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Subject: 1998-1-27 State of the Union speech

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

January 27, 1998

STATE OF THE UNION ADDRESS
BY THE PRESIDENT

Hall of the House
United States Capitol

9:12 P.M. EST

THE PRESIDENT: Mr. Speaker, Mr. Vice President, members

of the 105th Congress, distinguished guests, my fellow Americans:

Since the last time we met in this chamber, America has lost two patriots and fine public servants. Though they sat on opposite sides of the aisle, Representatives Walter Capps and Sonny Bono shared a deep love for this House and an unshakable commitment to improving the lives of all our people. In the past few weeks they've both been eulogized. Tonight, I think we should begin by sending a message to their families and their friends that we celebrate their lives and give thanks for their service to our nation. (Applause.)

For 209 years it has been the President's duty to report to you on the state of the Union. Because of the hard work and high purpose of the American people, these are good times for America. We have more than 14 million new jobs; the lowest unemployment in 24 years; the lowest core inflation in 30 years; incomes are rising; and we have the highest homeownership in history. Crime has dropped for a record five years in a row. And the welfare rolls are at their lowest levels in 27 years. Our leadership in the world is unrivaled. Ladies and gentlemen, the state of our Union is strong. (Applause.)

With barely 700 days left in the 20th century, this is not a time to rest. It is a time to build, to build the America within reach: an America where everybody has a chance to get ahead with hard work; where every citizen can live in a safe community; where families are strong, schools are good and all young people can go to college; an America where scientists find cures for diseases from diabetes to Alzheimer's to AIDS; an America where every child can stretch a hand across a keyboard and reach every book ever written, every painting ever painted, every symphony ever composed; where government provides opportunity and citizens honor the responsibility to give something back to their communities; an America which leads the world to new heights of peace and prosperity.

This is the America we have begun to build; this is the America we can leave to our children -- if we join together to finish the work at hand. Let us strengthen our nation for the 21st century. (Applause.)

Rarely have Americans lived through so much change, in so many ways, in so short a time. Quietly, but with gathering force, the ground has shifted beneath our feet as we have moved into an Information Age, a global economy, a truly new world.

For five years now we have met the challenge of these changes as Americans have at every turning point -- by renewing the

very idea of America: widening the circle of opportunity, deepening the meaning of our freedom, forging a more perfect union.

We shaped a new kind of government for the Information Age. I thank the Vice President for his leadership and the Congress

for its support in building a government that is leaner, more flexible, a catalyst for new ideas -- and most of all, a government that gives the American people the tools they need to make the most of their own lives. (Applause.)

We have moved past the sterile debate between those who say government is the enemy and those who say government is the answer. My fellow Americans, we have found a third way. We have the smallest government in 35 years, but a more progressive one. We have a smaller government, but a stronger nation. (Applause.) We are moving steadily toward an even stronger America in the 21st century: an economy that offers opportunity, a society rooted in responsibility and a nation that lives as a community.

First, Americans in this chamber and across our nation have pursued a new strategy for prosperity: fiscal discipline to cut interest rates and spur growth; investments in education and skills, in science and technology and transportation, to prepare our people for the new economy; new markets for American products and American workers.

When I took office, the deficit for 1998 was projected to be \$357 billion, and heading higher. This year, our deficit is projected to be \$10 billion, and heading lower. (Applause.) For three decades, six Presidents have come before you to warn of the damage deficits pose to our nation. Tonight, I come before you to announce that the federal deficit -- once so incomprehensibly large that it had 11 zeroes -- will be, simply, zero. (Applause.) I will submit to Congress for 1999 the first balanced budget in 30 years. (Applause.) And if we hold fast to fiscal discipline, we may balance the budget this year -- four years ahead of schedule. (Applause.)

You can all be proud of that, because turning a sea of red ink into black is no miracle. It is the product of hard work by the American people, and of two visionary actions in Congress -- the courageous vote in 1993 that led to a cut in the deficit of 90 percent -- (applause) -- and the truly historic bipartisan balanced budget agreement passed by this Congress. (Applause.) Here's the really good news: If we maintain our resolve, we will produce balanced budgets as far as the eye can see.

We must not go back to unwise spending or untargeted tax cuts that risk reopening the deficit. (Applause.) Last year, together we enacted targeted tax cuts so that the typical middle class family will now have the lowest tax rates in 20 years. (Applause.) My plan to balance the budget next year includes both new investments and new tax cuts targeted to the needs of working families: for education, for child care, for the environment.

But whether the issue is tax cuts or spending, I ask all of you to meet this test: Approve only those priorities that can actually be accomplished without adding a dime to the deficit. (Applause.)

Now, if we balance the budget for next year, it is projected that we'll then have a sizeable surplus in the years that immediately follow. What should we do with this projected surplus? I have a simple four-word answer: Save Social Security first. (Applause.) Thank you.

Tonight, I propose that we reserve 100 percent of the surplus -- that's every penny of any surplus -- until we have taken all the necessary measures to strengthen the Social Security system for the 21st century. (Applause.) Let us say to all Americans watching tonight -- whether you're 70 or 50, or whether you just started paying into the system -- Social Security will be there when you need it. (Applause.) Let us make this commitment: Social Security first. Let's do that together. (Applause.)

I also want to say that all the American people who are watching us tonight should be invited to join in this discussion, in facing these issues squarely, and forming a true consensus on how we should proceed. We'll start by conducting nonpartisan forums in every region of the country -- and I hope that lawmakers of both parties will participate. We'll hold a White House Conference on Social Security in December. And one year from now I will convene the leaders of Congress to craft historic, bipartisan legislation to achieve a landmark for our generation -- a Social Security system that is strong in the 21st century. (Applause.) Thank you.

In an economy that honors opportunity, all Americans must be able to reap the rewards of prosperity. Because these times are good, we can afford to take one simple, sensible step to help millions of workers struggling to provide for their families: We should raise the minimum wage. (Applause.)

The Information Age is, first and foremost, an education age, in which education must start at birth and continue throughout a lifetime. Last year, from this podium, I said that education has to be our highest priority. I laid out a 10-point plan to move us forward and urged all of us to let politics stop at the schoolhouse door. Since then, this Congress, across party lines, and the American people have responded, in the most important year for education in a generation -- expanding public school choice, opening the way to 3,000 new charter schools, working to connect every classroom in the country to the Information Superhighway, committing to expand Head Start to a million children, launching America Reads, sending literally thousands of college students into our elementary schools to make sure all our 8-year-olds can read.

Last year I proposed, and you passed, 220,000 new Pell Grant scholarships for deserving students. (Applause.) Student loans, already less expensive and easier to repay, now you get to deduct the interest. (Applause.) Families all over America now can put their savings into new tax-free education IRAs. And this year, for the first two years of college, families will get a \$1,500 tax credit -- a HOPE Scholarship that will cover the cost of most community college tuition. And for junior and senior year, graduate

school, and job training, there is a lifetime learning credit. You did that and you should be very proud of it. (Applause.)

And because of these actions, I have something to say to every family listening to us tonight: Your children can go on to college. If you know a child from a poor family, tell her not to give up -- she can go on to college. If you know a young couple struggling with bills, worried they won't be able to send their children to college, tell them not to give up -- their children can go on to college. If you know somebody who's caught in a dead-end job and afraid he can't afford the classes necessary to get better jobs for the rest of his life, tell him not to give up -- he can go on to college. Because of the things that have been done, we can make college as universal in the 21st century as high school is today. And, my friends, that will change the face and future of America. (Applause.)

We have opened wide the doors of the world's best system of higher education. Now we must make our public elementary and secondary schools the world's best as well -- (applause) -- by raising standards, raising expectations, and raising accountability.

Thanks to the actions of this Congress last year, we will soon have, for the very first time, a voluntary national test based on national standards in 4th grade reading and 8th grade math. Parents have a right to know whether their children are mastering the basics. And every parent already knows the key: good teachers and small classes.

Tonight, I propose the first ever national effort to reduce class size in the early grades. (Applause.) Thank you.

My balanced budget will help to hire 100,000 new teachers who have passed a state competency test. Now, with these teachers -- listen -- with these teachers, we will actually be able to reduce class size in the 1st, 2nd, and 3rd grades to an average of 18 students a class, all across America. (Applause.)

If I've got the math right, more teachers teaching smaller classes requires more classrooms. So I also propose a school construction tax cut to help communities modernize or build 5,000 schools. (Applause.)

We must also demand greater accountability. (Applause.) When we promote a child from grade to grade who hasn't mastered the work, we don't do that child any favors. It is time to end social promotion in America's schools. (Applause.)

Last year, in Chicago, they made that decision -- not to hold our children back, but to lift them up. Chicago stopped social promotion, and started mandatory summer school, to help students who are behind to catch up. I propose -- (applause) -- I propose to help other communities follow Chicago's lead. Let's say to them: Stop promoting children who don't learn, and we will give you the tools to

make sure they do. (Applause.)

I also ask this Congress to support our efforts to enlist colleges and universities to reach out to disadvantaged children, starting in the 6th grade, so that they can get the guidance and hope they need so they can know that they, too, will be able to go on to college. (Applause.)

As we enter the 21st century, the global economy requires us to seek opportunity not just at home, but in all the markets of the world. We must shape this global economy, not shrink from it. In the last five years, we have led the way in opening new markets, with 240 trade agreements that remove foreign barriers to products bearing the proud stamp "Made in the USA." Today, record high exports account for fully one-third of our economic growth. I want to keep them going, because that's the way to keep America growing and to advance a safer, more stable world. (Applause.)

All of you know whatever your views are that I think this a great opportunity for America. I know there is opposition to more comprehensive trade agreements. I have listened carefully and I believe that the opposition is rooted in two fears: first, that our trading partners will have lower environmental and labor standards which will give them an unfair advantage in our market and do their own people no favors, even if there's more business; and, second, that if we have more trade, more of our workers will lose their jobs and have to start over. I think we should seek to advance worker and environmental standards around the world. (Applause.) I have made it abundantly clear that it should be a part of our trade agenda. But we cannot influence other countries' decisions if we send them a message that we're backing away from trade with them.

This year, I will send legislation to Congress, and ask other nations to join us, to fight the most intolerable labor practice of all -- abusive child labor. (Applause.) We should also offer help and hope to those Americans temporarily left behind by the global marketplace or by the march of technology, which may have nothing to do with trade. That's why we have more than doubled funding for training dislocated workers since 1993 -- and if my new budget is adopted, we will triple funding. That's why we must do more, and more quickly, to help workers who lose their jobs for whatever reason.

You know, we help communities in a special way when their military base closes. We ought to help them in the same way if their factory closes. (Applause.) Again, I ask the Congress to continue its bipartisan work to consolidate the tangle of training programs we have today into one single G.I. Bill for Workers, a simple skills grant so people can, on their own, move quickly to new jobs, to higher incomes and brighter futures. (Applause.)

We all know in every way in life change is not always easy, but we have to decide whether we're going to try to hold it back and hide from it or reap its benefits. And remember the big

picture here: While we've been entering into hundreds of new trade agreements, we've been creating millions of new jobs.

So this year we will forge new partnerships with Latin America, Asia, and Europe. And we should pass the new African Trade Act -- it has bipartisan support. (Applause.) I will also renew my request for the fast track negotiating authority necessary to open more new markets, create more new jobs, which every President has had for two decades. (Applause.)

You know, whether we like it or not, in ways that are mostly positive, the world's economies are more and more interconnected and interdependent. Today, an economic crisis anywhere can affect economies everywhere. Recent months have brought serious financial problems to Thailand, Indonesia, South Korea, and beyond.

Now, why should Americans be concerned about this? First, these countries are our customers. If they sink into recession, they won't be able to buy the goods we'd like to sell them. Second, they're also our competitors. So if their currencies lose their value and go down, then the price of their goods will drop, flooding our market and others with much cheaper goods, which makes it a lot tougher for our people to compete. And, finally, they are our strategic partners. Their stability bolsters our security. (Applause.)

The American economy remains sound and strong, and I want to keep it that way. But because the turmoil in Asia will have an impact on all the world's economies, including ours, making that negative impact as small as possible is the right thing to do for America -- and the right thing to do for a safer world. (Applause.)

Our policy is clear: No nation can recover if it does not reform itself. But when nations are willing to undertake serious economic reform, we should help them do it. So I call on Congress to renew America's commitment to the International Monetary Fund. (Applause.) And I think we should say to all the people we're trying to represent here that preparing for a far-off storm that may reach our shores is far wiser than ignoring the thunder until the clouds are just overhead. (Applause.)

A strong nation rests on the rock of responsibility. (Applause.) A society rooted in responsibility must first promote the value of work, not welfare. We can be proud that after decades of finger-pointing and failure, together we ended the old welfare system. And we're now replacing welfare checks with paychecks. (Applause.)

Last year, after a record four-year decline in welfare rolls, I challenged our nation to move 2 million more Americans off welfare by the year 2000. I'm pleased to report we have also met that goal, two full years ahead of schedule. (Applause.)

This is a grand achievement, the sum of many acts of individual courage, persistence and hope. For 13 years, Elaine Kinslow of Indianapolis, Indiana, was on and off welfare. Today, she's a dispatcher with the a van company. She's saved enough money to move her family into a good neighborhood, and she's helping other welfare recipients go to work. Elaine Kinslow and all those like her are the real heroes of the welfare revolution. There are millions like her all across America. And I'm happy she could join the First Lady tonight. Elaine, we're very proud of you. Please stand up. (Applause.)

We still have a lot more to do, all of us, to make welfare reform a success -- providing child care, helping families move closer to available jobs, challenging more companies to join our welfare-to-work partnership, increasing child support collections from deadbeat parents who have a duty to support their own children. I also want to thank Congress for restoring some of the benefits to immigrants who are here legally and working hard -- and I hope you will finish that job this year. (Applause.)

We have to make it possible for all hard-working families to meet their most important responsibilities. Two years ago, we helped guarantee that Americans can keep their health insurance when they change jobs. Last year, we extended health care to up to 5 million children. This year, I challenge Congress to take the next historic steps.

One hundred sixty million of our fellow citizens are in managed care plans. These plans save money and they can improve care. But medical decisions ought to be made by medical doctors, not insurance company accountants. (Applause.) I urge this Congress to reach across the aisle and write into law a Consumer Bill of Rights that says this: You have the right to know all your medical options, not just the cheapest. You have the right to choose the doctor you want for the care you need. (Applause.) You have the right to emergency room care, wherever and whenever you need it. (Applause.) You have the right to keep your medical records confidential. (Applause.) Traditional care or managed care, every American deserves quality care. (Applause.)

Millions of Americans between the ages of 55 and 65 have lost their health insurance. Some are retired; some are laid off; some lose their coverage when their spouses retire. After a lifetime of work, they are left with nowhere to turn. So I ask the Congress: Let these hard-working Americans buy into the Medicare system. It won't add a dime to the deficit -- but the peace of mind it will provide will be priceless. (Applause.)

Next, we must help parents protect their children from the gravest health threat that they face: an epidemic of teen smoking, spread by multimillion-dollar marketing campaigns. I challenge Congress: Let's pass bipartisan, comprehensive legislation that improve public health, protect our tobacco farmers, and change the way tobacco companies do business forever. Let's do what it

takes to bring teen smoking down. Let's raise the price of cigarettes by up to \$1.50 a pack over the next 10 years, with penalties on the tobacco industry if it keeps marketing to our children. (Applause.)

Tomorrow, like every day, 3,000 children will start smoking, and 1,000 will die early as a result. Let this Congress be remembered as the Congress that saved their lives. (Applause.)

