, it's not clear they could reach agreement on basic fiscal policy.

GOP disarray mushrooms every day. They don't have a budget. They don't have a tax policy. They don't have a foreign policy. Republican moderates in the House are beating Senate Republicans to the punch in

The DLC Update, Friday, July 24, 1998

Highlights Include:

- Idea of the Week: Character Education
- A Fast Track Paved With Bad Intentions
- Is More Poison the Antidote for Poor Teacher Quality?

Idea of the Week: Character Education

Sooner or later, every discussion of K-12 education gets around to the "kids these days" issue. Today's children seem to be on average less respectful of authority, more inclined to disruptive behavior, harder to motivate and generally bereft of deep grounding in the values that undergird the educational process. Some apologists for traditional public education claim that schools are being asked to compensate for what parents have failed to do to prepare their children for learning. Some advocates for private school vouchers say the ability of private schools to explicitly base instruction on religious values are the key to their superiority to public schools in educational results.

But there is now a growing movement to take bullshy kids by the horns: to make the basic character virtues most critical to learning--honesty, courtesy, tolerance, personal responsibility, openness to new information, acceptance of authority, respect for achievement, ability to delay gratification, and so on--central to the organization of schools and their curricula.

The "character education" movement has received its biggest boost in Maryland, where Lieutenant Governor Kathleen Kennedy Townsend has spearheaded an initiative to make instruction in, and embodiment of, the "civic virtues" a basic feature of daily life in every public school. In an article in the November/December 1997 issue of *The New Democrat*, Townsend cited national studies showing that character education initiatives have reduced disciplinary problems, truancy, vandalism, and even teen pregnancy rates. Anticipating the argument that character education displaces the role parents play in the moral training of their children, she also reported that in Baltimore, not one parent of the 50,000 students involved has objected. "The only complaint is, 'Why didn't we have this sooner?'"

The recently released report of the National Commission for Civic Renewal has called for widespread adoption of character education, along with instruction in U.S. civic traditions that reflect the same values. U.S. Secretary of Education Richard Riley is a big fan of character education, and the President praised it in recent remarks to the American Federation of Teachers.

Does character education overburden teachers with an additional responsibility remote from traditional education? Actually, shaping the character of children has always been part of the mission of public education in America. Furthermore, observance of civilized norms of behavior has always been essential to creating an environment in which teachers can teach and students can learn.

Character education reflects the kind of values-based public policy that Americans appear to crave, often over the objections of those on the left who oppose official recognition of moral absolutes, and those on the right who demand official recognition of the religious traditions in which values are rooted. If Maryland is any indication, parents love it, it seems to work, and it's time to try it everywhere.

The DLC Update, Friday, July 17, 1998

Highlights Include:

- Idea of the Week: Cutting Payroll Taxes
- Time For A Vacation
- Jackson vs. Jackson?

Idea of the Week: Cutting Payroll Taxes

Let's see: Congressional Republicans plan to make cutting up to \$100 billion a year in federal income taxes the centerpiece of their 1998 re-election effort. Democrats appear to be weighing how much to "give" Republicans in tax cuts, but have no positive proposals of their own.

Republicans are again focusing on reducing taxes on capital, and on abolishing inheritance taxes. Democrats say that's unfair and regressive, but are not offering any way to make taxes fairer or more progressive.

Republicans are settled on a strategy of "buying" middle class support for their upper class tax cuts by eliminating the so-called "marriage penalty" on dual-earner families. Democrats say it's too expensive, or too simplistic, but are not proposing ways to reduce the tax burden of middle class families. The same process of Republican tax cut plans sowing confusion and division in Democratic ranks can also be seen at work in many state capitals this year.

There's a tax cut idea right out there at the edge of the public spotlight that addresses all these needs, if only Democrats will pick it up and run with it (and enlist the help of some Republicans, such as Sen. John Ashcroft, R-MO). It's a Social Security payroll tax cut.

This is actually an idea that New Democrats have long promoted. Payroll taxes are the most regressive federal taxes, imposed at a flat, not progressive rate; on labor, but not on capital; and covering income only up to a certain arbitrary level, instead of all earned income. They make entry-level jobs--including those most needed to absorb the welfare population that is steadily moving towards time limits on public assistance-- more expensive, and hence less plentiful, than would otherwise be the case. For nearly half of the working population, payroll taxes are actually higher than federal income taxes.

Furthermore, Social Security payroll taxes are currently higher than the rates necessary to cover current Social Security benefits. The "windfall" has been used in the past to cover federal budget deficits, not to pay retirees.

As noted in our March 20, 1998, DLC Update, the Social Security reform plan of Sens. Daniel Patrick Moynihan (D-NY) and Bob Kerrey (D-NE) proposes to immediately reduce the payroll tax from 12.4 percent to 10.4 percent, with taxpayers being given the option to keep the difference or invest it in tax-preferred retirement savings accounts.

The wide-ranging debate on Social Security this proposal launched has focused almost entirely on the "partial privatization" feature of the plan, not its payroll tax relief. That needs to change. Cutting payroll taxes offers Democrats a progressive, pro-growth, pro-family tax cut proposal that could stimulate new job creation and also accelerate the progress of welfare reform. The tax cut could be financed in the context of

broader Social Security reform (as is the case in the Moynihan-Kerrey proposal), or by raising the cap on income subject to the tax while lowering the rate, or by ending corporate tax subsidies.

There's even a way states can offer payroll tax relief. Many states currently offer a tax deduction for federal income tax payments. As Oregon Secretary of State Phil Keisling suggested at the DLC's National Conversation in June (see the "State Focus" section in the July/August issue of *The New Democrat* magazine), states should offer a tax break for federal payroll taxes as well. The main beneficiaries would be low-to-middle-income wage earners and the self-employed--respectively, the hardest pressed and fastest growing elements of the New Economy. Think about it: a tax cut that disproportionately helps labor union members and "wired workers"! What New Democrat can resist that?

Time For A Vacation

This week House Speaker Newt Gingrich released yet another House Republican "agenda" for the remainder of this congressional session. We don't know about you, but we've lost count of the Speaker's 1998 agendas. There was the one he released at the beginning of the year. Then there's the one he substituted when he suddenly decided that confronting the President was necessary to shore up the GOP voting "base." Then there's the one he hastily put together to assure religious conservatives that their priorities would come to a vote. And then there's the one he signed off on a couple of weeks ago to placate the business community. And now here's one more apparently designed to rebut the "do-nothing Congress" label. We may have missed a few interim agendas along the way. It reminds us of the old joke about the student who asked a clerk at the British Museum for a copy of the French Constitution, and was frostily told: "I'm sorry. We do not carry periodicals."

Maybe the remarkably short shelf life of the Speaker's various agendas is just another sign of the GOP's frantic efforts to rush around making promises to its various constituency groups. Everybody gets their own "agenda." As Democrats learned some time ago, the problem with this sort of game, especially in the Information Age, is that every group can easily find out what you've promised to every other group, and you wind up satisfying no one and looking duplicitous to everyone.

Another possibility is that the Speaker has totally succumbed to the belief that this congressional session is "about" positioning for the November elections, not actually trying to enact any legislation. From this deeply cynical point of view, when the polls change, so does the agenda.

Either way, the GOP leadership is in fact making a good case against the re-election of a Republican Congress. These guys were given control of Congress by voters who demanded, and were promised, a big change in business-as-usual in Washington. Nearly four years later they can't keep their minds made up for more than fifteen minutes about their mission, their message, their strategies, or their tactics. Perhaps a long vacation from the responsibilities of governing would improve their powers of concentration.

Jackson vs. Jackson?

At the annual convention of the NAACP in Atlanta this week, the Rev. Jesse Jackson, recently named a special presidential envoy to Africa, called on delegates to hold meetings in their home towns in support of the Clinton Administration's Africa policies.