In the new economy, most parents work harder than ever. They face a constant struggle to balance their obligations to be good workers -- and their even more important obligations to be good parents. The Family and Medical Leave Act was the very first bill I was privileged to sign into law as President in 1993. (Applause.) Since then, about 15 million people have taken advantage of it, and I've met a lot of them all across this country. I ask you to extend that law to cover 10 million more workers, and to give parents time off when they have to go see their children's teachers or take them to the doctor. (Applause.)

Child care is the next frontier we must face to enable people to succeed at home and at work. Last year, I co-hosted the very first White House Conference on Child Care with one of our foremost experts, America's First Lady. (Applause.) From all corners of America, we heard the same message, without regard to region or income or political affiliation: We've got to raise the quality of child care. We've got to make it safer. We've got to make it more affordable.

So here's my plan: Help families to pay for child care for a million more children. Scholarships and background checks for child care workers, and a new emphasis on early learning. Tax credits for businesses that provide child care for their employees. And a larger child care tax credit for working families. Now, if you pass my plan, what this means is that a family of four with an income of \$35,000 and high child care costs will no longer pay a single penny of federal income tax. (Applause.)

I think this is such a big issue with me because of my own personal experience. I have often wondered how my mother, when she was a young widow, would have been able to go away to school and get an education and come back and support me if my grandparents hadn't been able to take care of me. She and I were really very lucky. How many other families have never had that same opportunity? The truth is, we don't know the answer to that question. But we do know what the answer should be: Not a single American family should ever have to choose between the job they need and the child they love. (Applause.)

A society rooted in responsibility must provide safe streets, safe schools, and safe neighborhoods. We pursued a strategy of more police, tougher punishment, smarter prevention, with crime-fighting partnerships with local law enforcement and citizen groups, where the rubber hits the road. I can report to you tonight

that it's working. Violent crime is down, robbery is down, assault is down, burglary is down -- for five years in a row, all across America. (Applause.) We need to finish the job of putting 100,000 more police on our streets. (Applause.)

Again, I ask Congress to pass a juvenile crime bill that provides more prosecutors and probation officers, to crack down on gangs and guns and drugs, and bar violent juveniles from buying guns for life. (Applause.) And I ask you to dramatically expand our support for after-school programs. (Applause.) I think every American should know that most juvenile crime is committed between the hours of 3:00 in the afternoon and 8:00 at night. We can keep so many of our children out of trouble in the first place if we give them someplace to go other than the streets, and we ought to do it. (Applause.)

Drug use is on the decline. I thank General McCaffrey for his leadership. And I thank this Congress for passing the largest antidrug budget in history. (Applause.) I ask you to join me in a ground-breaking effort to hire 1,000 new border patrol agents and to deploy the most sophisticated available new technologies to help close the door on drugs at our borders. (Applause.)

Police, prosecutors, and prevention programs, as good as they are, they can't work if our court system doesn't work. Today there are large number of vacancies in the federal courts. Here is what the Chief Justice of the United States wrote: Judicial vacancies cannot remain at such high levels indefinitely without eroding the quality of justice. I simply ask the United States Senate to heed this plea, and vote on the highly qualified judicial nominees before you, up or down. (Applause.)

We must exercise responsibility not just at home, but around the world. On the eve of a new century, we have the power and the duty to build a new era of peace and security. But, make no mistake about it, today's possibilities are not tomorrow's guarantees. America must stand against the poisoned appeals of extreme nationalism. We must combat an unholy axis of new threats from terrorists, international criminals and drug traffickers. These 21st century predators feed on technology and the free flow of information and ideas and people. And they will be all the more lethal if weapons of mass destruction fall into their hands.

To meet these challenges, we are helping to write international rules of the road for the 21st century, protecting those who join the family of nations and isolating those who do not. Within days, I will ask the Senate for its advice and consent to make Hungary, Poland, and the Czech Republic the newest members of NATO. (Applause.) For 50 years, NATO contained communism and kept America and Europe secure. Now these three formerly communist countries have said yes to democracy. I ask the Senate to say yes to them -- our new allies. (Applause.)

By taking in new members and working closely with new

partners, including Russia and Ukraine, NATO can help to assure that Europe is a stronghold for peace in the 21st century.

Next, I will ask Congress to continue its support for our troops and their mission in Bosnia. (Applause.) This Christmas, Hillary and I traveled to Sarajevo with Senator and Mrs. Dole and a bipartisan congressional delegation. We saw children playing in the streets, where two years ago they were hiding from snipers and shells. The shops are filled with food; the cafes were alive with conversation. The progress there is unmistakable -- but it is not yet irreversible.

To take firm root, Bosnia's fragile peace still needs the support of American and allied troops when the current NATO mission ends in June. I think Senator Dole actually said it best. He said, "This is like being ahead in the 4th quarter of a football game. Now is not the time to walk off the field and forfeit the victory." (Applause.)

I wish all of you could have seen our troops in Tuzla. They're very proud of what they're doing in Bosnia. And we're all very proud of them. (Applause.) One of those brave soldiers is sitting with the First Lady tonight -- Army Sergeant Michael Tolbert. His father was a decorated Vietnam vet. After college in Colorado, he joined the Army. Last year, he led an infantry unit that stopped mob of extremists from taking over a radio station that is a voice of democracy and tolerance in Bosnia. Thank you very much, Sergeant, for what you represent. (Applause.)

In Bosnia and around the world, our men and women in uniform always do their mission well. Our mission must be to keep them well-trained and ready, to improve their quality of life, and to provide the 21st century weapons they need to defeat any enemy. (Applause.)

I ask Congress to join me in pursuing an ambitious agenda to reduce the serious threat of weapons of mass destruction. This year, four decades after it was first proposed by President Eisenhower, a comprehensive nuclear test ban is within reach. By ending nuclear testing we can help to prevent the development of new and more dangerous weapons and make it more difficult for non-nuclear states to build them.

I'm pleased to announce four former Chairmen of the Joint Chiefs of Staff -- Generals John Shalikashvili, Colin Powell, and David Jones, and Admiral William Crowe -- have endorsed this treaty. And I ask the Senate to approve it this year. (Applause.)

Together, we also must also confront the new hazards of chemical and biological weapons, and the outlaw states, terrorists and organized criminals seeking to acquire them. Saddam Hussein has spent the better part of this decade, and much of his nation's wealth, not on providing for the Iraqi people, but on developing nuclear, chemical, and biological weapons -- and the missiles to

deliver them. The United Nations weapons inspectors have done a truly remarkable job, finding and destroying more of Iraq's arsenal than was destroyed during the entire Gulf War. Now Saddam Hussein wants to stop them from completing their mission.

I know I speak for everyone in this chamber, Republicans and Democrats, when I say to Saddam Hussein: You cannot defy the will of the world. (Applause.) And when I say to him: You have used weapons of mass destruction before; we are determined to deny you the capacity to use them again. (Applause.)

Last year, the Senate ratified the Chemical Weapons Convention to protect our soldiers and citizens from poison gas. Now we must act to prevent the use of disease as a weapon of war and terror. The Biological Weapons Convention has been in effect for 23 years now. The rules are good, but the enforcement is weak. We must strengthen it with a new international inspection system to detect and deter cheating.

In the months ahead, I will pursue our security strategy with old allies in Asia and Europe, and new partners from Africa to India and Pakistan, from South America to China. And from Belfast, to Korea to the Middle East, America will continue to stand with those who stand for peace.

Finally, it's long past time to make good on our debt to the United Nations. (Applause.) More and more, we are working with other nations to achieve common goals. If we want America to lead, we've got to set a good example. (Applause.) As we see so clearly in Bosnia, allies who share our goals can also share our burdens. In this new era, our freedom and independence are actually enriched, not weakened, by our increasing interdependence with other nations. But we have to do our part.

Our founders set America on a permanent course toward "a more perfect union." To all of you I say it is a journey we can only make together -- living as one community. First, we have to continue to reform our government -- the instrument of our national community. Everyone knows elections have become too expensive, fueling a fundraising arms race. This year, by March 6th, at long last the Senate will actually vote on bipartisan campaign finance reform proposed by Senators McCain and Feingold. Let's be clear: A vote against McCain and Feingold is a vote for soft money and for the status quo. I ask you to strengthen our democracy and pass campaign finance reform this year. (Applause.)

At least equally important, we have to address the real reason for the explosion in campaign costs -- the high cost of media advertising. (Applause.) To the folks watching at home, those were the groans of pain in the audience. (Laughter.) I will formally request that the Federal Communications Commission act to provide free or reduced-cost television time for candidates who observe spending limits voluntarily. (Applause.) The airwaves are a public trust, and broadcasters also have to help us in this effort to

strengthen our democracy.

Under the leadership of Vice President Gore, we've reduced the federal payroll by 300,000 workers, cut 16,000 pages of regulation, eliminated hundreds of programs and improved the operations of virtually every government agency. But we can do more. Like every taxpayer, I'm outraged by the reports of abuses by the IRS. We need some changes there -- new citizen advocacy panels, a stronger taxpayer advocate, phone lines open 24 hours a day, relief for innocent taxpayers. Last year, by an overwhelming bipartisan margin, the House of Representatives passed sweeping IRS reforms. (Applause.) This bill must not now languish in the Senate. Tonight I ask the Senate: follow the House, pass the bipartisan package as your first order of business. (Applause.)

I hope to goodness before I finish I can think of something to say, "follow the Senate" on, so I'll be out of trouble. (Laughter.)

A nation that lives as a community must value all its communities. For the past five years, we have worked to bring the spark of private enterprise to inner city and poor rural areas --with community development banks, more commercial loans in the poor neighborhoods, cleanup of polluted sites for development. Under the continued leadership of the Vice President, we propose to triple the number of empowerment zones, to give business incentives to invest in those areas. (Applause.)

We should also should give poor families more help to move into homes of their own, and we should use tax cuts to spur the construction of more low-income housing. (Applause.)

Last year, this Congress took strong action to help the District of Columbia. Let us renew our resolve to make our capital city a great city for all who live and visit here. (Applause.) Our cities are the vibrant hubs of great metropolitan areas. They are still the gateways for new immigrants, from every continent, who come here to work for their own American Dreams. Let's keep our cities going strong into the 21st century. They're a very important part of our future. (Applause.)

Our communities are only as healthy as the air our children breathe, the water they drink, the Earth they will inherit. Last year, we put in place the toughest-ever controls on smog and soot. We moved to protect Yellowstone, the Everglades, Lake Tahoe. We expanded every community's right to know about the toxins that threaten their children. Just yesterday, our food safety plan took effect, using new science to protect consumers from dangers like E. coli and salmonella. (Applause.)

Tonight, I ask you to join me in launching a new Clean Water Initiative, a far-reaching effort to clean our rivers, our lakes, our coastal waters for our children. (Applause.)

Our overriding environmental challenge tonight is the worldwide problem of climate change, global warming, the gathering crisis that requires worldwide action. The vast majority of scientists have concluded unequivocally that if we don't reduce the emission of greenhouse gases, at some point in the next century we'll disrupt our climate and put our children and grandchildren at risk. This past December, America led the world to reach a historic agreement committing our nation to reduce greenhouse gas emissions through market forces, new technologies, energy efficiency. We have it in our power to act right here, right now. I propose \$6 billion in tax cuts and research and development to encourage innovation, renewable energy, fuel-efficient cars, energy-efficient homes.

Every time we have acted to heal our environment, pessimists have told us it would hurt the economy. Well, today our economy is the strongest in a generation, and our environment is the cleanest in a generation. We have always found a way to clean the environment and grow the economy at the same time. And when it comes to global warming, we'll do it again. (Applause.)

Finally, community means living by the defining American value -- the ideal heard round the world that we are all created equal. Throughout our history, we haven't always honored that ideal and we've never fully lived up to it. Often it's easier to believe that our differences matter more than what we have in common. It may be easier, but it's wrong.

What we have to do in our day and generation to make sure that America becomes truly one nation -- what do we have to do? We're becoming more and more and more diverse. Do you believe we can become one nation? The answer cannot be to dwell on our differences, but to build on our shared values. We all cherish family and faith, freedom and responsibility. We all want our children to grow up in a world where their talents are matched by their opportunities.

I've launched this national initiative on race to help us recognize our common interests and to bridge the opportunity gaps that are keeping us from becoming one America. Let us begin by recognizing what we still must overcome. Discrimination against any American is un-American. (Applause.) We must vigorously enforce the laws that make it illegal. I ask your help to end the backlog at the Equal Employment Opportunity Commission. Sixty thousand of our fellow citizens are waiting in line for justice, and we should act now to end their wait. (Applause.)

We also should recognize that the greatest progress we can make toward building one America lies in the progress we make for all Americans, without regard to race. When we open the doors of college to all Americans, when we rid all our streets of crime, when there are jobs available to people from all our neighborhoods, when we make sure all parents have the child care they need, we're helping to build one nation.

We, in this chamber and in this government, must do all we can to address the continuing American challenge to build one America. But we'll only move forward if all our fellow citizens -- including every one of you at home watching tonight -- is also committed to this cause.

We must work together, learn together, live together, serve together. On the forge of common enterprise Americans of all backgrounds can hammer out a common identity. We see it today in the United States military, in the Peace Corps, in AmeriCorps. Wherever people of all races and backgrounds come together in a shared endeavor and get a fair chance, we do just fine. With shared values and meaningful opportunities and honest communication and citizen service, we can unite a diverse people in freedom and mutual respect. We are many; we must be one. (Applause.)

In that spirit, let us lift our eyes to the new millennium. How will we mark that passage? It just happens once every thousand years. This year, Hillary and I launched the White House Millennium Program to promote America's creativity and innovation, and to preserve our heritage and culture into the 21st century. Our culture lives in every community, and every community has places of historic value that tell our stories as Americans. We should protect them. I am proposing a public-private partnership to advance our arts and humanities, and to celebrate the millennium by saving American's treasures, great and small.

And while we honor the past, let us imagine the future. Think about this -- the entire store of human knowledge now doubles every five years. In the 1980s, scientists identified the gene causing cystic fibrosis -- it took nine years. Last year, scientists located the gene that causes Parkinson's Disease -- in only nine days. Within a decade, "gene chips" will offer a road map for prevention of illnesses throughout a lifetime. Soon we'll be able to carry all the phone calls on Mother's Day on a single strand of fiber the width of a human hair. A child born in 1998 may well live to see the 22nd century.

Tonight, as part of our gift to the millennium, I propose a 21st Century Research Fund for path-breaking scientific inquiry -- the largest funding increase in history for the National Institutes of Health, the National Science Foundation, the National Cancer Institute. (Applause.)

We have already discovered genes for breast cancer and diabetes. I ask you to support this initiative so ours will be the generation that finally wins the war against cancer, and begins a revolution in our fight against all deadly diseases. (Applause.)

As important as all this scientific progress is, we must continue to see that science serves humanity, not the other way around. We must prevent the misuse of genetic tests to discriminate against any American. (Applause.) And we must ratify the ethical

consensus of the scientific and religious communities, and ban the cloning of human beings. (Applause.)

We should enable all the world's people to explore the far reaches of cyberspace. Think of this -- the first time I made a State of the Union speech to you, only a handful of physicists used the World Wide Web. Literally, just a handful of people. Now, in schools, in libraries, homes and businesses, millions and millions of Americans surf the Net every day. We must give parents the tools they need to help protect their children from inappropriate material on the Internet. But we also must make sure that we protect the exploding global commercial potential of the Internet. We can do the kinds of things that we need to do and still protect our kids.

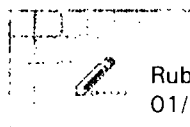
For one thing, I ask Congress to step up support for building the next generation Internet. It's getting kind of clogged, you know. And the next generation Internet will operate at speeds up to a thousand times faster than today.

Even as we explore this inner space in a new millennium we're going to open new frontiers in outer space. Throughout all history, humankind has had only one place to call home -- our planet Earth. Beginning this year, 1998, men and women from 16 countries will build a foothold in the heavens -- the international space station. With its vast expanses, scientists and engineers will actually set sail on an uncharted sea of limitless mystery and unlimited potential. (Applause.)

And this October, a true American hero, a veteran pilot of 149 combat missions and one, five-hour space flight that changed the world, will return to the heavens. Godspeed, John Glenn. (Applause.) John, you will carry with you America's hopes. And on your uniform, once again, you will carry America's flag, marking the unbroken connection between the deeds of America's past and the daring of America's future.

Nearly 200 years ago, a tattered flag, its broad stripes and bright stars still gleaming through the smoke of a fierce battle, moved Francis Scott Key to scribble a few words on the back of an envelope -- the words that became our national anthem. Today, that Star Spangled Banner, along with the Declaration of Independence, the Constitution and the Bill of Rights, are on display just a short walk from here. They are America's treasures and we must also save them for the ages.

I ask all Americans to support our project to restore all our treasures so that the generations of the 21st century can see for themselves the images and the words that are the old and continuing glory of America; an America that has continued to rise through every age, against every challenge, of people of great works and greater possibilities, who have always, always found the wisdom and strength to come together as one nation -- to widen the circle of opportunity, to deepen the meaning of our freedom, to form that "more perfect union." Let that be our gift to the 21st century.



Ruby Shamir
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To: See the distribution list at the bottom of this message
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THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript

January 7, 1998

REMARKS BY THE PRESIDENT
AT LEADERS AND THINKERS DINNER

The Blue Room

8:37 P.M. EST

MR. BLUMENTHAL: We have with us this evening historians and philosophers, political scientists and legal scholars, economists and sociologists. You arrive here at the White House at a time of momentum and possibility for progressive reform. This White House has turned into a vital center for national debate. And I'd just

like to talk about just what's happened over the past couple weeks, very, very, briefly.

Since Christmas alone, this White House has really been an engine of social policy. Just starting on Christmas Day, when the White House announced a record increase in funding for the homeless, followed two days later by an expansion of Medicare benefits for 39 million Medicare beneficiaries who are guaranteed regular tests for cancer. The next day, the White House announced an increase in spending on food inspection and safety, which makes this an increase of 60 percent under this administration. Two days later, we announced a 35 percent increase in spending for treatment infected with the virus that causes AIDS.

On January 3rd, we announced the greatest increase in funding for the Peace Corps since the 1960s, since it was founded. On January 6th, as if this were all tax spend, the White House could announce that the deficit is expected to be less than \$22 billion. You know, when the President came in he was informed by the outgoing Budget Director that the budget deficit at this point was expected to be \$357 billion. The next day, the President announced an expansion of Medicare, to include those who may not be covered, ages 55 to 65.

And, today, we have announced the largest single investment in child care in the nation's history. So you are really present at a moment of great public action. For the senior staff assembled here, I feel safe in saying that we anticipate a truly significant State of the Union address, charting the territory into the 21st century.

Now, for our guests, some ground rules of this discussion. You are not here to provide lists of policy prescriptions -- though, they're welcome -- but something larger -- your illumination on important questions that confront our country. And I should tell you that they are going to be preserved for prosperity in the Clinton library because we plan to tape this discussion -- (laughter) --

THE PRESIDENT: We told you first. (Laughter.)

MR. BLUMENTHAL: Thank you, Mr. President.

I've spoken to all of you recently and I want to remind you to be frank, direct, conversational, adventurous and, above all, pithy. Anyone who wants to speak should let me know by raising a hand or nodding, and I'll make sure you get your chance. I'll change

the topic as we go along, so we cover a good deal of ground. And a lot of these questions will be the under-girding, thematically, to the State of the Union.

The President, the First Lady and the Vice President can jump into the head of the line any time they want in the discussion. and in that spirit, Mr. President, if you don't mind, I'd like to start with you.

Would you share your views with us on the following question: What are your thoughts -- and perhaps you can set us off on whether or not this a period of transformation similar to the Industrial Revolution; and what are the social and political parallels between this period and others? Is this a period, do you think, similar to that of the turn of the 20th century when, in a time of relative prosperity, inequities and insecurities grew and led to reform -- let's not forget advanced by the White House. And is this a new time for some sort of new social contract?

It's a lot of questions, but if you could lead us off.

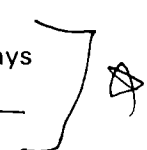
THE PRESIDENT: Well, the pithy response is yes, yes, yes. (Laughter.)

MR. BLUMENTHAL: I thought so.

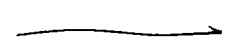
THE PRESIDENT: A lot of you who have been here before know that I basically believe that I think that this period is in some instances without parallel, but most like the transformation from the agricultural to the industrial society that occurred over a long period of time but resulted in, among other things, the presidencies of Theodore Roosevelt and Woodrow Wilson. And were not arguably -- that the issues raised by it were arguably not fully resolved until the presidency of Franklin Roosevelt and two New Deals and the advent of World War II.

But let me basically say a couple of things. The wrap on our administration is that we get a whole lot of things done, but they all seem like they're small and incremental and there's no larger vision. I never heard that in '91 and '92 when I was campaigning. And a lot of times now I talk about larger vision in every speech and it never gets reported on, and then the people that don't report it say that. But they may be right, I may be incapable of, or at least so far have failed to present to the American people the larger framework in which these specific things are occurring.

But let me just offer a couple of very brief observations. I think that in a very real sense the history of America is the story of how we have been about the business of forming a more perfect union. And that, essentially, at critical junctures along the way we have been called upon to redefine what America means and, therefore, what it means to be an American in ways that strengthen the union and extend the constitution to the current set of facts.



I think that's what happened when we had to deal with slavery and separatism during the Civil War. I think that's what's



happened when we had to deal with all the good and bad consequences of the Industrial Revolution. I think that's what happened when we had to come to grips with totalitarianism* in the form first of the fascists and then of the communists. I think it's what happened when we had to deal with race and, to a much smaller extent, poverty, in the Civil Rights revolution. And I think that's what happens now -- we have to deal with globalization and the attendant revolution in information and technology and science, with all the good things that it brings and all the new challenges that it brings.



And a lot of these processes have been underway for quite a long time, as they often are. But basically we've had one foot in the 21st century for several years now. But that's what I think -- so I think this is truly a historic time with a historic set of challenges and opportunities for the United States.

I think if you look at the political history of our country you see that generally we have been stabilized by two competing political views, one of which attempted to be the voice of the nation and the voice of extending the Constitution to its logical conclusion; and the other, which warned of the dangers of the government. I think ever since Woodrow Wilson basically the Democratic Party has largely been the voice of the nation and trying to strengthen it and extend the guarantees of the Constitution -- weakened by some of the problems which are obvious in the last several elections.

And I think now when the Republicans won the Congress they made explicit that their view was that the government was inherently bad and it ought to be weakened at the expense -- to strengthen the market and the forces of private power and influence. And I think that the fight over the Contract on America proved that the American people agreed with me. So they're trying to fuzz up the argument.

I believe we have made significant ground in the last few years in proving that government could be trusted to be an instrument of the public good. I agree also that people don't necessarily have a new, "articuable" consensus about what the role of government is and what the nature of this time is and how we get the benefits of it while dealing frankly with the insecurities and uncertainties, which this huge level of change has unleashed, and the fears that people have that basically our democratic values cannot be preserved in the face of rapidly moving global markets.

So on balance I feel very good about what's been accomplished in the last five years and I'm very upbeat about the agenda we have for the next three. But I do think it's important to try to give the American people confidence and optimism that can sustain us for the next three years and have them be able to say around the coffee tables of their houses and work places and cafes, essentially what the heck is going on now and what the government is

supposed to be doing about it. And I think that, you know, I've not succeeded in doing that yet -- which is one reason I couldn't past fast track, I hadn't been able to sell anybody on the inextricable links between foreign policy, domestic policy, international economic policy and domestic economic policy.

Q I'm reluctant, Mr. President, to complicate your task, especially for a Democrat. But in some ways the challenge that you face and that we face now is more difficult than the one that Theodore Roosevelt and Herbert Crowley (phonetic) and Woodrow Wilson and all those folks were struggling with back then. The similarity is then, as now, the scope of the economy had outgrown and outrun the terms of democratic politics, which were still organized locally -- people took their bearings and their sense of identity and community from decentralized democratic institutions for the economy to become national. And they were struggling, and we're struggling, about how to ease the gap, heal the gap between the scale of the economy and the terms of democratic politics and political authority.

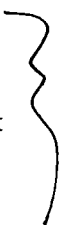


Their solution in a way was simpler than our solution can be. Because their solution, the solution of progressive politics, of the 60 or 70 years that followed, was to build up the national government; and not just to build up the national government as a counter poise* to economic power, but also to cultivate a sense of national community, to support a strong national government. And this goes back to Herbert Crowley and Sam Veer (phonetic), who emphasized that this is really the genius of the progressive response internationally -- a sense the community had to keep up with the political institutions which were trying to match the economy.

But now the economy is global, our gap is different. And if we simply follow their logic we would have to do what to some extent we are doing, building transnational institutions and conventions and agreements -- from NAFTA to Kyoto to International Human Rights accords. But the terms of political community can't be stretched for all purposes to that extent, which is why people these days are talking so much about the institutions of civil society, forms of political --* and democratic authority -- closer to home families, neighborhoods, schools, congregations and so on.



So it seems to me your challenge, our challenge, is to be able to do both at once -- enlarge the horizons of democratic political authority; while at the same time filling in the intermediate institutions and forms of political community, without which the American people are never going to identify with those vacant structures.



Q These are two points -- one is pretty adventurous, it comes from Roosevelt, who said, we must lay hold of the fact that the laws of economics are not made by nature, they are made by human beings. And what Roosevelt was really trying to do was to undue the opposition between government and markets, on the theory that you can't have markets without government. No one is against government intervention, certainly not the Republicans.

There is a fire in the Hamptons -- I think you were involved in this, I was, too, I was in the Hamptons. There's a fire in the Hamptons and the property owners in the Hamptons, not poor people, needed government protection, local, state and national, to get their property protected. And that's not exotic, that happens every day, that government intervention is necessary to protect ourselves from private violence or public violence. So this idea that government intervention is a bad thing, Republicans can't believe that, no one can believe that.

To expand that a little bit, the same point, liberty in a way depends on taxes. If we don't have a well funded government that's able to protect people in their private domain, we can't be free. So this government intervention versus markets opposition, which Reagan really got going, it's destructive confusion. No one who is committed to markets is against government intervention.

The second point really is responsive to what Michael said and what you said, Mr. President, which is that one way of thinking about the largeness of these supposedly small initiatives is to say that they're an effort to keep faith with the New Deal and the great society under social and economic circumstances that are extremely different and that call for non-dinosaur institutions. And so what we have still, after a few years of this presidency, is institutions that are very poorly adapted for the international market and for our own domestic market.

And what we need and what we're starting to get is much less in the way of government commands and rigid responses that are insensitive to incentives, and much more in the way of two things: information and economic instruments in the form of taxes and subsidies. And the thing that's being glimpsed, I think, and that's really, really good, is a commitment to social values of the New Deal -- which were actually Madison's also -- while at the same time a belief that we need institutions that have the kind of flexibility and adaptive potential of economic incentives, and not rigid dictates. And that's the large thing that's emerging hasn't gotten attention yet, but it's on the horizon.

THE PRESIDENT: We've tried to talk about it in those terms, but I don't think we've registered.

Q After those kind remarks from Michael, I obviously have to --

Q (Inaudible.)

Q -- with whom I agree so much, like any teacher, how much I disagree.

I think it's a fundamental mistake to think that the effort is that of the natural citizenship began with Herbert Crowley and Teddy Roosevelt, and with the founding of the Republic. And

Jefferson's words himself, when he said, "one people," in the Declaration. We're already a people, we discovered that we're a people. We created a constitution, a federation and a constitution. But, above all, we're using these instruments and a great line,** the ancestors of the Republicans. And nothing infuriates a Republican more than the way the Republicans sell off the best part of their heritage-- which comes from Alexander Hamilton and Daniel Webster and McLean, not to mention Abraham Lincoln and the enormously constructive work that the Republican Party in directing the development of the country after the Civil War.

And we have the same task of making the union more perfect. This is just what the President said in his San Diego --** problem of change or, rather, the old ones emerge. And now the most of their problem, the problem of race, which is what he --*. It's not just race, it's a problem of blacks and whites. And you have to be perfectly frank about that. That's it. And this is not just our problem, this is a world problem. And we are the leaders. If we don't tackle this, nobody will. And --* because we have to set the example. And fortunately, economic things in such balance it could have a little leeway and he's trying now through talking. And there's always a problem about talking. You know, these marriage therapists say to you, got a problem with your wife? Talk it over. That's known as quarreling. (Laughter.) And I say the thing to do is go do something, when some friends of ours have trouble. They haven't said to go and join a choral society. (Laughter.)

That's why I think the armed services are a great example, because they have a mission and you can see who's performing and you can measure people and the color and the -- (inaudible) -- for you. I can't tell you how proud I was in 1975, that parade through Lexington. Every float was segregated, they were all white -- except the armed services, every one of them was integrated. We've done -- and you pointed that out -- I remember how hard it was in the Army, and saw it going on.

So he is right. The question can you do it with talking -- (inaudible) with acting. And competent education is the common prescription. But I don't know anyone who is better qualified, certainly any President as well qualified as you to handle this. You've got more sensitivity, you've got more background. And you're so right to make this central. (Inaudible) -- to solve this by decentralization or (inaudible). It was precisely in decentralized federal America that this vice spread and survived. And as a small town boy who's only too complacent about his small town background, I found an anti-localist. I mean, we were proud of what we did because we thought we were the best people in the country. (Inaudible.)

THE PRESIDENT: Well, you grew up in a small town in Ohio, right?

Q I did.

THE PRESIDENT: I was telling somebody today, I finally

started reading the history of America between the Civil War and World War I. And the way I got it figured, if you grew up in a small town in Ohio and you wore a Union uniform, you had about a one in 10 chance of being elected President. (Laughter.) Every President we had was a Union soldier from Ohio.

Q There were some very good presidents --

THE PRESIDENT: Yes, there were. They were.

Q Sam Veer and Michael Sandel (phonetic) and I are all fans of Herbert Crowley. I think the most important thing in Crowley's book is saying that the transition to an industrial society means that the government has to ensure a redistribution of wealth. I think that was the central thesis of the American Left, up until the '60s, when the Left sort of disappeared.

It seems to me that globalization is, in fact, and in the minds of most poor Americans, going to increase the tendency of the rich to get richer and the poor to get poorer. It's going to be seen, as the press were seeing, as a way of making it possible for decision-makers in Zurich and Singapore to put people out of work in Pennsylvania.

I think that despite everything one can say about government already being big enough, Crowley is still right, redistribution of wealth will only be accomplished through governmental action. I have no idea what the equivalent of the redistributive measures that were performed in the 50 years between Crowley and the '60s can be in an age of globalization; but I think that seeing that globalization doesn't make the poor poorer and divide the country into two nations is probably the first priority.