We're delighted to be united with Rev. Jackson on this issue. (See the March 13, 1998 DLC Update for our views on the importance of trade with Africa). Perhaps he will personally hold a meeting in his home town, Chicago, aimed at influencing his congressman, Jesse Jackson, Jr. (D-IL). Last time we checked, Rep. Jackson was voting against the centerpiece of the Clinton Administration's Africa policies, the Africa Trade

The DLC Update, Thursday, July 2 , 1998

Highlights Include:

- Idea of the Week: A Million Mentors
- Change the Subject, Or Change the Party?
- Getting It Right On Patients' Rights

Idea of the Week: A Million Mentors

Last week the DLC Update reported the release of the National Commission on Civic Renewal's report, *A Nation of Spectators*. One of the report's proposals, first aired by Commission Executive Director Bill Galston in the Progressive Policy Institute's 1997 book, Building the Bridge, is an especially fruitful idea: recruiting volunteer mentors to help children who suffer from little or no adult supervision and advice.

The premise is simple: no factor--family income, IQ, social status, or educational opportunity--has as great an impact on a child's character development, values, ambition, and happiness as support from caring, responsible adults, preferably parents. But for reasons beyond their control, millions of American children have little or no adult supervision. Most are in one-parent or no-parent households; many are left alone after school for critical hours. All the studies show that these kids are greatly at risk of taking many wrong turns in adolescent and adult life, from getting pregnant out of wedlock to dropping out of school or ending up in prison.

The Civic Renewal Commission recommends as a national goal that "every child should be raised in an intact two-parent family whenever possible, and by one caring and competent adult at the very least." But to fill the gap until this goal is reached, the Commission calls for a public-private campaign to recruit one million mentors for the kids most in need of adult support.

Mentoring is not just a token gesture. In Building the Bridge, Galston cites a 1995 Public/Private Ventures study of the Big Brothers-Big Sisters of America mentoring programs that showed stunning results. For example, kids benefiting from these committed, trained volunteer mentors are 46 percent less likely to start using illegal drugs and 52 percent less likely to skip a day of school. In effect, mentors supply an "extended family" that strengthens primary families where they exist and creates a "safety net" where they don't.

Launching a large-scale national mentoring initiative focused initially on the one million kids most in need could have a huge social and even economic payoff. It would cost about \$1 billion, and Galston recommends that the federal government, states and localities, and the volunteer sector each pick up one-third of the cost. We think it's an investment America can ill afford not to make.

Change the Subject, Or Change the Party?

Speaking of families and of values, Emily's List recently released a new (June) poll by Stan Greenberg and Celinda Lake. According to the poll's Executive Summary, "This survey suggests a shifting issue environment, centered more on concerns like moral decline, families, and crime and drugs, and less on issues instinctively favorable to Democrats, like education and retirement concerns." Greenberg and Lake go on to urge that Democrats "move the public debate from its current preoccupation with moral decline and personal behavior."

The DLC Update, Friday, June 19, 1998

Highlights Include:

- Idea of the Week: Improving Teacher Quality
- Playing Chicken
- Huffing and Puffing

Idea of the Week: Improving Teacher Quality

As the President noted in his 1998 State of the Union Address, America faces an imminent and serious shortage in the number of qualified teachers available to educate a growing student population, especially in schools in low-income urban and rural communities. If Congress and/or the states follow up on his suggestion to reduce class sizes in the early grades, this looming shortage will grow. But it gets worse: Right now, before retirements and demographic changes produce a crisis in the *quantity* of teachers, the *quality* of teaching is a large and growing problem.

For a thorough review of the quantity and quality issue, we recommend you read the policy briefing by Dale Ballou and Stephanie Soler published by the Progressive Policy Institute in February ([Addressing the Looming Teacher Crunch: The Issue Is Quality](#)). But an excellent summary of the problem and potential solutions was provided this week by Sen. John Kerry (D-MA), in a speech on education reform at Boston's Northeastern University:

Too many students today who enroll in teacher education programs in U.S. colleges have lower scores on SAT and ACT exams than those in virtually all areas of study....Here in Massachusetts we simply accept the prediction that 10 to 35 percent of our education graduates applying for teaching jobs won't be able to produce acceptable writing samples. That is an invitation for substandard teaching--and substandard schools.

Kerry goes on to endorse the same broad array of reforms in teacher recruitment, training, and supervision that Ballou and Soler called for: alternative certification paths to attract top-notch liberal arts majors; active recruitment into teaching of successful people pursuing other careers; a radical reform of teacher tenure systems to reward performance rather than seniority; and new incentives to attract high-quality teachers to high-poverty schools.

Sen. Kerry's call for opening up the teaching profession and raising its standards is especially noteworthy, of course, because this is one element of education reform that teachers unions, a powerful force in Democratic Party politics, have rarely supported and have often flatly opposed. Indeed, his entire speech (available on his web page at www.senate.gov/~kerry) is a strong and systematic outline of what Democrats should do to save public education from the smothering embrace of its "friends" who feed Republican demands for a privatization of K-12 education by opposing public school reform.

Playing Chicken

This week the Asian financial markets shook, and Wall Street quivered, amid growing fears of a worsening economic crisis. Japan's economy moved officially into recession and China is struggling to stave off a devaluation of its currency that would further damage its neighbors in the region. The 100 million

The DLC Update, Monday, June 8, 1998

Idea of the Week: A National Conversation

For all the talk and debate in Washington, genuine conversation is often hard to find. Dueling monologues are more the style of this city's ever-chattering class. What passes for the clash of ideas is often little more than the collision of pre-established, unshakeable positions, impervious to persuasion and sometimes even resistant to reality.

The New Democrat movement has always prided itself on its belief that ideas have consequences--that the ultimate test of public policies are not how well they "energize the party base" or madden the opposition, or even how well they poll or sell on election day, but how they affect the lives and interests of the American people, in the real world. Measuring the impact of ideas requires constant assessment, openness to trial and error, and real conversation between thinkers and doers, between political and civic and business leaders, between those who would govern well and those who want good government.

The DLC's 2nd Annual National Conversation, held on June 4-5 in Washington, was designed to foster such a genuine, idea-based dialogue, focused especially on the challenges at the state and local levels. About 200 leaders from the public and private sectors, including more than 100 state and local elected officials from 34 states, joined President Clinton audience in participating in this National Conversation. A national C-SPAN audience also listened in.

The premise of the National Conversation was that the New Democrat movement has reached a key turning point. Ideas incubated by the DLC and the Progressive Policy Institute have helped the Clinton-Gore Administration not only change the negative perceptions of the Democratic Party widely held by Americans in the previous two decades--but, more importantly, to tackle problems previously thought to be intractable. These ideas in action have had tangible results in the economy, the crime rate, the budget deficit, the welfare caseloads, the culture of bureaucracies, the vitality of cities, and even the confidence of Americans that government can get some things right. But a whole new set of challenges face the country. At the grassroots, in state capitals and county courthouses and city halls, the conservative movement and the Republican Party are threatening to dominate politics and government in the same way they dominated the White House prior to President Clinton's victory in 1992.

The aim of the National Conversation was to help launch the next phase of the New Democrat movement: creating a network of new ideas and new leaders at the state and local levels that can turn back the conservative surge and carry the progressive political and governing tradition into the next millennium.

Maryland Lt. Governor Kathleen Kennedy Townsend delivered the keynote address at this event, using her own experience in office and the legacy of her father, Robert F. Kennedy, to discuss the challenge of reviving the progressive political tradition in each new era.

Her own New Democrat innovations include Maryland's landmark universal youth community service requirement, a Community Policing Academy, the "HotSpots" initiative that focuses all the resources of the criminal justice system on defending high-crime neighborhoods, and a character-education initiative in Maryland's schools:

These are quintessential New Democratic initiatives, based on our core principles:
Government can work. It cannot work alone. And human beings are capable of greatness.
These three principles are worthy of our passion.

Noting that this past weekend marked the 30th anniversary of her father's death, Lt. Governor Townsend invoked his commitment to values-based, problem-solving government and politics:

He was the first to stand for the principles that you and I care about. He was among the first to talk about real welfare reform and the importance of work. He was tough on crime as Attorney General. And he believed in the power of faith to inspire the best in ourselves and our country.

In his remarks to the National Conversation, President Clinton credited New Democrats with ideas that have had a positive impact on the country, and to challenged us to build a new generation of ideas and leaders for the unsolved problems we still face.

We promised to ease the burden of taxes for working people, to reward work, to lift millions of working families out of poverty. When we doubled the Earned Income Tax Credit we made the American Dream real for people who work full time.

There are over 2 million children who have been lifted out of poverty because of an idea that started in a meeting like this held by the DLC and then appeared on a piece of paper and is now part of the life of the United States. What you do here matters. Ideas matter.

The President, a former DLC chairman, lest we forget, also credited the DLC for developing path-breaking ideas with real-life consequences in such areas as reinventing government, work-based welfare reform, charter schools and other education reforms, and community policing.

You can see it in the balance of tough child support enforcement with more support for children in welfare families. You can see it in the Family and Medical Leave Act. You can see it in our trade policy, in the empowerment zones, in all of the other initiatives to bring a spark of enterprise to the inner city. You can see it in the HOPE scholarships, and yes, you can see it in the balanced budget. They were New Democrat ideas; now they are American success stories.

Immediate challenges the President asked New Democrats to think about included Social Security and Medicare reform, juvenile crime, making trade a positive development for the world's workers, and new threats to national security (including cross-border environmental problems). He concluded:

I want you to celebrate what you've done. But I want you to think about the next 50 years and realize what a precious gift as citizens we have to mobilize together, to think about the large matters of our children and grandchildren's future, and to actually do something about them. And keep in mind we are where we are because we had ideas, and we had action.

Delaware Gov. Tom Carper led a discussion of public-private partnerships in improving government services, especially in education. University of Maryland professor Bill Galston and former Clinton Administration "reinventing government" chief Elaine Kamarck stimulated conversation on large demographic changes--especially suburbanization and the emergence of a large upper middle class in recent years--and their implications for the Democratic Party. Presidential pollster Mark Penn shared new data on the "gap" between the President's popularity and that of Democrats in Congress and in state and local government.

During the first day, and during an elected official strategy session on the second day, the National Conversation touched on a broad array of issues and challenges. To name just a few:

The DLC Update, Friday, June 12, 1998

Highlights Include:

- Idea of the Week: Physicians Profile
- Modernizing Social Security: Another Voice Joins the Chorus
- Gunning for Respectability

Idea of the Week: Physicians Profile

"You ought to be able to choose your own doctor" has become the battle cry of many politicians who hope to ride the current backlash against managed care plans to electoral victory this November. As we have noted previously, this sound-bite approach overshoots legitimate concerns about cost-driven decisions by health plans concerning treatments and access to specialists. It also threatens to unravel managed care's one major accomplishment: breaking the back of health care inflation (and the associated rise in the ranks of the uninsured) by eliminating the money-is-no-object ethic of the old fee-for-service system of health insurance.

Many health care plans, of course (especially the preferred provider organization, or the PPO model), allow some consumer choice of both primary care and specialty physicians. But whether you are talking about choosing physicians under managed care or under the old fee-for-service system, how, exactly, do consumers choose wisely? After all, Marcus Welby, MD, has retired. Do you rely on word of mouth? Advertising (strongly discouraged and limited by the profession)? Convenience? Referrals from other physicians? Trial and error?

The truth is that it is much harder to knowledgeably choose a doctor than a car, a school, a house, or even a health plan. "Freedom of choice" is pretty meaningless without the ability to make an informed choice.

In Massachusetts, you can make a phone call or go onto the Internet and immediately get basic information about any of the 27,000 doctors licensed to practice medicine in the state. Thanks to legislation sponsored by State Sen. Mark Pacheco (D-Taunton), a member of the DLC's State Legislative Advisory Board, the State Medical Board prepares and updates "physicians profiles" that provide:

- Physician addresses, specialty areas, education and training, and insurance plan (including Medicaid) participation;
- Honors, awards, and professional publications;
- Any disciplinary actions by hospitals or licensing boards, or criminal convictions;
- Any malpractice payments over the last 10 years, rated by relative amount in the physician's specialty.

Are Massachusetts consumers using this information? Since "physician profiles" went up on the Internet in May 1997, the web site (available at www.docboard.org) has averaged 1400 "hits" per day, along with 125 phone calls a day to the state medical board. An estimated 50,000 requests for profiles were received by the state medical board's hotline (800/377-0550 or 617/727-0773) before the web site information became available. Clearly, these profiles have become an important and routine part of the process of choosing a

doctor in Massachusetts.

Most interesting of all, Massachusetts physicians have actively cooperated in the profile initiative. Pacheco's legislation required that physicians have the opportunity to review profiles to check their accuracy before they were posted. Physicians and their representatives have worked with the state medical board in improving the information it provides. A "virtuous cycle" of more sophisticated information, and more intelligent consumer choice, appears to be in play.

Other states are working on similar initiatives, including Florida (see www.fdhc.state.fl.us/license.html). It's time for even more states to follow suit with their own physician profiles. No matter how the current debate over managed care and consumer choice plays out, empowerment of consumers with better information on both providers and health plans is essential to ensure that the values of choice and quality pull the health care system in the same positive direction. For more info, contact Mike Sroczynski at Sen. Pacheco's office at 617/722-1551.

Modernizing Social Security: Another Voice Joins the Chorus

The momentum continues to build for a new center in the debate over Social Security's future. Just two months ago, we noted with delight that Sen. Daniel Patrick Moynihan has weighed in with a plan that broke ranks with the orthodox left. Now comes another high-powered proposal, from an equally reputable source, that breaks with the stand-pat left and privatizing right.

The National Commission on Retirement Policy (NCRP) last month issued a new report, "The 21st Century Retirement Security Plan," containing a comprehensive set of proposals for remaking the retirement system in advance of the upcoming retirement of the Baby Boomers. Without requiring tax increases or burdening future generations, its authors say the plan would increase retirement security for every American by modernizing the Social Security system while increasing the availability of pensions and other kinds of personal savings.

The commission, a private, bi-partisan group of lawmakers, economists, business executives, and other experts, was convened last year by the Center for Strategic and International Studies. Its members include New Democrat stalwarts Sen. John Breaux (D-LA) and Rep. Charles Stenholm (D-TX), two of six NCRP co-chairs, and Dr. William Galston of the University of Maryland.

Like Moynihan's plan, and one proposed by Robert Shapiro in PPI's 1997 book, Building the Bridge, the NCRP's "21st Century" plan would gradually raise the eligibility age for Social Security and divert 2 percentage points of the payroll tax for individuals under age 55 into individual savings accounts, along with numerous other adjustments. It would use general revenues made available by the budget surplus to maintain benefits for those under the old system during the transition period. Finally, it would establish a new guaranteed minimum: if you worked 20 years, you would be guaranteed a payout equal to 60 percent of the poverty line; if you worked 40 years, you would get 100 percent.

The package is a huge leap forward in the debate on Social Security reform and, also like Moynihan, scores high on the New Democratic checklist of reforms: fiscal responsibility, progressivity, careful experimentation with private supplemental savings, and most of all, immediate action to reduce the horribly regressive burden of payroll taxes for working Americans.

And because it's bi-partisan, this plan can and should attract a lot of attention and support from both parties on both ends of Pennsylvania Avenue.

The DLC Update, Friday, May 29, 1998

Highlights Include:

- Idea of the Week: Charter Districts
- Over the Line
- High Noon in California
- Work First Works

Idea of the Week: Charter Districts

The main problem with the limited experiments in public school choice being undertaken across the country is precisely that they are treated as limited experiments: a small sideshow to the continuing spotlight on traditional public schools. In its 1997 book, *Building the Bridge: 10 Big Ideas to Transform America*, the Progressive Policy Institute called for a more radical initiative in public school choice: charter districts. The basic idea is to think of public school authorities as purchasers and evaluators of public education rather than operators of schools. Under the charter district model, those operating public schools--whether they were public or private entities--would serve as contractors held accountable for meeting agreed-upon standards of educational performance.