THE PRESIDENT: Well, let me just briefly respond to that. Somebody wrote a piece in the New York Times a couple of years ago that said that I had a great stealth poverty policy, I just didn't talk about it. But when we raised the taxes on the upper one-and-a-half percent of the American people in 1993, and doubled the earned income tax credit so that today it amounts to a tax cut of \$1,000 a year on any family of four with an income of under \$30,000, that was the biggest redistributive thing that had been done in America in over two decades.

Now, since then, we have raised the minimum wage, we've passed the child tax credit and we've done some other things that I think help. But the one thing that I think is important to know -- you talked about how this redistribution thing went on over a period of decades. When you have a change in the economic paradigm, if the government follows bad policies it can make it worse. I think the Reagan-Bush economic policies exaggerated the inequality. But I believe if a liberal Democrat had been President inequality would have increased when the economic paradigm changed, in the absence of

dramatic measures to the contrary, because new kinds of skills get rewarded.

And we have the education premium, the skills premium, for example, today, as compared with 30 years ago, is breathtakingly different. So the one other thing we've got to do is to change the job mix in the country, change the investment incentives for the people that are left behind and dramatically universalize high quality education. I do not believe that we have the power through tax policy alone to restore equality without having more widely dispersed skills and a higher level of them. I may be wrong, but that's what I believe based not only my study of history, but my analysis of the present situation. And I say that having affected the biggest redistribution of wealth that there maybe one of the things that cost us the Congress, because people didn't understand it. But it was a big redistribution of wealth and I'm proud of it, and I was glad to pay my extra taxes. And it helped to get the deficit down and got the economy going again.

But I think we've got to recognize that we have a lot of people in this country that are almost dysfunctional in the kind of economy we're living in. We've got to give them the capacity to be more than they can be right now.

Q I basically agree with you, Mr. President, about the parallel, historical parallel between late 20th century America and if were to project back in time 100 years ago, the fundamental changes that were sweeping the nation economically, in terms of our industrial foundation with a new industrial economy.

But something else that comes to mind when you think about these two historical periods together, there was, 100 years ago, enormous anxiety and fear about change. People were reacting to change, almost irrational fear about change. And I think we see some of that today, as we saw it 100 years ago. A hundred years ago the nation was reacting to the enormous tidal wave of immigrants from Europe, eastern and southern Europe. We see this today, certainly in a state like California, where I'm from.

Part of it is based on irrational fear. But I think part of it is based on not being able to cope with change. So here's the challenge I think that you face and your administration faces: how do you convince the American public that the government is best situated to facilitate that change; and that change need not be feared, that it can be embraced. And we are positioned, even though we live in an extremely complex society, for the government to be the engineer of that change, and the President and his administration the head of that -- (inaudible). That's a hard sell to the American public, because I think there continues to be a great amount of fear about changing society, changing economy, changing job, labor market. But I see it as an enormously important part of American democracy in the next century.



THE PRESIDENT: If you go back to what -- just very briefly I'm going to try to spark -- go back to what Cass (phonetic) said about how we're trying to find less bureaucratic answers with democratic values to build a common society and preserve the social contract.

If you think about the New Deal and afterward, in the '50s and '60s, the world that most of us grew up in or lived a lot of our adult lives in -- we basically had Social Security and Medicare for people who worked their way, all through their lives, and then they went out of the work force because of their age. And we had a welfare state, if you will, of some significance, if people fell out of the work force. And then we had an unemployment system if they were temporarily out of the work force because of the business cycle we thought they'd already come back in.

Right now, more and more jobs feel like free agencies ^{TS} and pro athletes -- I ~~saw somebody~~ wrote that -- the difference is you didn't make \$3 million last year so you've got to find something to do tomorrow. And so what we've tried to do with health care, with retirement, with lifetime access to education, with all these, is to try to create a more flexible, if you will, safety net to preserve the social contract for people who are dislocated by change, so they can move more quickly and more fully back into the normal mainstream when they fall out. Because you're going to have people moving in and out in ways that are different from the way they used to.

Nobody's commented on this now, but one huge difference between now and a hundred years ago is the dramatic difference in the role of women in our economic and social life, which aggravates almost all these trends we're talking about

Q I think we all share the view that -- I shouldn't presume that, but from what I've heard -- the view that you have that markets cannot exist independently (inaudible) of social institutions, safety nets, the military structure, structures of distribution and so forth. And I think the issue that globalization and this process of rapid change is bringing to the fore is, I think Michael Sendel (sp) put it very nicely, is whether these forces are now extending beyond the national status and therefore you can no longer have nation states or the national governments perform these roles because the scope of the market has gone beyond that.

As an economist, I'm used to bringing the dismal message, but I think here actually there is a more pleasant message from economics. And that sort of downplays the role of globalization in this.

Let me make a distinction between two different questions. One is whether the internationalization of markets has increased in the last two or three decades, and certainly the answer to that question is certainly yes. A separate question is whether the whole world economy has become such a unified, single market

that, in fact, national governments are virtually powerless to shape their own societies in ways that might differ from those in their trading partners. And here I think overwhelmingly the evidence is that the answer is no. We're very much away from that. We've not reached anywhere near that.

By many measures, in fact -- we compare today's globalization with that in the 19th century -- by many measures, in fact, today's globalization does not measure up to that in the 19th century. Even the levels of capital flows that we see measured.

I think the positive message that comes from that is that not only is there still a very important role for the national government in terms of providing these institutions, these safety nets, these regulatory institutions and (inaudible) but the nation state actually still has the power to do that. And I think if we forget that then we are going into a mode of defeatism and just throwing our hands and saying that the requirements of competitiveness, requirements of the world market forbid us from doing this or that, whereas I think the appropriate way of looking at what's going on is that there are -- still national governments still retain considerable degree of autonomy.

And I just wanted to say that because I think we have to view what's going on in its appropriate context. I've written on issues that sort of suggest that globalization is creating a lot of important social problems. I also believe that in fact national governments retain substantial degree of autonomy to actually deal with these things. And with some help from (inaudible) at the international level (inaudible) which is a whole separate issue.

THE VICE PRESIDENT: Could I interject a brief question? I'm surprised by your -- I've been terrified since the beginning of the evening of betraying my ignorance in a flamboyant way -- (laughter) -- but I'm surprised that your search in the globalization in the 19th century exceeds the levels of and importance of globalization now. What do you mean by that?

Q And the height of the gold standard at the turn of the 19th century, the present century, if you look at the volume of capitalist (inaudible) across countries in relation to the national income, or if you look at flows of trade in relation to national income -- they've often exceeded the levels that we observe today. That's what I meant.

THE VICE PRESIDENT: Is that true in the United States?

Q For the United States in terms of trade, the openness is only slightly above the level that prevailed before World War I. In terms of capital flows, it's actually less, in terms of its relationship to the whole economy.

Q On this informational question, if I could impose on Dan Juerger (sp) and see if he has anything to add just on this.

And I'll call on you in order anyway.

Q I think it's (inaudible) yes in the capital flows. But in terms of communication and the ability for people to network, work around the world and to function as part of economic organizations instantaneously across borders, I think that's a whole category that the 19th century experience isn't relevant to. I mean, you're just part of it all the time, part of a 24-hour economy.

besides

Q I'm pleased to see we have (inaudible) for a model for the future of progressivism and liberalism (inaudible) because I think the (inaudible) -- you have two sides. You have Wall Street and Franklin Roosevelt, and the progressive model suggests we have three sides. (inaudible) which is resisting the future (inaudible). Then you get -- a particular politician (inaudible) and if you just get out of the way, this revolution will miraculously produce this (inaudible) prosperity.

Progressives in the 1890s, and I think in the 1990s as well, had to steer a course between the (inaudible) this mindless utopianism. And it's a very dangerous course. And one of the issues that made this so difficult is because of the science fiction, that we have no story of the future, no (inaudible) in which the nation state plays a role in the advanced high-tech space (inaudible) role of the future. All science fiction assumes that the nation state becomes obsolete in the 21st and 22nd century. We get world government (inaudible)

I can't think of how many times I've read articles in (inaudible) and I think it has a pernicious, disabling effect on progressives in the United States and also progressives in Europe, because the article says, "now that the nation state is dead" (inaudible) either between world markets or the local councilman, or perhaps the (inaudible) but there is no story in the popular mind of globalization that is progressive, high-tech is advanced that is achieved by negotiation among strong nation states.

THE PRESIDENT: Well, let me just -- I don't want to interrupt the flow here, it's great. See, one of my theories is that we have to somehow get people to want a stronger nation, a more unified nation. We have to have sort of a new nationalism, if you will, to have the proper approach to the rest of the world. And one of the legitimate raps on this administration is we haven't figured out what our bumper sticker slogan is, like New Deal and Progressive Era and all that sort of stuff. But we really have to have that; otherwise this won't work.

There is no other unit other than the nation state that can create the kind of atmosphere of positive interdependence that we need both within the country and beyond our borders to do what -- to have what I think most of us would think of as a good life for our people.

Q Mr. President, I think one of the few people who

have figured this out is Senator Jesse Helms. If you look at this (inaudible) the past couple of decades, there has been this fear among (inaudible) reactionary conservatives that the nation state will become an instrument of globalization. In other words, that the federal government will team up with the United Nations to pass a child labor law (inaudible). But this has not seeped into the public mind and I think it disables those who, I think quite correctly, don't see any contradiction between this nationalization and (inaudible).

Q Let me try to put a few things together, starting with a slight disagreement in what is of course an empirical fact that in terms of (inaudible) 1912 was the (inaudible) from 1990. But that was trade in natural resources, that was trade in (inaudible). It was not trade in ideas and entertainment, in sound bites. It was not trade in the software of the new technologies. And we are now trading in -- and globalization is defined not by natural resources, but in fact, by information, by entertainment, by ideas, by pictures. And that means that that trade has a far more profound effect, which I think you were getting at in talking about that.

That it seems to me also changes the picture a little bit for the question of the nation state and the role of the nation state, because the nation state is a kind of physical entity, born in a material age and -- it's a natural resource, it's a physical thing. And in a virtual world, dominated evermore by information, the very notion of the nation state as a territorial and physical thing becomes more difficult.



And here I wanted to change a little bit the direction and say I think there's a powerful disjuncture, and I hear it here tonight and I see it all the time in America, between what Americans who don't read books very much but watch TV and are deeply anxious and worried, are thinking, and what opinion elites -- even the good opinion elites like us -- (laughter) -- because we tend to think things are okay, we tend to respond to anxiety by reciting facts, by telling people that you're okay, it's not as bad as it looks, global markets aren't that bad, they'll do good for you, not bad for you, there are a lot of new jobs there, there are a lot of new careers available.

Whereas a lot of Americans just aren't buying that. They know, they see that they hold jobs, often several -- maybe two or three of the new jobs in the world economy (inaudible) they know there are a lot of new jobs around. But there are deep anxieties that I think are not being addressed. And I still have the problem here with the last four or five years that I think this has been one of the most active -- an activist administration of the postwar world. I don't think it has found a way to communicate to the people what that means for them.

You used the word -- I agree with that -- the story. I

don't think the story is clear. I don't think the story of what you are doing affects the international economy and globalization, the future of our kids, education. It's my view that opposition to affirmative action is not really about race, it's about fear that we're not going to win the competitive race and something is wrong out there and we need every edge and we're not getting it with affirmative action.

Fast track to me is frightening to Americans because fast means out of control, and that very term gets them scared. They're not thinking about executive authority over trade treaties, which is what it's about. They're thinking fast track means somehow globalization is going to go even faster than it's been going, and it's going too fast for us already.

So finding a way to tell the story in a virtual age when images and communication and the new technologies are making the traditional language of class, of nation state, of bureaucracies less and less relevant in addressing the fears and anxieties of ordinary people seems to me to be the great challenge. I know there is no easy answer because in a sense a new language are born now and it's not yet fully born, but without that language I think a lot of Americans are going to continue to be deeply anxious about everything from health care to affirmative action to global markets, without seeing how all of the many important measures being taken by this administration and by local government make -- they don't see the linkage, they don't see the story, they don't see how it really affects their lives.

So I think finding that language and developing that language in a speech in which some of the outlines of that language because clear rather than simply a recitation of what this administration has done and what it intends to do, point by point, to address the specific problems of America and the world today is what's needed. I know that's not easy because I don't think language is a very -- I mean part of this a new invent of a language. What America did when it was founded-- the great task of America in the 18th century was not just to invent a new Constitution, but to invent a new language -- to transform republican language its European usage to ways that described new realities here.

And finding a language that describes where we are in a more virtual world where material entities like natural resources and national states no longer tell the story and give a narrative to people seems to me to be the real challenge. And unless that can be done, I think anxieties will grow -- despite the objective good news subjective anxieties will grow, and I think you will continue not to be credited with the extraordinary work that the administration has done and it's continuing to do.

Q I'm actually a little more optimistic than all of the other commentators around the table, Mr. President. I think that the hatred of government seems to have, perhaps we would say, historically died in the blizzard of 1996, and that it's much less an

issue now. We are going through a period of remarkable change -- I'm not sure that the word globalization describes it correctly anymore. It's more a globality, it's already here, these changes. Technology really ties things together so instantaneously.

And I think that, as I was listening to what you said, it was really -- we have this very, I don't know whether the term calling mobile economy -- things move fast. And part of what this administration is about is addressing the skills sets and the social safety nets that you need in a mobile economy when things move that fast. It seems to me that the theme you had two years ago in your State of the Union address is something to return to when you said the era of big government is over doesn't mean that the era of no government is here, but it's rather refining and defining what government is in this mobile economy.

I think that you've done part of it in something that, strangely enough, there is not enough credit for, although it's talked a lot about, what has been done on the deficit, which is really a platform from which so much else that is beneficial to this country and the rest of the world -- it's what's made us the Rock of Gibraltar in this time of economic turmoil.

It seems to me that there are three things to talk about. One is, of course, what you said, how do you convey the benefits that we're getting -- and we, this country, is benefitting enormously from being part of this global economy -- and to make that connection. The second is to deal with the issue of leadership. Just as the world benefitted from American leadership during the Cold War, the world and the United States will benefit from that kind of leadership in the global economy, which is here, and it becomes really defined in terms of enlightened self-interest.

Obviously, as you were dealing with it before this dinner, there are real risks there -- the contagion from Asia, support the international institutions like the IMF that needs to be built into this. But it seems that in that arena of our global leadership and the benefits it's bringing to the country at home is part of the very important message.

Q I would like to inject, before you speak, Paula, just some additional thoughts that you might think about as you continue the discussion

(End of tape one, side one)

(Continue tape one, side two)

(In progress) -- economic issues, on the one hand, and social or values issues on the other, should be addressed separately, or whether they can be dealt with together. And that includes issues like the tensions between working family and the roles of women. And

also, the question of why people think the rights rhetoric on values resonate so much, especially with families in the country, and whether people think their approach to values has been useful in sparking a debate, or whether or not their agenda is an obstacle to dealing with values questions.

But I think this economic and values tension is something that I hope people will also address, as well as globalization now. And I'm going to call on Paula because I know she's done some work on that as well. But please speak on what you were thinking.