Signs are beginning to emerge that this more extensive view of charter schools--as the rule rather than as the exception--is catching on. In that cauldron of debate over school reform, Milwaukee, the charter school movement appears poised to take off. Aware that the Milwaukee public school board had authorized a grand total of one charter school under the existing legislation, the Wisconsin legislature passed a bill giving the

Common Council (as the city council is called in Milwaukee), the local state university, and the area's technical college the right to create charter schools as well. Working closely with New Democrat Mayor John Norquist, the Common Council has moved quickly to create a system for approving charter schools, which are expected to begin operations in the next school year. In the second year, all limits on the number of charter schools or the percentage of Milwaukee students that can be enrolled in them will be eliminated.

Keep in mind that the Wisconsin legislature has already authorized a voucher program in Milwaukee, in which private schools can receive public funds to educate kids from low-income families in exchange for non-discrimination policies and an annual audit (the program has been at least temporarily stalled by lawsuits challenging the constitutionality of vouchers for religious schools). Within a few years, many Milwaukee students and parents may have full choice among three city-wide systems: traditional public schools (in which parents already have extensive rights to choose a particular school subject to space limitations), vouchers for private schools, and city-sponsored charter schools. Aside from the stimulative value of this kind of direct three-way competition, the Milwaukee experiment may produce a breakthrough in how we think about the relationship of choice and accountability in public education, making it clear that *results* are what we seek to buy with public education dollars, not a particular model of school governance. We think it should become clear that "charter districts" offer as much choice and competition as a private-school voucher system, but with much greater accountability for educational results.

Here's hoping that Milwaukee's big experiment with public and private school choice will quickly lead to an experiment with a big idea: charter districts, where choice and accountability go hand in hand.

The DLC Update, Friday, May 22, 1998

Highlights Include:

- Idea of the Week: Fighting Drugs With Coerced Abstinence
- Another Bad Proposition for California
- End of an Era?

Idea of the Week: Fighting Drugs With Coerced Abstinence

One of the most striking anomalies of the 1990s is that America seems to be making significant progress in the war on crime, but not in the war on drugs. What little comfort can be found in the statistics on drug use is attributable to changing tastes on the streets, as crack gives way to smack and the peddlers change turf or tactics.

Unfortunately, the national debate on drug policy is mired in the same kind of formalistic ruts that used to characterize the politics of crime generally. The moral vacuity of the decriminlizers is matched by the intellectual vacuity of the just-say-no set. One side screams for more treatment, the other side for more punishment, while efforts to interrupt the supply of drugs from overseas appears to lead to one blind alley after another.

What's needed is a new idea on fighting drugs. In the Progressive Policy Institute's 1997 book, Building the Bridge: 10 Big Ideas to Transform America, PPI promoted UCLA Professor Mark Kleiman's proposal for "coerced abstinence": intensive supervision and treatment of people in the criminal justice system for drug abuse, supported by increasing sanctions for failure to "get clean." Coerced abstinence is based on the recognition of the extremely high correlation of substance abuse with criminal behavior, and the common-sense hypothesis that concentrating drug testing and treatment on probationers, prisoners and parolees could reduce both drug use and crime without doing violence to civil liberties. Coerced abstinence also supplies a logical alternative sentence for first-time or small-time criminals with drug problems--with the prospect of time in the pokey as the "stick" for staying clean--and a sound method for ensuring the ability of ex-cons to re-enter legitimate society, at least in those jurisdictions that have not bought the short-sighted conservative policy of eliminating parole, thus eliminating supervision of former prisoners.

Finally, a New Democrat elected official, Maryland Lt. Gov. Kathleen Kennedy Townsend, has persuaded her state to give coerced abstinence its first large-scale test. Beginning this July, about 24,000 probationers and parolees who have been ordered into drug treatment programs will become subject to drug testing on an average of twice a week. Schedules of escalating punishments for non-compliance, concluding with hard time in prison, are being prepared.

Townsend told the *National Journal* recently that coerced abstinence was a way to "break out of the paralyzing debate between 'Do we need more treatment?' and 'Do we need more punishment?' We say, 'Both.'" The war on drugs, and the war on crime, should both benefit from her willingness to find a "third way."

Another Bad Proposition for California

Bilingual education as we know it is an educational and a civic disaster. In pursuit of the laudable goal of

The DLC Update, Friday, May 15, 1998

Highlights Include:

- Idea of the Week: Health Marts
- Slaughter That Road Hog
- You Can't Have Regional Skills Alliances Without Alliances
- A Race to the Wire With a Bad Idea

Idea of the Week: Health Marts

Under the name "health insurance purchasing cooperatives" (HIPC's), purchasing groups for health care consumers were a key feature of the Cooper-Breaux legislation that New Democrats supported during the 1994 health care debate--legislation that Republicans shot down along with the Clinton Health Plan. Indeed, purchasing groups are central to all reform plans based on the "managed competition" model that so many Republicans demonized as socialized medicine during that toxic debate.

It's ironic, and important, that Republicans now seem to be discovering the virtues of health purchasing groups. House Commerce Committee Chairman Thomas Bliley (R-VA) is working on a proposal to create private sector "health marts"--purchasing groups through which employers could buy their employees into a system that provides a broad range of choices of health insurance plans, modeled on the popular and cost-effective Federal Employee Health Benefit plan. The proposal would allow employers to apply the current tax break for employee health benefits for participation in "health marts," and would presumably help make health plans affordable for many small businesses that do not provide employee health insurance at all.

The impetus for this proposal is to make managed care plans more accountable to patients without increasing costs, thereby blunting the drive for government regulations to protect patients. This is a political imperative for many Congressional Republicans, who are caught between the rock of Democratic demands for a "Patients Bill of Rights" aimed at health plan abuses, and the hard place of Republican Rep. Charles Norwood's more draconian Patient Access to Responsible Care Act (PARCA).

Perhaps if they think about it long enough, Rep. Bliley and his GOP associates may realize that "health marts" are a good idea in themselves, worth pursuing whether or not they are politically useful. Who knows, they may even discover that if it makes sense to model a private "health mart" for employers on FEHBP, it also makes sense to provide access to FEHBP itself for Americans who do not have access to employer-sponsored plans, as has been recommended by Senator John Breaux (D-LA) and by the Progressive Policy Institute as a variation on the President's Medicare "buy-in" proposal. Finally, since only employers currently receive a tax break for buying health insurance, it's a small logical leap to envision a system where individuals would receive a tax credit for purchasing their own insurance through "health marts," public or private. Take the Bliley proposals and think it through logically and you arrive at the longstanding Progressive Policy Institute vision of an Information Age system--a health "network"--in which purchasing groups, health plans, and providers all compete to give people better health.

The bottom line is that purchasing groups, public or private, can create a true "buyer's market" for health insurance--lowering costs, increasing choice, and immeasurably improving health care quality without over-regulation. If both Republicans and Democrats would move in that direction, the sterile health care

The DLC Update, Friday, May 8, 1998

Highlights Include:

- Idea of the Week: Research
- Charter School Breakthrough in California
- Another Chance for the G.I. Bill for Workers

Idea of the Week: Research

One of the most important fruits of a balanced budget is that the federal government can now engage in brainier budgeting, making public investments that will increase future economic growth. And it does not take a lot of brainpower to realize that one public investment we ignore at our peril is in basic research.

Basic scientific research is the mother's milk of innovation, which economists tell us is the most important factor fueling economic growth in the Information Age. By boosting productivity, innovation raises real incomes without spurring inflation. Indeed, relatively low productivity growth (averaging 1.3 percent annually since 1973 as opposed to 3.1 percent per year between 1947 and 1973) is the major culprit in the wage stagnation that has prevailed for most middle-income families in good times and bad. With productivity growth dropping to an annual level of 0.2 percent during the first quarter of this year, fears are growing that the current boom will be hard to sustain.