Q First of all, I want to say that I think that what's happened in the last few days has been incredibly important. (inaudible) -- all the calls that I've gotten in the last two days, one, my daughter and people of her generation, 20-year-olds, is (inaudible) about the expansion of the Peace Corps. And we were talking earlier, a few of us here, about the fact this generation feels that there's really no hook, no place for them to be a part of the nation (inaudible). And for a lot of us who have had that experience (inaudible) but it would be the greatest movement -- other civil rights movement groups were a part of this younger generation hasn't had that. (2)

And when they heard about the expansion of the Peace Corps, that that might be something they could take advantage of, it was very important, the group of young people that were around my house over the last few days and hearing this. And so I want to thank you and say that that's part of the tone of the message that's important.

And two other things that have happened -- and this isn't just to advertise yourself, it's really -- I think these are the kinds of things that resonate -- the child care effort that happened this afternoon. David Hamburg (phonetic) and I were talking on the phone this morning -- this is cross-cutting across America. This is the kind of inclusionary politics that crosses class, it crosses (inaudible) people with various occupations (inaudible) but also puts meaning back to what our nation is about and what good government is about. I'd like the conversation (inaudible) to also address the issue of good government, not the question of less government, more government, but what is good government. And this is exactly -- this kind of an issue people get.

And the final word that I just wanted to -- the (inaudible) on health care. Now, the expansion of that -- it's terrific. It's in some case a women's issue that -- it's always on the top of our -- big women's issue (inaudible). We do 90 percent of the care-giving (inaudible). Anything that is going to help out women on this is going to help families, all the dependents, et cetera. It's wonderful. And these are the kind of issues I think that's sparked the kind of (inaudible).

I'd like to say just two other quick things on that.

One is that I think that most Americans, from the focus groups and things we've been doing across the issue, people do not have a (inaudible) case on the global economy. And if there's some way that that could be translated for Americans to get. And I don't know what the sound bites are, that's not my field. But when we were thinking about doing the project on NAFTA (inaudible) we had been thinking of looking at three different family units, one in Mexico, one in the United States, one in Canada. And we were doing a more up-close examination of that. People need to understand these issues in a more intimate way.

And right now it's confusing, it's frightening. I think people don't get it and I think that we need leadership on this. People need to find a way of getting inside it that provides comfort instead of fear.

And the last think I want to say, because I don't want to take too much time, is, of course, ~~the world family issue~~. We presently have and we've had certainly since World War II -- the way our institutions are set up they remain fixed as if Ozzie and Harriet were the dominant (inaudible) ~~and we know that's not true~~. I'm not even sure how true Ozzie and Harriet were back in those days. It certainly wasn't true in my own family. ~~But it doesn't work~~. It doesn't work (inaudible). And probably the most important common ground theme that we've heard in focus groups from Republican (inaudible) and yuppies up in Seattle and retirees down in Florida was this issue of people not feeling that they have a chance to experience a quality of life.

They don't feel they have the time. They feel incredible pressures. They feel the anxieties that were mentioned. I think that's exactly right. And it's not because the economy isn't doing well. A lot of people are even doing better on that level. But deep down there's this incredible sense of disjunction between the various institutions that play on people's roles and lives...

In some ways that has been put forth too often as a women's issue. Yes, yes, it's a women's issue. But it's a universal issue. And we need to have leadership. And I want to say that in all the focus groups one of the things we heard is that people, bipartisan, different people in different age groups, feel that there's not political leadership on this -- ~~that there's not political leadership in getting our institutions to work together for the better of the nation and for the better of the people.~~

And there's a desperate wanting of that. I think that's the hopeful part. But how this is going to come together, how we get work to be reorganized that really enhances family values and community life -- these are the questions of the 21st century and if we're (inaudible) we're really going to have to give the American people a sense of hope and leadership that this can happen.

THE PRESIDENT: Let me just briefly say, to tie that to the comment you made about the Peace Corps, since I have been here, the largest number of specific comments made to me -- specific comments by ordinary citizens when I'm out and around, working a ropeline and a crowd on the street, whatever -- about things that I have done that have affected their lives have come from two sources, two things. One is, people who have been in the AmeriCorps program, the national service program. There are 100,000 of them now so there are a lot of them out there walking around. They said it changed their lives and made them feel ennobled and blah, blah, blah. And people who -- one of the 12 million people, now probably 15 million people who have benefitted by the Family and Medical Leave law because it went right to the heart of what you're saying. This whole business of -- one of the reasons the child care thing will be so important is that it helps people balance work and family.

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Let me just say one other thing on the trade deal. All the research I've seen shows that superficially people are quite confident. That is, superficially, most people believe, the overwhelming majority of people believe their economic situation will either get better or stay the same next year. But when you scratch the surface they're very concerned about what they consider to be the moral tensions in American life. And what of it is work and family, a lot of it is not having time to raise their kids, a lot of it is worrying about crime and drugs. But it is -- there is a sense of things still not in balance.

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And one of the problems we've got on the global economy, let me say, is the benefits -- Ben Barber (phonetic) said this -- the smartest thing he said -- he wrote me this letter, he's absolutely right -- is that you cannot answer these problems with the facts. If you confront people with a laundry list of the facts they will turn you off. You have to change their imagination.

One reason is -- let's just take Louisiana. Louisiana just lost 3,400 jobs when Fruit of the Loom closed these big plants. Now, it didn't have anything to do with NAFTA really. It had a lot to do with decisions they made. But anyway, they did. You couldn't convince anyone that 100 percent of those jobs weren't lost because of trade. Or in a larger sense, something I know more about, Levi Strauss just announced they were downsizing by 11,000; most of us will buy more Dockers khaki pants and fewer denim Levis now. That's the main reason that they are. But you couldn't convince anybody that Levi is not closing all those things because they're going to give these jobs to somebody making 10 cents an hour.

On the other hand, all the jobs we got out of trade were added incrementally in small groups, somebody else got them, it didn't get a headline. And I do think, to me, that argues, among other things, for being much more explicit and coherent about how we should be helping people if they lose their jobs, whether they lose it from trade or not. People don't care whether they lose their jobs

from trade or not. If technology displaces them or if the boss screws up, or whatever, if you're still in your working years and you're treated like a free agent, you don't have lifetime employment anymore -- we need a way of expanding the winner's circle, to use the DOC phrase that's been around quickly. And that will capture people's imagination and they can put it with all the new jobs and think, well, I got a way better than average chance to come out of this, I think on that.

But you're absolutely right about the trade deal. It just kills us every time it comes up.

MS. WILLIAMS: I might be a little scattered -- I'm very nervous, I must say. But I wanted to address the question of science fiction and of the story, because I do think that you, Mr. President, are doing all the right things, but how one conveys that story really is fairly complicated at this moment in time when the right has so captured the metaphors and the sort of sailing ships of language and the rhetoric. And so let me just throw out my own thoughts of what the story is and how it might be recaptured.

It does seem to me that there is a way in which the image of the "city on the hill," which has been such a consistent theme in our political discourse, has been revamped as a certain kind of Olympus of privilege for those who have earned it by certain acts and then Olympus as a gated community, as opposed to the new Jerusalem. And at the other end of this is not just a hell, but a prison. And there's a certain sacrifice, an image of sacrifice, almost -- (inaudible) of humanity at the other end. And although it's not explicitly racialized in a lot of us, it is visually racialized in terms of our television media.

And there's another tension that seems to be going on between the notion of American's perception of our government as being embodied in the Constitution. There's an equation with the Constitution as protecting certain inalienable rights -- or the Declaration of Independence -- but there's a certain inalienability to our participation and what we expect from government. And rather than really being at polar opposites with the market place, it seems like the language of market has invaded that sense of inalienability and made it precisely alienable in the ultimate market sense, so that now the discourse that has been so powerful in the wake of the Reagan and Bush administration -- this question of sort of purchasing freedom, a question of purchase of freedom, which is almost a replacement of the purchase of Christ. But it's purchase in almost a prayerful sense rather than a political sense. It's purchase which implies the option of not purchasing, of opting out in some sense, if not -- if you don't want to pay for it, you don't have to. I shouldn't have to be taxed for the common good. I should only be able to sort of buy it like slipping a coin in the slot of the automat of political presentation.

Overlayed on top of that, it seems to me, there's also a hive notion of humanity. I was going to really describe it as sort of a very econometric notion of discreet, hard-edged individuals who make rational choices and so forth, which really has replaced a notion of citizenship. But there's this other level of hive mentality where you have sort of the queen bees and the king bees who are sort of those who are the skilled workers, but not just skilled but who earn it by merit. And at the same time, an overlay on that of people who were born to it. Merit is almost at some, again, popular sense, merit is something with which you are born. And the extension to which unskilled laborers is frequently -- there's a subtext of that as those are people who are born inferior, the genetic inferior, the Charles Murray side of that -- and again, visually racialized, if not explicitly. And again, the split between those who by virtue of being either skilled or born to it enter Olympus, and those who are unskilled sort of fall into this realm of Sisyphean make-work and display labor, whether chain gangs or work-fare.

One of the most powerful, almost medieval embodiments of this was about a couple of weeks ago there was an article in the Wall Street Journal, it was on the front page, and the headline was, "women on welfare" -- something like "women on welfare find freedom through prison."

THE PRESIDENT: Working in the prison.

Q Yes, working in the prisons.

THE PRESIDENT: They got jobs in the prisons. Yes, I read it.

Q And it was all about these women who were -- and again, the article didn't say any of this explicitly, but through the use of pictures and through very subtle images cast two black women as mothers of potential criminals, and therefore, their way out of it was to learn how to not just guard them in the prisons, but at one point, to kill them. And from this there would be hope -- it was characterized as demanding work, it was characterized in the brightest and most biblical of terms, actually.

And it seems to me, it was a wonderfully crafted epic, with lots of rich mythological symbolism laid in it. And to sort of unpack that, it seems to me, the power of that particular piece is at the heart of what -- if you could invert that, recapture that. But when I read that piece in the Wall Street Journal -- the final thing I want to say is that it reminded me -- my response to it, what I kept thinking of was there's I think a chapter in Isaiah, and it's about the city being forsaken, and this particular image of these women being in some way mythologically wedded to these prisoners, to these male prisoners, struck me as being the precise antithesis of the exhortation in Isaiah that this shall be the city in which you shall -- there's an image of marriage, that the city shall be like a bride and we shall adore you like a bride. And it seems to me that

that has been so completely abandoned as a vehicle for something we might revivify -- this is a discussion.

Q Mr. President, I'd like to take up Sidney Blumenthal's challenge on the values problem which I think is a very important one. But I think you know how important it is to work even harder towards expanding the winner's circle. I think there are some very important things that can be done, whether it's returning to some expanded version of the G.I. Bill for American Workers that was put on the table three years ago, or thinking more expansively about what some people call under-employment insurance -- sort of the 21st century version of unemployment insurance -- or whether, as I believe is imperative, it's time to declare an urban education emergency, because we don't have one public school system in this country, we've got two -- one is mediocre and the other is failing. It seems to me that the theme of expanding the winner's circle is capacious enough to include a lot of things that need to be done in this country.

But I guess I want to focus on the values question that Sid Blumenthal put on the table because I've spent the past year and half of my life serving as Executive Director of something called the National Commission on Civic Renewal, which is dealing with some of the questions about Bob Putman (sp) and others put on the table. And in the course of that, I've spend a lot of time wading through survey data, focus groups, any evidence that I could find about what Americans are really feeling -- (inaudible) -- about their current condition. And I've reached the following conclusion.

They feel much better about the economy than they do about the society, and they feel much better about their own lives than they do about the country as a whole. One of the best students of American public opinion I know, a fellow by the name of Andy Kohot (phonetic), who is the head of the -- (inaudible) -- center of people in the press here in town, has talked about what he calls his optimism gap. He's been charting this now for nearly 25 years and he says that he's never seen a wider gap between how people feel about their home lives and what they think about the present state and future course of the country as a whole.

And so I've asked myself, well, what is the source of this optimism gap. Why has the economy, which is really in incredibly good condition, made people feel relatively optimistic about their own prospects, but what is there that's not the exact spot? It turns out that not only can't man live by bread alone, but nations can't live by bread alone. And people understand that. If you ask them what's wrong, over and over again you hear the same four things: number one, people are terrified about the condition of the American family. A circumstance in which 30 percent of all kids are born out of wedlock and 50 percent of all marriages end in divorce is something that scares the hell out of the American people. They don't know exactly what to do about it. But it is deeply disturbing as a reality.

Second, there's a conviction that the ties that bind in

neighborhoods and local communities are much weaker than they were a generation ago. There's an elaborate scholarly debate as to whether that is true or not, but I can tell you this for sure, people think it's true. And that belief that it's true is a powerful element of social comment.

Number three, crime and personal insecurity. And I know there's been an enormous amount of progress on this front for the past five years, but I've got to tell you, people are not comparing crime and security for what it was in 1990. They're comparing it to what it was in 1960. And by that standard, we have a long way to go as a country. And I find it impossible to overstate how important the culture -- how important to the state of the entire culture the explosion of violent has been over the past two generations, because not only has it created personal insecurity, it has also weakened bonds of trust between fellow citizens, and it has also discredited government because the protection (inaudible) -- that's the third thing.

And finally, people in general, parents especially, really believe that there needs to be (inaudible) creative social environment in which it becomes more and more difficult for parents to raise kids decently and to keep control over the fact (inaudible).

This is not what I think, Mr. President. I think that this is what the American people think when you ask them, and try not to project one's own beliefs as a relatively successful college professor on them. And I think that raises profound challenges for millions of people in this country. I think you've done better than anyone could have in associating yourself with these (inaudible) concerns, the concern about the state of society. But people are still feeling this way.

And I'm not here with a laundry list of things you can do to make them stop feeling this way. I think what you've done on crime is incredibly important, but I think as a country we need to think a lot harder about the importance of family in our lives and why people see sort of spooked about the state of the family. And I think we need to think a lot harder about ways in which national institutions, whether they be government or corporations or foundations, can deal in a productive way with the problem of the ties that bind individuals and neighborhoods. Because if we can do that, people are going to start feeling a lot better about the country.

Q Mr. President, I would like to elaborate on some of the points that Bill Galston just made because before we forget, when we talk about all the dynamism and complexity in the economy, we forget that there's been a kind of double whammy effect, certainly in the past 25 to 30 years, with respect not only to the economy, but to the American family, so that part of the anxiety and fear and concern about the state of the American family I think has to do with the

fact that the economy offers all kinds of uncertainty and family life does, too.

The family, too, has gone through a period of dramatic, historic change in its organization, in its complexity, so that one foot is on the economic sand and the other foot is in the sand of family life. And together, those combined effects I think contributed to this sense of grave concern and uncertainty about our kids, our future, where we're headed, where the nation is headed and what I as an individual trying to do my best, to get up in the morning and do my job and raise my kids, what's life going to be like for me.

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And Bill Galston has made this point in writing so many times that I want to acknowledge it from him, but I think it's worth saying, and perhaps posing as a question -- is there a sense in which family should be a great exception to all these other things that we see going on? Is the family in some sense and exceptionalist institution in the sense that it must provide some kind of certainty, some basis of permanence in people's life, some certain conditions that make for the forging and maintaining of strong, enduring bonds over time between the generations? or will family life begin to resemble the global economy? And so this is, I think, a source of something to think about.

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Second point, on this question of language, do people in their homes make a strict division between what's going on in the economic realm and what's going on in the domain of the family -- I want to make the argument that primarily the conversation at the kitchen table in America, as opposed to the conference table or the President's table, is a conversation, a language, about moral values. And it has to do very much with government as well. But the language is that of moral values, how do we raise our kids, how do we pass on values, how do we teach our children right from wrong.