If government has a huge stake in promoting innovation, it also plays a huge role in financing basic research, because the commercial "payoff" is often too far down the road and too hard to "corner" to make it profitable for private investors. But at a time when it should be rising, government support for non-defense research and development has been steadily dropping, from about 1 percent of gross domestic product in the 1960s to less than half of that number today. The decline is actually gaining steam, with federal investments shrinking at an average annual rate in constant dollars of 2.6 percent between 1987 and 1995.

Sens. Joe Lieberman (D-CT), Phil Gramm (R-TX), Pete Domenici (R-NM) and Jeff Bingaman (D-NM) think it's time to turn that trend around and rebuild public investment in basic research. The National Research Investment Act of 1998, S. 1305, would double federal expenditures for basic scientific, medical, and engineering research over a 10-year period, reaching an aggregate level of \$68 billion in 2008. All the additional investment would be in "pre-competitive" stages of research: Once an innovation reached the stage when it would become profitable for private-sector applications, federal support would end. Since each dollar of federal basic research is estimated to leverage three dollars of private investment, this initiative could create a virtual explosion of new innovations, and arguably a big boost in productivity, real incomes, stable economic growth, and U.S. economic leadership.

These senators introduced S. 1305 in part to cast a spotlight on the Senate-passed FY 1999 federal budget resolution, which actually reduces federal investment in non-defense R&D by more than \$3.5 billion over five years.

How to pay for the higher investments called for in S. 1305? As always, Congress should look at the tens of billions of dollars currently spent each year on industry spending subsidies and tax breaks that do not contribute to innovation or reflect an appropriate government role in the economy. If that's not enough, perhaps Congress should rethink its decision to boost federal highway spending by 42 percent over the next

The DLC Update, Friday, April 24, 1998

Highlights Include:

- Idea of the Week: Summer School
- Lift the Cap, But Fill the Gap
- Contaminated Ground

Idea of the Week: Summer School

Sometimes new policy ideas are not a matter of creating new public institutions. They instead involve modernizing existing institutions for a new mission reflecting new circumstances. That's the case with the venerable institution of summer school.

In recent years, summer school has mostly served as a sleepy redoubt for kids whose parents want them to get extra education, either to catch up with or move ahead of their peers. But with the semi-universal adoption of "social promotion" policies, few students are required to go to summer school, because few are denied promotion to the next grade so long as they attend school regularly (a sad example of Woody Allen's adage that "90 percent of life is just showing up").

But with parents and taxpayers increasingly demanding an end to social promotion--a trend endorsed by President Clinton in his 1998 State of the Union Address--summer school suddenly has a powerful new purpose: to help kids who cannot meet new and higher standards for promotion to the next grade level to "catch up" before September.

Chicago showed the way last year in its pioneering "no social promotion" initiative. Eighth graders who did not score better than the seventh-grade level on the Iowa Test of Basic Skills were required to go to summer school and try again, only repeating the grade if the extra schooling did not get them over the bar. Now, according to *The New York Times*, New York City Schools Chancellor Rudy Crew is proposing that elementary school students must pass reading tests to be promoted to the next grade. But he has linked this proposal, which would be implemented after an intensive two-year remedial education effort, with an expansion of summer school programs to accommodate an estimated 220,000 students rather than last year's 54,000. This will cost some serious money about \$100 million a year, according to Dr. Crew.

At a time when politicians in both parties are talking about increased spending on education for purposes ranging from private school vouchers, scholarships or tax-preferred savings accounts, to hiring more teachers to reduce class sizes, expanding summer schools should draw much more attention. After all, it's the key to a hugely important performance-based education reform: instituting higher standards with real consequences. It's also a good example of an initiative that links the responsibility to do more with the opportunity to do well.

As Rudy Crew told the *Times*, "This is not about being punitive with kids and playing gotcha. This is about caring so much about children that you will not let them fail."

Lift the Cap, But Fill the Gap

Sometime in the next two months, the hiring plans of America's high-tech industries could run headlong

The DLC Update, Friday, April 17, 1998

Highlights Include:

- Idea of the Week: School-Based Child Care
- A New Democrat Tax Policy Refresher Course

Idea of the Week: School-Based Child Care

The daily ritual that best illustrates the frantic efforts of contemporary Americans to balance work and family is the mid-afternoon mad dash from the office to get Junior home from school or off to After-care (for those lucky enough to have a program they both trust and can afford). For many parents with jobs that begin each day well before school starts, there is a sunrise sprint with a sleepy kid or two as well.

The most logical solution to this common problem is to make child care available for school-age kids (and perhaps even their pre-school siblings) where they go to school. Aside from addressing the transportation problem, schools typically have facilities suitable for child care--secured environments, custodial services, and in some cases, even instructional tools that can be used before and after school.

School-based child care programs are increasingly common, but aren't spreading nearly fast enough to deal with the need. In the last year for which national statistics are available, 1.7 million children in grades K-8 were enrolled in 49,500 formal before- and after-care programs. That's out of a population of 17 million kids of this age whose parents need child care services. Typically, schools simply make space and a few services available; most programs are actually run by private non-profit or for-profit companies.

Though it got much less attention than his proposal for greatly expanded tax breaks for child care expenses, President Clinton has proposed a five-year, \$800 million initiative to help schools encourage school-based care through partnerships with child care providers and community organizations. Even without a new targeted initiative, states can and should use a big chunk of their Child Care Block Grant funds (intended to help increase the supply of quality child care services for low-income families) to promote school-based care, and to help make them affordable for more families.

More generally, we should view school-based child care as a step toward adapting school buildings and the school day to the realities of today's families. Very few jobs coincide with school hours. An estimated 5 million kids between the ages of five and 12 spend their late afternoons alone or without adult supervision, with the older kids in that group increasingly prone to experiment with bad habits and behaviors. Extending use of school buildings to cover those hours does not necessarily mean extending the school day. Some of the best after-care programs offer individualized tutoring, supervised play, and the kind of cultural enrichment opportunities (e.g., art and music) that never get enough attention in school curricula.

Anyone who cares about family-friendly policies, or is worried about juvenile violence, or who wants to see welfare reform and education reform succeed--and we most emphatically include those conservatives who are often hostile or lukewarm toward public support for child care--needs to look seriously at school-based child care. It's simply the right place to start in ensuring that when we work to put food on the table, someone's paying attention to where the kids are between meals.

(Thanks to Kristen A. Norman-Major, a former professor at George Mason University and now evaluation coordinator of a special project for the State of Minnesota, for the statistics for this piece.)

The DLC Update, Friday, April 10, 1998

Highlights Include:

- Idea of the Week: Individual Development Accounts
- Vicious Circle
- The Full Monty

Idea of the Week: Individual Development Accounts

The real "wealth gap" in American society is between those who have personal assets to build on, and those who don't, who live hand-to-mouth with no tangible hope for a better economic future. Millions of low-income Americans live outside the mainstream economy, with no bank accounts, no ATM cards, no savings, no home or asset ownership, and no way to advance other than by creeping up the ladder of wages and/or government benefits.

One of the earliest New Democrat ideas, advanced in a 1990 Progressive Policy Institute

paper by Michael Sherraden (Stakeholding: A New Direction in Social Policy), was the Individual Development Account (IDA) a tax-preferred and government-seeded savings account for the poor that would help them build assets to buy a home, go to college or secure job training, or start a small business. The IDA, in other words, would enable poor families to take personal responsibility for their future and secure the opportunity for upward mobility.

The first real national progress towards IDAs was in the 1996 welfare reform legislation, which authorized states to use welfare block grant funds to set up and "seed" IDAs for welfare recipients. Today, 16 states have authorized IDAs, and nine provide public matching funds for personal deposits. Iowa, the first state to pass such legislation, plans to create 10,000 IDAs by the year 2000, with \$1 million in state matching funds.

But the real boost to IDAs could come next year, when the federal government launches a massive initiative to shift federal benefit payments of all sorts to electronic transfers. To make this initiative work, federal officials are in essence opening bank accounts for 10 million Americans receiving federal benefits who do not currently bank.

This in itself is a big step towards "mainstreaming" low-income Americans and helping them towards economic self-sufficiency, if only because it would reduce dependence on expensive check cashing services while introducing people to the tools for regular financial planning. But, as the University of North Carolina's Michael A. Stegman points out in a March 1998 policy brief for the Brookings Institution, the real leap could take place if the federal government agreed to use at least part of the estimated \$195 million annually it will save from the shift to electronic benefit payments to create and endow with matching funds IDAs for newly "banked" beneficiaries.

That makes perfect sense. What better way to invest savings from better handling of federal payments to dependent Americans than by helping them obtain the means to secure independence by their own efforts? IDAs are a long-overdue social initiative, and it's time to find the resources to try them on a widespread basis.

The DLC Update, Friday, April 3, 1998

Highlights Include:

- Idea of the Week: Housing Vouchers for Welfare Recipients
- The House Republican Plan to Build Bridges in the 21st Century
- Missing in Action

Idea of the Week: Housing Vouchers for Welfare Recipients

Imagine you're a welfare mother eager to find a job and facing a time limit before your benefits run out. You somehow find a way to secure child care for your kids while you work. You even find a job you qualify for, but it's three bus transfers (and perhaps an hour and a half) from your home. Furthermore, you are using more than half your income on rent, which makes it hard to cover child care and transportation costs, not to mention food and clothing.

Help with transportation costs for welfare recipients, as requested by the Clinton Administration as part of its reauthorization proposal for the Intermodal Surface Transportation Efficiency Act (ISTEA), is part of the solution. (This week the House authorized \$150 million for this purpose.) But many welfare households are not just far from jobs--they are far from convenient public transportation as well. What they really need is the option to move.

This year, the Department of Housing & Urban Development is asking Congress for funding to create 50,000 special welfare-to-work portable housing vouchers. Right now, most low-income rental housing assistance is linked to the landlord, not the tenant. But these vouchers would follow welfare families wherever they can secure housing.

Aside from its real-life impact, the portable housing voucher initiative is significant because it shows a federal agency breaking out of bureaucratic isolation and dealing with a problem that does not respect the traditional jurisdictional boundaries. All federal programs and services that affect welfare recipients and other low-income Americans should focus on giving them the tools to become upwardly mobile and self-sufficient. Actual families cannot compartmentalize their lives and isolate housing, health care, child care and employment. Nor should those whose jobs is to help them help themselves.

The House Republican Plan to Build Bridges in the 21st Century

This week, the Republican-controlled House strangled the last bit of life out of the Republican Revolution of 1994--the pretence that the GOP represented a bold, new breed of citizen-legislator bent on curbing federal spending and repudiating Congress' back-scratching, pork-barreling habits.

It is not quite enough to say that the transportation bill crafted by Rep. Bud Shuster (R-PA), and overwhelmingly approved by the House, was a throwback to the worst excesses of the tax-and-spend liberalism of the past. Even the old Democratic committee barons of the 1960s and 1970s would have cringed with embarrassment at the sheer size of this bill, the gross nature of the roughly 1,600 individual projects (costing \$18 billion) included at the request of members of Congress, and the primitive, log-rolling process through which the whole product was crafted. Most amazing of all, in approving this bill House Republicans voted to all but destroy last year's budget agreement--supposedly their best argument for

The DLC Update, Friday, March 27, 1998

Highlights Include:

- Idea of the Week: Smart Cards, Smart Government
- A Bad Proposition in California
- Sauce for the Gander
- Slow Learners

Idea of the Week: Smart Cards, Smart Government

If "modernizing the public sector" is a central goal for New Democrats, then pushing government to take full advantage of new information technologies is one obvious and useful means for achieving that goal. This is much more than a matter of whiz-bang innovation, or even efficiency. Empowering citizens to directly access government information and services electronically is essential to breaking down the old bureaucratic model of "programs" that "clients" enter through a maze of regulatory barriers, led by paternalistic agency intermediaries.

Electronic empowerment is fast approaching the line that separates isolated experimentation from a systematic agenda. One real pioneer has been Texas Comptroller (and long-time DLC member) John Sharp. Back in 1991, Sharp unveiled the Lone Star Card--an ATM-type "smart card" that food stamp recipients could use at the checkout counter instead of the paper food stamp, which had become the currency of a corrupt, underground economy linking food markets with drug markets. Now 36 states have initiated pilot "electronic benefit" projects, though Texas and Maryland are the only two where the paper food stamp has vanished statewide.

Remember President Ronald Reagan's constant talk about reducing "waste, fraud, and abuse" in federal programs? It took a New Democrat to show how to virtually abolish it in the food stamp program.

Former Michigan Governor (and DLC stalwart) Jim Blanchard proposed a similar "smart card" to help workers negotiate the complex welter of skills training programs--an idea that is central to the G.I. Bill for Workers proposal developed by his former advisor Doug Ross during his stint as Assistant Secretary of Labor in the Clinton Administration.

Information-Age innovations in governing are now popping up constantly. U.S. Rep. Anna Eshoo (D-CA) has introduced a bill that would require all federal agencies to make their forms available on the Internet, and just as importantly, to accept "digital signatures." A more direct blow at the "send this form back in triplicate" culture of federal bureaucracies is hard to imagine. A more welcome marriage of information technology and citizen empowerment is also hard to imagine--but we hope someone does.

A Bad Proposition in California

In the June primary elections, California voters will consider Proposition 226, modeled on the so-called Payroll Protection Act that Senate Republicans have used as a "poison pill" to block campaign finance reform. Its basic thrust is to impose on labor unions a unique obligation to affirmatively secure written permission individually from members before using their dues for political activities. Its more practical

The DLC Update, Friday, March 20, 1998

Highlights Include:

- Idea of the Week: Modernizing Social Security
- Clearing the Air
- Modernizing Bankruptcy Law

Idea of the Week: Modernizing Social Security

We have felt a bit lonely on the subject of Social Security reform during the last year, differing with don't-touch-it liberals and privatize-it conservatives (not to mention don't-talk-about-it pols in both parties) in equal measure, and with virtually no elected officials in the crossfire with us other than the fearless Sen. Bob Kerrey (D-NE).

But this week Mr. Social Security himself, Sen. Daniel Patrick Moynihan (D-NY), came out with a plan of his own that audaciously breaks with the orthodoxies of both left and right, and sets a progressive benchmark against which other proposals can and should be measured.

Like any acceptable reform proposal, Moynihan's Social Security Solvency Act of 1998 maintains the system's solvency while reducing, not maintaining or increasing, the inequities in current law. On the benefit side of the equation, Moynihan would accelerate and extend the scheduled increase in the retirement age to maintain a fairly constant percentage of average life expectancy at work and in retirement. As suggested by a variety of recent studies, his proposal would reduce the annual cost-of-living adjustment for benefits to better reflect actual inflation. Most ingeniously, Moynihan would tax benefits just like private pension proceeds: any benefit beyond the individual's actual contributions to the system would be fully taxable as income, an approach that helps reduce the windfall in net benefits retirees will receive well into the next century.

Much like Robert Shapiro's proposal in the Progressive Policy Institute's book, Building the Bridge (Rowman & Littlefield, 1997), Moynihan's plan links Social Security payroll tax relief to incentives for private retirement savings. The payroll tax would immediately be reduced from 12.4% to 10.4%, reflecting a shift to a "pay-as-you-go" system, with the rate dictated by what is necessary at any given point to pay for current benefits. With the initial payroll tax cut, workers would enjoy the option of keeping the difference or investing it in a private, tax-preferred retirement savings account to supplement Social Security. The revenue loss would partly be offset by an increase in the cap on income subject to payroll taxes from \$68,400 to \$97,500, with the cap indexed to inflation in the future.