Here's the example. In the mid 1980s, I went around trying to talk to middle-income mothers and fathers about the obstacles that help them -- the things that help them and the things that hurt them in raising their children. They consistently pointed to the market and the culture and the messages about things that you can buy, shaping your identity, about the extravagant cost of sneakers and kids thinking that if they bought sneakers, that somehow made them Michael Jordan without putting the effort into it. And out of this came an idea sort of in conversation that wouldn't it be great if schools had uniforms. Why? And here I think was a nice example of where economic considerations and moral considerations were so deeply fused and intertwined in the language, you really couldn't separate them out.

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Why uniforms? Well, first of all, they didn't cost so much. You could buy a couple uniforms for the kids and they were all set. Two, on the moral front, it eliminated the kind of competitiveness among kids for brand-name clothing and a sort of artificial status based not on achievement and effort, but on what

you could buy in the marketplace. So here's an example I think of where the kitchen table conversation is a conversation primarily about rearing children and about what we teach our children and about how we prepare our children for the future.

And then, finally, on the issue of expanding the winner's circle, I've been paying close attention to women and the non-college majority, and it's an important group because I can't think of a group in this society who has so much responsibility for the rearing of children and whose lives are changing in such dramatic ways.

Non-college women have increasing -- cannot rely on marriage; they spend lots of time as single mothers doing their darndest to raise kids under difficult circumstances. And of course, they no longer have welfare. So the three cards -- a college degree, a husband, and welfare are not cards that are particularly available for them to play. And yet they feel a tremendous responsibility for raising their children.

So how do we expand the winner's circle to include younger women, many of them mothers already? How do we make -- what's the success strategy for women in the non-college majority?

Q I'm going to call on Michael Sandel next, but I'd like to pose a whole new set of questions as well. And these questions deal with the ideas of national identity and the question of the nation itself. And they relate to the questions of values and the discontents about the economy as well.

And these are: How can a multicultural people create a national identity that avoids the pitfalls of identity politics? And this actually falls into a whole other question, which is the question of government.

You know, Ronald Reagan brandished the symbols of nationalism while undermining national authority, and did so very effectively. In a new era, what's usable in the American tradition to reanimate the national idea? And how can the role of government be legitimated again after a period of decades in which it's lost moral authority?

I'll call on Michael first.

Q I'd like to maybe kind of begin to address some of those questions by starting out with what I thought was a very powerful statement just now by Barbara about the connection between economic themes and moral and cultural themes. I think that we, as Democrats or progressives, suffered for a generation to the extent that we shied away from the moral and cultural themes that Barbara has been talking about, until the campaign of 1992 and your presidency. Democratic candidates effectively left the moral and cultural training to conservatives and to the religious right, not only politically, but also substantively.

We were talking before when we were talking about the economy and globalization, about fear and anxiety and frustration. And there's one set of fears and anxiety that I think has been powerfully and convincingly addressed in the themes of this administration, about the role of government being to equip Americans to compete effectively under conditions of the global economy -- job training, education, child care, health care -- for the sake of being able to prosper economically under the new rules. A

But even if that agenda were fulfilled and made persuasive to the American people, there would still be another set of fears and anxieties and frustrations having to do with a sense of disempowerment, that people feel as they look about them -- looking upon the global economy but also on developments in families and neighborhoods and in public schools -- worry about the frame of the moral and social bonds, erosion of authority and of community. *

This administration has things to say in response to that set of fears, too. But I wonder if it would -- but somehow since we're really -- we're playing catch-up in that sense of responses, because there's been a fallow period of 25 years prior to this administration when Democrats and progressives didn't really speak to those concerns.

I wonder if it wouldn't make sense as a way of defining the moral and political project of this administration to acknowledge directly these two difference sets of fears and frustrations, and then to lay out very clearly the sets of responses and policies that address the one and those that address the other. And the overall affirmative picture that can speak to the second, and this the conservatives have failed to do, has to do with the way in which authority and communities (inaudible) families are undermined by the effects of the commercial society and the popular culture and commercial advertising -- forces the conservatives for political reasons don't want to talk very much about.

I think we could be persuasive there. But I don't think we've articulated (inaudible) that set of responses to the fears and frustrations as we had to the economic one.

THE PRESIDENT: I think a lot of times we tend to get knocked off of it or not be able to do it on a consistent basis. We have done a lot of things -- when the Vice President did all this work on TV ratings and the v-chip, that was a huge deal with ordinary Americans. And we went out to a home in Virginia and sat with parents and their families, you know. When I went to Long Beach, California, to highlight their school uniform program, people ridiculed me about dealing with little things. Well, there was an article in The New York Times within the last month which pointed out that now over 20 percent of the school districts in America, containing over 30 percent of the students in America, in the last three years have adopted school uniform policies, and without exception school violence is down, discipline is up, learning is up,

If you go back to the '60s, you see the civil rights reformers are tip-toeing very delicately around the last taboo in American politics, which is cross-racial marriage, which means not only black-white intermarriage, but marriage between Hindus and whites, which was illegal in the United States before 1966, 1967 in many states. The last time I checked the statistics, one out of every two Asian Americans marries outside of the group, usually to the white majority obviously. That's where most of the potential partners are.

If I'm not mistaken, one out of every three Latin American immigrants, or descendants of Latin American immigrants, marries outside of the group. And the numbers of intermarriage would be much higher if you had lower immigration rates, if these were second, third, fourth generations.

That's the good news. The bad news is that black Americans are not participating in this incredible bubbling trans-racial melting pot in which whites, Asians, and Hispanic immigrants are participating in. I think that shows one of the flaws in the liberal approach to race.

David Hallinger, a very distinguished social thinker, has described what he calls the ethno-racial pentagon. This is the idea that there are five more or less official races in America. They were actually invented by the Office of Management Budget in the Nixon and Ford administrations, where Congress had come up with like 18 categories. And the administration said, these are too many races, give us something like more than two, but fewer than 10. So we ended up with five.

We get European American; African American -- which are the older categories -- Asian American, which was kind of a historic category; you get Hispanic, and there is now that little asterisk, where it says, is not racial, but nevertheless is treated as though it's a race; and then you get this wonderful wacky category, Asian and Pacific Islander, which includes everyone from my god-children who are part Chinese and part European American, recent Filipino immigrants, and caucasians from South India. They're all Asian and Pacific Islanders.

I went into the bookstore the other day; there is now a magazine called Asia and Pacific Islander. There are courses where you have to choose from one of the five races. These are fictions.

Now, all racial categories obviously are fictions. But in America, the great harm this does is twofold, I think. It disguises the fact that we have this extraordinary transracial melting pot among whites, Asians, and Hispanics, which is replicating the success of the old European immigrant melting pot. Where in the 19th century, you may recall, Irish were considered a different race. They were actually listed separately on U.S. forms -- white, black, Irish.

There was this enormous cultural war in this country between the Irish and the Protestants. What happened? Well, they inter-married. They formed the generic white American. Something like this is happening with Asians, whites, and Hispanics. It's not happening with black Americans.

Q Not as fast, but it's happening.

Q Slowly, but not at same speed. And I think the reason is, when we treat Hispanics or Asian and Pacific Islanders, who are immigrant ethnic groups, as though they're the same as black Americans, we are ignoring what black and white mean in America. This is a caste system within a single nation. These are not ethnicities. That is, the white Southern culture and the black Souther culture, as you know, overlap at so many points that it's very difficult to say at what point this is an African American culture and this is a white Southern culture, historically.

Nevertheless, there was this completely arbitrary genetic definition so no matter what your culture was, no matter how you identified yourself, you were black or you were white.

Now, I think that liberals inadvertently, in the service of good ends, have, by elevating the ordinary troubles that accompany groups like Hispanic Americans, which in my opinion are more like those of earlier generations of European immigrant groups. What they've done is, we've gotten away from what I think is the real racial question in the United States, which is, are we going to get a third melting pot in this country? We had a melting pot among the English colonists. We then had a white-only melting pot among European immigrants and Anglo-Americans. Now we may get a melting pot that excludes many black Americans for a third time.

I wince every time I see the debate over -- not to take away from the real problems that Hispanic Americans have faced, the serious persecution that Asian Americans have faced, but I think that the black American problem is an order of magnitude greater, and it's different in kind, than the discrimination faced by recent immigrants from Latin America, or even -- although they actually suffered worse -- Japanese Americans, Chinese immigrants, and so on.

THE PRESIDENT: Do you draw any conclusions from the fact that the rate of intermarriage among blacks and whites in America is highest among military families?

Q I do, frankly.

THE PRESIDENT: What is it?

Q It is that -- I don't think that there is anti-black prejudice as such. I think the stigma attaches to a

particular kind of culture in the American mind, which is partly a regional culture. Partly it's white Southern culture, influencing the black traditions. Because in many ways, if you look at rural white immigrants from the white South to cities like Chicago and so on, you get many of the same pathologies of black Americans in the northeastern cities, who are, among other things, immigrants from the South, poor immigrants from the South.

I think a lot of this is class and culture. And what the military does is, it strips everyone --

THE PRESIDENT: You get a common culture.

Q It's a common culture. Now, it's a brutal, coercive, painful process. (Laughter.)

THE PRESIDENT: I think it's pretty great what they've done.

Q As long as we're talking about the progressives, some of the progressives were racists. The non-racist progressives --

Q (Inaudible.)

Q -- but there were non-racist progressives. And their answer to the dilemma of can you have people of radically different genetic backgrounds become Americans, was Americanization. Now, this has fallen into disrepute -- unjustly so, I think, given the fact that our American culture is in itself a mulatto or mestizo, mixed-race culture.

MR. BLUMENTHAL: I've had a flurry of hands -- (laughter) -- during this.

THE PRESIDENT: It certainly (inaudible.) (Laughter.)

MR. BLUMENTHAL: And before we get to Sam and his benediction, as it were, I'd like to just call on a few people who have raised their hands and have them quickly respond. And, Michael, you had a hand up.

Q Before we leave I want to say a bad word about Alexander Hamilton. (Laughter.) Mr. President, you have been talking about building a nation --

THE PRESIDENT: He was slow on the draw.

Q -- and that's laudable. And you've got Sam here whispering in your ear that Hamilton and the Whigs are the people we should -- (laughter).

MR. BLUMENTHAL: Now, he gets a chance to respond.

Q If we look out this window here, there is a memorial to Thomas Jefferson. There is no memorial to Alexander Hamilton. And the reason for that is he doesn't need one, because the world that we inhabit, the commercial society that we inhabit, is Alexander Hamilton's memorial. We only build memorials on the Mall for Presidents who embody ideals that are under siege. And it's true that Alexander Hamilton spoke to the nation, and so did the Whigs, but it's also true that Alexander Hamilton was not a democrat. Alexander Hamilton wanted the presidency to be a kind of a monarchy. And Alexander Hamilton's idea of civic virtue was for the federal government to assume the debt of the states so that the interested bond-holders would come to have a stake in the national government. That was his idea of civic virtue.

And Thomas Jefferson stood against that by saying that economics and markets should be the handmaiden of politics rather than the other way around. And that was the great issue that separated them.

And on that issue, Jefferson is our man, not Hamilton. The problem with the national idea in our time, though we have to summon it to awaken a sense of shared responsibility for the common fate of fellow citizens and for a more generous welfare state and all the things that you've been working toward against great odds, the defect of the national ideal, as it's developed, is that it's become complacent in the face of the project of self-government, and particularly asserting the prerogatives of democratic political authority, vis-a-vis markets and the economy. And on that score, it seems to me Jefferson provides a powerful corrective, and the national ideal is only worthy of being resuscitated and claimed by us in so far as it's tied to the project of cultivating citizenship, not just consumerism, and civic virtue and the capacity of government to exercise some democratic authority over the commercial forces that are increasingly governing our lives.

MR. BLUMENTHAL: Dan, you're going to have the final comment.

Q Very quickly, there is a lot of hostility to markets around this table. I think a market is just a way of getting things done, and markets depend upon governments to work (inaudible) you have to get the rules in place, and that's what a government does.

I just want to say, I hear two themes from this discussion and two things to worry about. The number one theme I think of this evening's discussion is the American community -- how to define it, how to nurture it, how it relates to what's happening in the rest of the world. The second theme, we started talking about progressives at the beginning of the dinner, and I was thinking about your comment that in many ways we're in this odd situation at the end of the 20th century where it is conjoining to the beginning of the

20th century.

From the first world war to the end of the Cold War as a period would now surmount it. I mean, the Duma is a term that the Russians used at the beginning of the century. And I was thinking that one of the -- among the two things to worry about, one of which has been alluded to in some degree in terms of the media -- it's a different dimension of it, though, and it's a thing that progressives worried about -- although the New Deal did, but it's really a progressive issue, is economic concentration. And that is a phenomenon of this age and these conditions. What to do anybody it, how far, is something that this administration and we will continue to wrestle with.

The other thing that's bothering a lot of people, I thought Bill Galston's description of those four issues is very powerful, and there is a sense, as you said, Mr. President, even 1.9 percent unemployment, people are still anxious. And it's partly that this market society has this relentless pressure to it. It's just unstoppable. And where does it come from? Well, as Pogo said, the enemy is us. It is the endowments that support the people sitting around this table. It's all of our retirements. Two-thirds of the stocks in this country are owned by either are retirement funds or near-retirement funds, and that drive for performance compared to everybody else is driving lots of what's happening in our economy and, increasingly, in economies around the world.

This is the direction -- more people proportionately are going to be older in society. The pension funds are more important -- seems that this relentless pressure is something that's going to continue and in some ways accelerate. And a lot of other countries are discovering what they call now the Anglo-Saxon pressure from shareholders which we're all experiencing.

THE PRESIDENT: If I might just make -- I know we got to wrap up, but just something -- if any of you -- one of the things Sydney will say, if you want to write us anything after this is over to follow up on all the things you would have said and didn't and all that, feel free to do it.

But I think there are two things that worth pointing out along the lines Dan discussed, and this whole question of why there is anxiety amidst prosperity, and how are values are violated. Part of it is, if you glorify the market, you put too much emphasis on owning and on doing. And secondly, as you care more about owning and doing, then you have to work harder.

So one interesting little statistic I think it's important that we not forget, I don't agree with those who say that there has been no improvement in income inequality in the 1990s. The statistics indicate that actually there is a modest improvement in income inequality the last couple of years, that we may be beginning

slowly to turn that around. But that is -- first of all, we've got a hell of a long way to go to catch up to the levels of equality we had in the mid-seventies, but that may be happening.

But one of the things that masks is that it is perfectly clear that the average person today in the work force is spending more hours at work than his or her counterpart was in 1969. And since most parents are in the work force, a far higher percentage than were in the work force in 1969, a lot of them the only parent in the family, that has significant consequences for all these other issues you've been talking about.



And I'm not sure we know exactly how to talk about that, but it's worth your thinking about, just focusing on that, that notwithstanding all this other stuff, even if you believe incomes are rising again, and I do, and time spent at work and away from home, to continue to reinforce our society's emphasis on having and doing, is quite significant.

Q We have a saying -- Dudley Herschbach, who is a Nobel Prize-winning chemist at Harvard and I and a number of people are part of this turtle group that formed, the slogan of which was, Go slower, America. And the idea was the turtle wins the race, but what people are really lacking is quality of time. And just what you pointed out, people working harder to stay in place, the Alice in Wonderland kind of phenomenon. That's very universal, again across lots of different families.