There are other details of Moynihan's plan--and we do not endorse the package in total--but it is a huge leap forward in the debate on Social Security reform. It scores high on the New Democratic checklist of reforms: fiscal responsibility, progressivity, careful experimentation with private supplemental savings, and most of all, immediate action to reduce the horribly regressive burden of payroll taxes for working Americans. All in all, it's appropriate that Moynihan's proposal was unveiled just in time for St. Patrick's Day.

Clearing the Air

The DLC Update, Friday, March 13, 1998

Highlights Include:

- Idea of the Week: Skills Vouchers
- Pay TV
- Upside Down Economics
- But These Are *Our* Illegal Aliens!

Idea of the Week: Skills Vouchers

When Peter Plastrik proposed skills vouchers as a "G.I. Bill for American Workers" in the January/February 1995 issue of *The New Democrat*, it was as an idea to help workers that had an added benefit: It would also demonstrate Democrats could rid themselves of a reflexive tendency to defend government bureaucracies, however ineffective and inefficient. When President Clinton embraced it as a signature initiative--soon joined in support by Speaker Newt Gingrich--it looked like a landmark bipartisan reform effort. Now, in the midst of an ever-growing national debate on how to equip Americans to benefit from rapid economic and technological change, it looks like a potential centerpiece to a new social compact for the Information Age.

The idea is simple: take the federal and state funds currently tied up in a complex welter of job training programs and give them directly to workers in the form of vouchers they can use whenever and wherever they need them to purchase skills training. In an economy that increasingly requires constant upgrades and adjustments in skills and lifelong learning, skills vouchers could empower workers to control their own preparation for the jobs of the future, while stimulating a competitive market of public and private training services outside the lines of the old employment and training bureaucracies.

Next week the Senate is expected to vote on S.1186, the Workforce Investment Partnership Act. Similar legislation passed the House last year. This bill is far from perfect. It tends to focus more on liberating state employment and training departments from federal regulation rather than liberating workers and training providers from both. Still, it would push states to set up one-stop shops where a broad array of training services could be accessed to meet any need, and would authorize "skills grants" to workers to pay for them. That's a big step in the right direction, and a real breakthrough towards the realization of a New Democratic idea.

Pay TV

In June 1990, Progressive Policy Institute President Will Marshall wrote that "granting candidates free media time would bring about a more fundamental and healthy change than the major campaign finance reforms now under discussion."

Since then: (1) the cost of campaigning has continued to rise with television advertising supplying most of the inflationary pressure; (2) more candidates for more offices farther down the ballot are having to rely on television advertising, expanding its importance in politics; (3) other campaign finance reforms have gone nowhere, stymied by both the courts, and more recently, by Senate Republicans; and (4) the federal government has given the broadcasting industry one of the largest corporate subsidies in U.S. history with

The DLC Update, Friday, March 6, 1998

Highlights Include:

- Idea of the Week: "Soft Second" Mortgages
- Quote of the Week: Irresponsible "Sovereignty"
- A New Empty Gesture
- Tax and Spend Conservatives
- Taking It All Back On Devolution

Idea of the Week: "Soft Second" Mortgages

A few years ago in Tampa, Florida, former Mayor Sandy Freedman wanted to do something almost unimaginable: transform public housing tenants into owners of their own homes. She found a way in our Idea of the Week.

The idea is the "soft second" mortgage--a loan that helps put home mortgages within the reach of low- to moderate-income families. The mortgage can be forgiven entirely if the recipient exhibits responsible home ownership and citizenship conduct over a fixed period of time (5 years in some communities, 10 or 15 in others).

The idea comes from several different directions: the Nehemiah Housing movement which focused on boosting home ownership in the inner city is one; Habitat for Humanity's emphasis on reciprocal responsibility for its beneficiaries is another. Under the Clinton Administration, the Department of Housing and Urban Development has promoted soft second mortgages, and many local efforts--like Tampa's--are financed with funds from HUD's HOME and Community Development Block Grant programs.

Ironically, the only known opposition to the soft second mortgage approach is from an occasional self-appointed low-income advocacy group. In Georgia, for example, an advocacy group objected to a seminar required of beneficiaries on how to take care of a new home, on grounds that no bank would treat a private borrower so condescendingly.

We think that's nuts. The soft second mortgage offers not only a good bargain to low-income residents, but the right bargain: a fresh opportunity in exchange for a pledge of personal responsibility, all resulting in a stronger community. We encourage HUD, state and local governments, and community leaders, to pursue this idea whenever possible. Nothing could more dramatically address the problems of low-income Americans and of the inner city than a dramatic increase in home ownership.

Quote of the Week: Irresponsible "Sovereignty"

At last weekend's Republican Southern Leadership Conference in Biloxi, Mississippi, Sen. Fred Thompson (R-TN) had this to say about Kaffi Annan's deal with Iraq (as reported by *The Washington Post*): "As long as I have a voice, America will not sacrifice another ounce of her sovereignty to the architects of and acolytes of a one-world government."

The DLC Update, Friday, February 27, 1998

Highlights Include:

- Idea of the Week: Emissions Trading
- Do As I Say, Not As I Do
- Another Bad Report Card For Anti-Standards Pols
- Elephants With Short Memories

Idea of the Week: Emissions Trading

Congress and the Administration are debating major changes on climate change, air quality standards, and retail energy competition that could fundamentally alter energy use. But largely missing from the discussion thus far is a clear assessment of how these pieces fit together. Energy prices could rise to pay for measures to combat global warming and achieve new air quality standards, or they could fall if Congress approves the President's proposed new tax credits for clean-burning, energy efficient cars and power plants. Prices could fall as utilities begin to compete in retail energy markets, or they could rise as government reduces subsidies and regulation. There is no telling how these cross-cutting economic pressures will affect each other.

Fortunately, we have a way to create a sound economic framework for reducing pollution. It's called emissions trading. The idea is simple: Government sets a cap on emissions, then gives out or auctions emission "allowances" to power plants, factories, and other producers of greenhouse gases. If a factory emits more gas than its allowances permit, it must either find ways to cut its emissions or buy allowances from those who have extra to sell.

Emissions trading is currently being used in the successful effort to combat the sulfur dioxide (SO₂) emissions that cause acid rain. Thanks to this market tool, the actual cost of reducing sulfur dioxide emissions is less than half of the \$500-\$1000 per ton estimated by various parties in 1990 when the program was enacted.

Emissions trading works because it spurs technological innovation, which in turn is the key to reconciling the goals of pollution reduction and economic growth. An emissions trading market for greenhouse gases will stimulate innovation and pull new products and services into the marketplace in ways that traditional top-down regulation cannot. To plan investments in energy efficiency and fuel switching, businesses need to understand as soon as possible what the ground rules will be for trading. If the federal government and the states fail to implement broad-scale emissions trading, consumers will pay more than necessary for energy, and get fewer environmental benefits along the way.

The current U.S. position is to delay the opening of a domestic emissions trading market for 10 years, and allow voluntary measures and technologies to advance. But, in reality, this delay will slow the introduction of new technologies, as businesses wait to see the regulatory framework they will have to work within.

Besides, delaying emissions trading is not the only way to get a better handle on how it would actually work. We suggest the Administration's Climate Change Task Force organize a computer-assisted demonstration of emissions trading for greenhouse gases.

A computer exercise could simulate, say, 30 years of market activity. The model could track changes in emissions over time as trades occurred, while keeping track of costs to industry, utilities, government, and regions. The most striking advantage of such a demonstration is that it carries no "real world" costs, but offers considerable real world insights into how to make greenhouse gas emissions trading actually work. Further, the process itself contributes to consensus building and better regulatory designs. This technique was pioneered by environmental systems analyst Dan Sheer and has been used successfully to resolve several complex regional water management conflicts. Let's try it.