(four)

So we often evoke this kind of image of what that would mean. But I think institutionally what that means, about to -- think, and how to have policies, public and private policies that would really shift some of this around and bring more freedom in people's lives is essential.

THE PRESIDENT: You know, one of the things -- what we tried to do, we had problems even with the unions on it, is to broaden the notion of comp time and let people who take their overtime in time at home instead of cash if they wanted to, because we were trying to give people just more ways to sort of elbow their way in to fashion their own lives and their own family lives in the blizzard of economic complexity.



Q We have a company of 200 people. We wanted to do that, but we weren't allowed to. We had to pay them overtime, couldn't -- somehow we were violating the law.

THE PRESIDENT: I know. What we're trying to do is -- let me just say that what we're trying to do is change the law so that if your employee wants to do it, you can do it. In other words, I don't think the employers should be able to force their employees to give up overtime, but I think that -- because you can readily see what would happen in unscrupulous hands -- but there are a lot of

people who would give anything to have more time in regular daylight hours for their kids and would work overtime to do it.

Q (Inaudible.)

MR. BLUMENTHAL: Well, last I'd like to call on Sam Bier.

Q Well, it's been a delicious dinner -- (laughter) -- and an intellectual feast, as Judge Bork said -- (laughter).

THE PRESIDENT: My old constitutional law professor, antitrust law.

Q If you'll try to put this together in a State of the Union message, it will be a delicious smorgasbord. (Laughter).

THE PRESIDENT: We'll all go home at 3:30 in the morning. (Laughter.)

Q Stick with your theme, race, and above all the fact of black-white relations -- what you've seen as a historic opportunity to really -- economic problems seem stabilized for the time, but the chance of doing something on this issue of issues -- is unparalleled. And you're the kind who can do it. And you started doing it. (Inaudible.) All I would say in conclusion is, it isn't only a question of civil rights; it's a question of integration. Rights for what? For integration. You can't do it solely on the basis of rights. And then many people claim them and various groups will claim them. This is the way to our disintegration, because it cultivates the basis for a multicultural (inaudible). And then we would have a mosaic society, which isn't only a question of what we would miss, it would be insecure, it would disorder.

When John F. Kennedy finally took civil rights seriously, it's because when he saw social order being threatened. then he did act. But he wasn't really interested before that. But when he saw the disorder, because you can see that in the tapes, that's when he reacted and Martin Luther King led him the way, who was so intelligent. He wasn't only compassionate; he was intelligent.

But the social order, national security, but above all the enhancement of American civilization. That's what Martin Luther King expressed in his great metaphor. When the sons of slaves and the slave-owners will sit together at the table of brotherhood -- that has a literal meaning. The lunch counters were the first places to be integrated. But it means a larger sense that you have blacks and whites living together, social exchange, social intercourse to create a more perfect union of civilized America.

This happens through the exchange of our gifts, our virtues, our powers -- the things that you get celebrated in (inaudible). So it's a highly democratic (inaudible) how to make a

democratic nation, because a democracy is no use unless it also happens some entity. What are the boundaries? Who are the members? A nation gives it a goal, and it gives it a boundary. And you've got that opportunity and you're the man to do it. End of message. (Laughter.)

THE PRESIDENT: Thank you all very much. I seriously would, if you further thoughts on what we talked about tonight, I welcome you to write and send them in. The State of the Union is January 27. If you want it digested by me before then, you have to do it quickly. This has been very, very helpful to me. I hope you've found it worth your while, and we're very grateful to you. (Applause.)

END

Message Sent To:

Ann F. Lewis/WHO/EOP
Ron Klain/OVP @ OVP
Christine N. Macy/WHO/EOP
Bruce N. Reed/OPD/EOP
Gene B. Sperling/OPD/EOP
Katharine Button/WHO/EOP
Michelle Crisci/WHO/EOP
Michael Waldman/WHO/EOP
Morley A. Winograd/OVP @ OVP
Maria Echaveste/WHO/EOP
Scott R. Hynes/OVP @ OVP
Cathy R. Mays/OPD/EOP
Peter A. Weissman/OPD/EOP
Paul A. Tuchmann/WHO/EOP
Miriam H. Vogel/WHO/EOP

the dropout rate is down, things are going better. I didn't spend a nickel on it.

And after I went out to Long Beach, they were flooded for weeks on end with requests for people to tell them how to do this and the Education Department had to put up -- did a brochure and sent it out all over America and said, here's how you set this up, here's how it can be constitutional.

So I agree with you. I think the non-economic value issues are very, very powerful, and in a way they cross. That's what the child care thing was about. They cross. And I think that our ability to recapture support for a national vision for government rests in large measure on our ability to have people see it as the instrument of their fulfillment of their moral values.

THE VICE PRESIDENT: I've learned so much already from what's been said here. It's just fascinating. And I really appreciate the chance to listen in on this. I was thinking about some of the similarities between the discussion that I was in with the President before we came here and this discussion. One of the underlying problems with the Asian economic crisis is that the climate for investment has to be one that inspires confidence so that people are willing to put their money back into this economy or that economy.

I think that's potentially a metaphor that is useful in exploring the question Sid put out here about identity politics, because the investment flows relevant to that question are not financial, but psychological and spiritual. I think that the rise of cynicism in the United States is partly a reflection of a poor climate for psychological investment in the nation state. People believe that proposed solutions have failed, unintended consequences have outweighed the intended benefits, a series of body blows to the body politic have sort of shaken our confidence in the nation state. And I think there are a series of centrifugal forces that are indeed pushing that psychological and spiritual investment out into the global civilization.

I think there is a way to reconcile the initial dispute between Professor Beard (sp) and Professor Sandel (sp) in that, yes, there was a national identity and an investment in that national identity at the beginning of the republic. But there's no doubt that when the Supreme Court reinterpreted the commerce clause and when the Constitution was amended and when all these new laws were passed and the Progressive Era and the New Deal, then the national identity was filled out in its richness and fullness. And I think that in that way, just as there was global identity before, it's being filled out in a brand new way. Every business in the United States practically now looks at its market in global terms. All the scientific associations keep up on the Internet with what their colleagues are doing in Beijing and Stockholm and everywhere else. And when we talk about policies here, there's always the international dimension, and that's different in real ways from what it was before.

??

But I think we're beginning to see a reinvestment in the nation state. But the dominant trend I think has been a disinvestment, spiritually and psychologically, in the nation state. But I think there's been a simultaneous reinvestment not only into global entities -- I agree with whoever said that that's just too remote for -- you've got to have the intermediate institutions -- I forget who said that, but it's too remote. I think there's been reinvestment in two directions. Outward to the global civilization, but downward to regions, whether it's the Basques or the Flemish or the Pacific Coast.

And I think that in some ways this same process of disinvestment and reinvestment has been taking place in the family, because the new power relationships, thank goodness, between men and women have changed the internal dynamics of the family. And I think the practical reality of family life has been completely transformed by electronic media. I think specifically that television, number one, and telephones, number two, have caused a huge psychological disinvestment in the family. And that's being redistributed into a national and international culture. And people are disoriented by that.

I think that in order to address it, there has to be attention to the way in which people seek to have their psychological and spiritual needs met. And I believe that in a practical way there's a kind of set of concentric circles, and I believe with Barbara Whitehead that the primary venue within which people live their lives is the family. That's the psychological and spiritual space in which most transactions take place. And I think that one of the fundamental objectives of national policy -- because the nation state is the primary unit of account and will remain so, regardless of these investment flows -- one of the primary objectives ought to be to strengthen and buttress the family and make it easier for families to strengthen and buttress the individuals and become healing institutions rather than dysfunctional, malignant institutions, which they are so many times now.

Then I think the next concentric circle is the community. And I think that under President Clinton we have seen a renewed focus on what we call community empowerment, but community policing -- I won't go through the whole litany of policies, but I think that it is an extremely important focus for national policy.

Now, I'll leave aside the policies that I think are necessary and that he's been following to try to have an intelligent approach to this ever densifying, global community. We can all talk about that, but I just want to make one other point, and that is that the focus on race -- and I would add race and ethnicity -- is I think absolutely crucial because it has the ability to fracture all -- to knife through all of those concentric circles and unleash an evil in the soul that can really undermine and destroy all that can otherwise

be put together.

So I don't want to end with a question here, but those are just some of the thoughts that were provoked in me by what you all were saying.

Q I want to address the values question that Bill raised and bring it around to your specific question about responses to it. But I want to start by saying that while Bill --

(end of tape one, side two)

(begin tape two)

(In progress) -- isn't easy. The Republicans and conservatives answer it by saying, let's resurrect the old family, the way it was, with its patriarchy and its inequality and the women in the home.

And on the other hand, progressives say, well, that kind of family we don't want, but they end up perhaps with less family altogether than they want as a consequence of certain kinds of liberation.

We want the comforts of the family without its patriarchy. We want the solidarity of the family without its inequality. But those aren't so easy to have. And the same with religion. We want the comfort and consolation of religion without the dogmatism and intolerance -- not so easy.

The easy answer for the conservatives is go back to the 19th century and resurrect those old families. A, you can't do it. And, B, if you could, you would do it an impossible price to justice.

So the question is, is there a new concept of the family that allows for diversified forms other for the family?

We've tried it. In New York City they had "Jenny has Two Mommies." That was not a story that most people who care about families could buy, yet it was a story that in some ways told the story of what for some people the new family is like. A new lesbian family would have two mommies.

But clearly I don't think the President can get up in the State of the Union and say, "Jenny has Two Mommies" -- (laughter) -- is the story now I'm going to tell to help America into the new age of the family.

But on the other hand -- you asked a question about -- we live in a world where the family in structure, and there is no going back -- or I don't think we want to go back -- to a family

bought at the price of patriarchy and inequality, yet we still want much of what the family gave us and don't know quite how to get that same thing with religion, and here I think we're in a very, very tough place, the world is changing and uncomfortable in deeply disturbing ways. And we reach to the past to console ourselves but can really go back and ought not to go back, because the price of going back is too grim.

But at the same time, we're not quite ready to go on into this new world, which is a fantastic world, an egalitarian world, but a world with also a terrible price to pay for men and women and for families.

And finding our way through that, or to ask the President or any government to negotiate those waters, may be asking too much. One thing I think we can do, and here's an attempt at answering your question, I don't think a President can lead the moral way into whatever new form of families there will be. That's going to take more than any government or any President can do. I think he can work to prevent the kinds of abuses and dangers from arising around those transitions. And there are American values that count for a lot -- pluralism and diversity is one, tolerance is another.

That is to say, I don't think the President can point the way to what the new family is going to look like. He can try to create a climate in which there is more openness to the experimentation and the cost of that experimentation that are going to be necessary. Same thing with race. Race remains a deep issue and no conversation, no presidential policy can solve it. But at the same time, the President can make sure that it's a conversation that's had that's open, that's tolerant, and that really represents the side.

So I think here -- I just want to point to the fact that there are deep real conflicts in our society that simply mentioning the terms "religion" and "family" cannot paper over going back to some earlier version cannot respond to in rushing forward to something that most Americans are unready to accept, even though they see --

THE PRESIDENT: If I could just -- I don't want to say much, and I'll defer to Sam. But just to sort of support what Ben said and what Bill Galston (phonetic) said, just kind of informationally for all of you, because we just finished another presidential election not very long ago. I'm convinced that the overwhelming driving impulse of most voters, if the economy is at all acceptable, is values-based. I just got the November unemployment rates. I get them a month later than I get the state-by-state. The national unemployment, I get the state-by-state unemployment rates. In the 26 states with the lowest unemployment, Bob Dole carried 13 and I carried 13 -- the people that I benefited the most. In the 25 states and the District of Columbia with the highest unemployment, I carried 19 and Bob Dole carried 6.

Now, I say that only to point that most of the states where Dole won were like Nebraska and North Dakota, had 1.9 unemployment rates. But white married Protestants don't think they're supposed to vote for Democrats yet. I can just tell you they don't, because they see their values as manifested by people who advocate things they believe in. Whereas single working women believe in interdependence and community and understand reinforcement, and they see their values by people who live out there and are busting it trying to help them raise their kids and get through the day and make a better life.

Basically most racial minorities, having been subject to all kinds of problems, not only have a historical -- black have a historical affinity to the Democratic Party, but I got a record Hispanic vote because Mi Familia is about more than just you come and tell me you spout the same rhetoric I do. And Hispanics figured out that the Republicans basically were using them to whip up white resentment and get votes, so we got a record Hispanic vote, from people who believe that the model of society was community interdependence. For people who believe the best model for society was exhortation to good behavior, I got the living hell beat out of me.

I'm just sort of putting this out to reinforce what Galston said and Ben said and what others said, and people who do believe that the market is the primary purpose of politics, we lose them too, because I don't believe that. In other words, I don't think all this stuff is for sale. But I think it's just interesting. I'm just saying that to sort of enlighten the conversation.

Q (Inaudible.)

THE PRESIDENT: First of all, the reason that Al and I won is that we got a bigger percentage of people who had been voting for Republicans in the past, partly with good economics and partly because they did think we represented their values. There has always been a great divide in America between those who believe that the government was the instrument of our common good, helping to reinforce our community and our own family life and our own individual aspirations, and those who basically believe the government was a problem and they wanted people in power in politics who would say what they believed and have whatever policies they agreed with and otherwise get out of their way.

And the truth is, most of the those states in the inter-mountain west, for example, our prosperous as hell, and they got what they needed out of the government 50 years ago, and it's fine with them to treat it as a problem. You know, if you've got 2 percent unemployment, you don't need anything. What does Nebraska need from us?

But a lot of it, to be fair, is honest values -- white married Protestants who are, particularly if their Christian conservatives, basically believe we're still cultural aliens, because

of gays or abortion or whatever it is, and because they think the government is bad. Which is why I say again -- I like all this modern talk, but don't forget, we are in a historic battle here to define the nation. It is the same battle -- you wrote that piece back in November saying that the Democrats ought to be hearkening back to Alexander Hamilton, not Thomas Jefferson. That's absolutely right.

Alexander Hamilton and John Marshall set the tone for this country that was then taken up by Abraham Lincoln, as you pointed out, with Henry Clay and Webster and John Quincy Adams in the middle, and then Theodore Roosevelt and Woodrow Wilson, all the way down to the present day, and the people that were against them.

If you read the decisions of the Supreme Court in this last term, they were all minor cases except for the Brady Bill, so they each had no scholarly review to amount to a hill of beans. If you read the rhetoric in those Supreme Court cases, they are the biggest assault on the nation since the FDR Supreme Court invalidated the New Deal legislation. They are -- it's chilling. They challenged John Marshall's conclusions.

It doesn't bother me what we're having with the -- we are repeating what we have done for 220 years, but it really does matter how it comes out, which is why I asked you all here, because it's real important that we find a way to get enough of those people to feel like they're part of our American community, and that there is an interdependence, and that government is a part of that, that markets and religion and rhetoric can't get the whole thing done. There is a way in which we are tangibly bound together. That's really what this fight is about, I believe.

I didn't mean to say all that, but I think it's important that you understand, there are real political consequences here to how people think about this.

THE VICE PRESIDENT: If I could say just one more thing. If we want to create the conditions wherein people will reinvest psychologically in the nation and in their communities and in their families, I think there are certain practical things that can be done. Balancing the budget, reinventing government, creating a record of success in solving specific problems, avoiding terrible mistakes -- that can cause people to believe that it's important to reinvest in the nation. Family and Medical Leave, child care, deadbeat dad child support collections, et cetera can make it easier for people to believe that it's worth hanging in there with their families.