Do As I Say, Not As I Do

Lest we forget, congressional term limits were item No. 1 on the Contract With America that Republicans touted in their successful campaign to capture Congress in 1994. And in our opinion, at least, Newt Gingrich's decision to impose term limits on House committee and subcommittee chairs is one of the more enlightened measures of his Speakership. Now, after just three years in power, House Republicans are having second thoughts about any sort of term limits. Almost daily, GOP members are forswearing earlier personal pledges to retire after specific terms, in a hilarious spectacle of hypocrisy and false modesty. This week *Congress Daily* reported that Rep. Scott McInnis (R-CO) sent a staffer out to make it known his boss "would consider remaining in Congress if that's what the people want," though he had told voters when first elected in 1992 he would serve only four terms. And here's the best part: "the spokesman said McInnis has realized the importance of seniority in Congress and said term limits would not be fair 'if they didn't apply uniformly' to every member of Congress." Wonder why he didn't think of putting it that way in 1992?

Meanwhile, GOP chairmen are undergoing a similar epiphany about the unforeseen value of the seniority system, already grouching about the pending turnover of chairmanships in 2000. Gee, that's hardly enough time to entrench committee staff, build cozy relationships with advocacy groups, or salt your district with monuments to your power. So far, to his credit, the Speaker is holding fast. Perhaps he understands how perilously close Republicans are coming to a public posture of supporting political reform only for the other guys.

Another Bad Report Card For Anti-Standards Pols

Most Americans probably shrugged off the latest disastrous performance of U.S. students on an international test, the Third International Math and Science Study (TIMSS), which showed our high school seniors ranked near the bottom of their peers from 21 countries. After all, American students always seem to do poorly on such tests, and there's a built-in rationalization: It's those poor, inner-city kids who pull down the averages, right?

Wrong. TIMSS included a separate evaluation of the most advanced high school seniors, those college-bound students studying pre-calculus or calculus and physics. They performed dead last internationally, primarily, the experts say, because U.S. schools are simply not very rigorous in expecting mastery of math and science skills.

What do these results say about the reigning liberal assumption that the only problem with U.S. public schools is unequal financing? Or about the reigning conservative belief that national standards and tests with consequences represent big government interference with the brilliant job that states and local school boards are doing? More money--whether it's for school buildings, books, teacher salaries, or private-school vouchers--is no substitute for high common standards for what kids are expected to learn wherever they go to school, measured by tests and enforced by consequences.

Elephants With Short Memories

The DLC Update, Friday, February 20, 1998

Highlights Include:

- Idea of the Week: Health Plan Report Cards
- Paying Attention to What Works
- Something To Crow About
- Upcoming Events: California and Florida Conferences

Idea of the Week: Health Plan Report Cards

Every year public and private-sector employers, and a majority of American citizens, make decisions on participation in health care plans. For the most part, they decide on the basis of just two factors: cost and scope of services. But health plans, like health providers, actually vary on the basis of quality: how well they deliver care; how well they help people stay healthy; how well they help people recover from illnesses; how well they support people with chronic illnesses; and how well they adjust to the changing needs of patients. Without reliable and widely disseminated information on the quality of care provided by health plans, it is no wonder so many purchasers focus excessively on cost, while so many plans seem to focus excessively on holding down costs at the expense of quality.

Fortunately, help is on the way. Spurred on by many health plan sponsors, with an extra push from federal and state elected officials alarmed by anecdotes about low-quality care, there is now a national movement to create Health Plan Report Cards that let consumers know how well specific plans have performed in producing key health outcomes for their participants. The National Committee for Quality Assurance, a private agency, has already developed and implemented one report card, though its utility has been limited by its focus on preventive health measures and the relatively small group of health plans that have agreed to supply the relevant information. Meanwhile, the Foundation for Accountability (FACCT), another private entity, has just released a "template" for Health Plan Report Cards that covers all five of the health outcomes consumers most need to know about--satisfaction with care, prevention, recovery from illness, support in chronic illness, and adaptability to changing needs. If every purchaser--employer or individual--had access to this kind of information, then health plans would compete for business on the basis of quality as well as cost and scope of services.

Government--federal and state--can best promote Health Care Report Cards not by issuing them, but by demanding them. By using their leverage as major purchasers of health care for their employees, government can push health plans to make public the necessary information so that private entities can use them to produce report cards and purchasers can use them to encourage quality-based competition. Legislation (S.795) sponsored by Sens. Joe Lieberman (D-CT), John Breaux (D-LA), John Chafee (R-RI), and James Jeffords (R-VT) would do exactly that on behalf of the federal government. State lawmakers should follow suit. In addition, government should require health plans to supply health outcome information so that purchasers can create their own report cards. Ultimately, we believe quality measurement should extend to health providers--hospitals and doctors--as well as to insurers, creating a true "buyer's market" in health care.

Paying Attention to What Works

The DLC Update, Friday, February 6, 1998

Highlights Include:

- Idea of the Week
- Surplus Analysis
- Ending Social Promotion

Idea of the Week

Here's a nice public policy puzzle for our times: hundreds of thousands of Americans are in jobs threatened by economic and technological change, while hundreds of thousands of jobs (relatively high-paying jobs at that) in the industries produced by economic and technological change, especially in the high-tech sectors, are going begging.

Training is obviously the key to linking this potential supply of skilled workers to the powerful demand. But government is notoriously clumsy in operating skills training programs, and the Invisible Hand of the market won't come through either, partly because so many high-tech employers are small enterprises without the resources for large-scale training, and partly because employers are reluctant to pay for skills that enable employees to move on to another job.

In several locales across the country, a new idea is emerging for bringing together new jobs and new workers: "regional skills alliances" or RSAs, in which employers, public agencies, schools, and sometimes even labor unions, are pooling resources to train workers for region-wide emerging job opportunities.

In Wisconsin, metal-working firms got together with the AFL-CIO in a publicly sponsored effort that used an abandoned mill building as a teaching factory, teaching workers essential skills on state-of-the-art manufacturing equipment.

In Rhode Island, the state helped develop a skills alliance among plastics firms, who then worked with a local community college to create a polymer training laboratory linked to an apprenticeship program that guarantees jobs for graduates.

And in Washington, DC, telecommunications firms donated computers and helped set up a program to train public high school students to be computer network administrators. The firms are now hiring graduates of the program at an entry-level salary of \$25,000-30,000.

Next week, the Progressive Policy Institute's Rob Atkinson will release a paper examining the RSA idea, showing how it could be promoted as a national initiative. In addition, U.S. Rep. Jim Moran (D-VA) has scheduled a briefing on the subject next Thursday, Feb. 12, in 1216 Longworth House Office Building.

Surplus Analysis

Almost no item in the President's State of the Union address has taken as much flak as his proposal to set aside any future federal budget surpluses until such time as Congress has enacted comprehensive Social Security reforms to keep the entitlement solvent when the baby boom generation retires.

Deficit Cassandras descended on the nation's op-ed pages to impatiently explain the enormous size of the

Clinton Library Transfer Form

Case #, if applicable	2013-0436-S	Accession #		
Collection/Record Group	Clinton Presidential Records	Series/Staff Name	Ann O'Leary	
Subgroup/Office of Origin	Domestic Policy Council	Subseries		
Folder Title	DLC [Democratic Leadership Council] Idea	OA Number	20224	Box Number
Description of Item(s)	Audio Cassette Tape - Gray Matters: The Developing Brain, 1995 The Dana Alliance. Stored in AV regular storage on 12-5-8-4			

Donor Information

Last Name:		First Name:		Middle Name:		Title:	
Affiliation:			Phone (Wk):		Phone (Hm):		
Street:		City:		State (or Country):		Zip:	

Transferred to:	Audio/Visual Department
Other (Specify):	
Transferred by:	Dan Brogden
Transfer Point	

Date of Transfer 4/8/2013