Community policing, brownfield redevelopment, et cetera, et cetera can bring communities together with stronger cohesion to create a climate in which people say, okay, I'm not just going to become a zombie in front of the TV and I'm not just going to be an individual actor without respect to my community, my neighborhood, and my family. I'm going to reinvest in it.

And I think all those things are very closely related. And I think the one continuing thread in this presidency, which I agree we haven't been able to sloganize or articulate in as compelling a way as we'd like to, has been a steady, relentless rebuilding of those institutions and strengthening of those institutions such that people feel more confident about them.

And I don't think we're that far from crossing a threshold beyond which people say, hey, I feel a real big difference now. I think we're close to that.

MR. BLUMENTHAL: I want to not add any more speakers. We just have a few more speakers. I want to conclude with Sam Bier (phonetic), but I have a few more people, Mr. President, who wish to speak, and I'd like to call on Randall Kennedy.

Q Yes, on a couple of occasions people have made references to the importance of the race question, and I know this is an issue about which you feel passionately. I must say, in my own view the conversation on race has been, in my view, very disappointing, largely because it has lacked vividness. I think that a lot of people feel -- I certainly have felt and when I've watched snatches of the conversation or listened in, I think people feel that a lot of this is just pure public relations, and I think that people feel it's largely just pure public relations because the real things that grip people where they are are so often glossed over.

In the last discussion, for instance, you talked with the -- you applauded the young man who said that sometimes he sees a black guy walking down the street and he feels a little bit fearful. Now, that particular issue is a big one. It's a big issue. It's an issue that comes up in day-to-day life. It's an issue that affects every pedestrian trying to negotiate the mean streets. How do we get home after a long, hard day? We're confronting strangers. What do we do? Do we walk down the street? Do we say hello? Do we duck inside of a building? Do we cross the street? How do we act towards our fellow citizens?

It's a big issue. It's an issue that comes up with policing all the time. Should police officers take race into account in questioning people and detaining people? It's an issue that comes up when people decide who they're going to hire, who they're going to let out apartments to for rent.

These sorts of issues -- I mean, affirmative action has taken up a huge part of the discussion, I think maybe, probably too much of it. I think there are a lot of just basic issues in terms of ethics, just day-to-day ethics that people discuss that are really on people's minds and they're close to people's hearts, but seem to be cut out of the conversation at the very point at which people really might get a good conversation going, where there might really be a

disagreement, a real honest disagreement, where people candor might flow to the surface. Those points don't come up, though in day-to-day life, there are lots of -- they do come up, and there are lots of places where people really do feel things very intensely, but thus far, in so far as the official conversation, it hasn't been there at all.

And since this is so important, and I know it's so important to you, I would urge you to structure things in such a way as to allow a real discussion.

THE PRESIDENT: I've only had one guy -- Kit was the only person except for the fight I had with Abigail over affirmative action, that young boy who had the guts to say that was the only sort of meaty thing we had, you know.

I would like some guidance from you later about how you think we could structure it to get that done.

Q You didn't have to tackle the race issue. You could have played it safe and not chosen it as one of the agenda items for your second administration. But there hasn't been a President for 30 years that had the fortitude enough to put that on the national agenda. And irrespective of whatever flack you may catch, you've done something fundamentally important for us, because you've put the issue of race and ethnicity in the mind of Americans. And it will be discussed. It's going to take a long time. It's going to go certainly beyond your administration for many, many years.

The famous African American, W.E.B. DuBois, I think had it right when he said that the color line was going to be the major problem of the 20th century. He really had so much of it correct. But it took a lot of guts, and have to commend you and Vice President Gore for putting this before Americans, because without it, we wouldn't have had a discussion. We would have simply been trying to defend affirmative action first and foremost without getting to so many of the other complex issues that revolve around the discussion of race. So I applaud for that.

THE PRESIDENT: Let me just very briefly say it's a highly -- it's a very complicated thing, but at bottom it's very simple. It really is a question of whether we can continue this historic process of broadening our definition and deepening our meaning of one America. We just had a great article in the newspaper here the other day about this group of Muslims that has a -- they have a school with 50 kids, and it's a grade school, and they want to have like 400 kids in a high school. And they're about to get turned around by their second community in suburban Washington to put their school in, because people are afraid that the Saudis are going to be financing Arab terrorists or something.

And, you know, it's not altogether untrue that some of these Middle Eastern states have not done that, it just had nothing

to do with this school. So these are the kinds of things -- it's a thing like who you meet on the street. We just had a -- at Christmas this time on the Capitol, we had a Muslim symbol that was defaced, and Jewish leaders came out and spoke against it. It was quite good.

But all of this mosaic of America now, if we can deal with our racial and ethnic and religious diversity, it's a huge advantage for us in this globalized world. It will help make people feel at home. It will give them the kind of bearings and moorings they need. And if we don't, then we -- well, you see around the world what happens.

Q Well, we have so many topics here and they're all very good. Let me start abstract and get concrete, kind of the opposite of a usual law professor. (Laughter.) You can think of what Roosevelt did that was so fantastic, is he took these two competing strands in American history, the Hamiltonian and the Jeffersonian. One was about democracy and self-government, and the other was about centralized national government, and he kind of yoked them together. That was the first time that had ever happened.

And as I heard Michael talking -- and I don't know if this is quite Michael's view -- but something that emerged from what he was saying and others was kind of an effort to link Lincoln -- well, this is what Lincoln -- link Hamilton with something like Bennett. I think William Bennett has done a lot of good in talking about cultural deterioration. A lot of it, too, as Ben and Barbara suggest, is kind of backward-looking. But at least to put his finger on that, that's been very helpful.

So let me get concrete. A lot of these are very familiar ideas, but to organize them in a way that would be coherent would be really good. A lot of participants in the creation of the culture, that is, the media, think they're a little bit in the position of the school systems when you don't have school uniforms. That is, they're in a system in which they're competing among each other to their collective detriment, in a way producing things that they really despise. Members of the media often say that privately and sometimes they even say it publicly.

Now, a lot of initiatives are designed to do something about that, like educational programming for children, which many members of the media are for and which the FCC has taken a little initiative toward. That's wonderful. People really like that. Barbara Whitehead's suggestion, that's directly responsive to that.

Free air time for candidates is an effort to call up kind of the democratic goals of the First Amendment. And that's something that there is a lot of discussion of, and it's connected with this idea of having the media and the market serve us rather than control us.

There is a general idea about having parental control of new media sources. I know the Vice President has worked on this; you

also, Mr. President. And that's not so far afield from educational programming for kids and free air time for candidates.

And also I think to try to inculcate some norms on the media's part by using the bully pulpit for voluntary self-restraint with respect to violent programming and other destructive programming, and programming which calls itself the news which is often just summaries of the violent events which were the basis for the TV movie that preceded the news.

Now, there is not a tremendous amount that can be done through law to control this, but there is a lot that can be done I think to activate something that's very widespread, which is Americans don't like this. Even when they watch it, they don't like the phenomenon.

This is a large problem. It needs a lot of thought. But I think it unites a lot of these different themes.

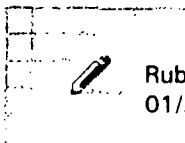
MR. BLUMENTHAL: Michael Lind (phonetic), and I hope you refer to the question the President raised of Hamilton, whose portrait hangs in the next room, and Mr. Jefferson, who dined in this room.

Q Well, as I was telling the First Lady earlier, it's rather ironic that we're eating in the Jefferson room, because the Democratic Party in theory traces its origins back to Thomas Jefferson, but in practice, as I've argued and Professor Bier and various other people, in fact it's the latest update of the Hamiltonian party in many ways, which has gone through many incarnations -- the Federalists, the Whigs, including the Thomas Dewey Republicans in mid-century.

The point I wanted to raise, however, has to do with nationality and race. In the 18th century, Dr. Samuel Johnson defined a nation, if my memory serves me correctly, as a group of people who live in a territory and inter-marry with one another. Now, this is a very unpopular thing to say in American academic circles and in certain liberal circles, because it's thought that this is the blood and soil definition, it's quasi-fascist. This is ethnic nationalism versus civic nationalism.

There is a big debate between melting pot nationalism, which implies that indeed all groups lose their identity over time -- they actually merge through intermarriage -- as opposed to purely constitutional patriotism.

What I'm going to report to you is that that debate is completely academic, as my friend Richard Rodriguez has repeatedly point out. We're undergoing this amazing revolution in race relations in this country, symbolized by intermarriage rates. This is amazing. This is an enormous victory. No one in the 1960s could have foreseen the rate of intermarriage among groups, with some exceptions, which I'll address in a minute.



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THE WHITE HOUSE

Office of the Press Secretary

Internal Transcript January 7, 1998

REMARKS BY THE PRESIDENT
AT LEADERS AND THINKERS DINNER

The Blue Room

8:37 P.M. EST

MR. BLUMENTHAL: We have with us this evening historians and philosophers, political scientists and legal scholars, economists and sociologists. You arrive here at the White House at a time of momentum and possibility for progressive reform. This White House has turned into a vital center for national debate. And I'd just

like to talk about just what's happened over the past couple weeks, very, very, briefly.

Since Christmas alone, this White House has really been an engine of social policy. Just starting on Christmas Day, when the White House announced a record increase in funding for the homeless, followed two days later by an expansion of Medicare benefits for 39 million Medicare beneficiaries who are guaranteed regular tests for cancer. The next day, the White House announced an increase in spending on food inspection and safety, which makes this an increase of 60 percent under this administration. Two days later, we announced a 35 percent increase in spending for treatment infected with the virus that causes AIDS.

On January 3rd, we announced the greatest increase in funding for the Peace Corps since the 1960s, since it was founded. On January 6th, as if this were all tax spend, the White House could announce that the deficit is expected to be less than \$22 billion. You know, when the President came in he was informed by the outgoing Budget Director that the budget deficit at this point was expected to be \$357 billion. The next day, the President announced an expansion of Medicare, to include those who may not be covered, ages 55 to 65.

And, today, we have announced the largest single investment in child care in the nation's history. So you are really present at a moment of great public action. For the senior staff assembled here, I feel safe in saying that we anticipate a truly significant State of the Union address, charting the territory into the 21st century.

Now, for our guests, some ground rules of this discussion. You are not here to provide lists of policy prescriptions -- though, they're welcome -- but something larger -- your illumination on important questions that confront our country. And I should tell you that they are going to be preserved for prosperity in the Clinton library because we plan to tape this discussion -- (laughter) --

THE PRESIDENT: We told you first. (Laughter.)

MR. BLUMENTHAL: Thank you, Mr. President.

I've spoken to all of you recently and I want to remind you to be frank, direct, conversational, adventurous and, above all, pithy. Anyone who wants to speak should let me know by raising a hand or nodding, and I'll make sure you get your chance. I'll change

the topic as we go along, so we cover a good deal of ground. And a lot of these questions will be the under-girding, thematically, to the State of the Union.

The President, the First Lady and the Vice President can jump into the head of the line any time they want in the discussion. and in that spirit, Mr. President, if you don't mind, I'd like to start with you.

Would you share your views with us on the following question: What are your thoughts -- and perhaps you can set us off on whether or not this a period of transformation similar to the Industrial Revolution; and what are the social and political parallels between this period and others? Is this a period, do you think, similar to that of the turn of the 20th century when, in a time of relative prosperity, inequities and insecurities grew and led to reform -- let's not forget advanced by the White House. And is this a new time for some sort of new social contract?

It's a lot of questions, but if you could lead us off.

THE PRESIDENT: Well, the pithy response is yes, yes, yes. (Laughter.)

MR. BLUMENTHAL: I thought so.

THE PRESIDENT: A lot of you who have been here before know that I basically believe that I think that this period is in some instances without parallel, but most like the transformation from the agricultural to the industrial society that occurred over a long period of time but resulted in, among other things, the presidencies of Theodore Roosevelt and Woodrow Wilson. And were not arguably -- that the issues raised by it were arguably not fully resolved until the presidency of Franklin Roosevelt and two New Deals and the advent of World War II.

But let me basically say a couple of things. The wrap on our administration is that we get a whole lot of things done, but they all seem like they're small and incremental and there's no larger vision. I never heard that in '91 and '92 when I was campaigning. And a lot of times now I talk about larger vision in every speech and it never gets reported on, and then the people that don't report it say that. But they may be right, I may be incapable of, or at least so far have failed to present to the American people the larger framework in which these specific things are occurring.

But let me just offer a couple of very brief observations. I think that in a very real sense the history of America is the story of how we have been about the business of forming a more perfect union. And that, essentially, at critical junctures along the way we have been called upon to redefine what America means and, therefore, what it means to be an American in ways that strengthen the union and extend the constitution to the current set of facts.

I think that's what happened when we had to deal with slavery and separatism during the Civil War. I think that's what's

happened when we had to deal with all the good and bad consequences of the Industrial Revolution. I think that's what happened when we had to come to grips with totalitarianism* in the form first of the fascists and then of the communists. I think it's what happened when we had to deal with race and, to a much smaller extent, poverty, in the Civil Rights revolution. And I think that's what happens now --we have to deal with globalization and the attendant revolution in information and technology and science, with all the good things that it brings and all the new challenges that it brings.

And a lot of these processes have been underway for quite a long time, as they often are. But basically we've had one foot in the 21st century for several years now. But that's what I think -- so I think this is truly a historic time with a historic set of challenges and opportunities for the United States.

I think if you look at the political history of our country you see that generally we have been stabilized by two competing political views, one of which attempted to be the voice of the nation and the voice of extending the Constitution to its logical conclusion; and the other, which warned of the dangers of the government. I think ever since Woodrow Wilson basically the Democratic Party has largely been the voice of the nation and trying to strengthen it and extend the guarantees of the Constitution -- weakened by some of the problems which are obvious in the last several elections.

And I think now when the Republicans won the Congress they made explicit that their view was that the government was inherently bad and it ought to be weakened at the expense -- to strengthen the market and the forces of private power and influence. And I think that the fight over the Contract on America proved that the American people agreed with me. So they're trying to fuzz up the argument.

I believe we have made significant ground in the last few years in proving that government could be trusted to be an instrument of the public good. I agree also that people don't necessarily have a new, "articuable" consensus about what the role of government is and what the nature of this time is and how we get the benefits of it while dealing frankly with the insecurities and uncertainties, which this huge level of change has unleashed, and the fears that people have that basically our democratic values cannot be preserved in the face of rapidly moving global markets.

So on balance I feel very good about what's been accomplished in the last five years and I'm very upbeat about the agenda we have for the next three. But I do think it's important to try to give the American people confidence and optimism that can sustain us for the next three years and have them be able to say around the coffee tables of their houses and work places and cafes, essentially what the heck is going on now and what the government is

supposed to be doing about it. And I think that, you know, I've not succeeded in doing that yet -- which is one reason I couldn't past fast track, I hadn't been able to sell anybody on the inextricable links between foreign policy, domestic policy, international economic policy and domestic economic policy.

Q I'm reluctant, Mr. President, to complicate your task, especially for a Democrat. But in some ways the challenge that you face and that we face now is more difficult than the one that Theodore Roosevelt and Herbert Crowley (phonetic) and Woodrow Wilson and all those folks were struggling with back then. The similarity is then, as now, the scope of the economy had outgrown and outrun the terms of democratic politics, which were still organized locally -- people took their bearings and their sense of identity and community from decentralized democratic institutions for the economy to become national. And they were struggling, and we're struggling, about how to ease the gap, heal the gap between the scale of the economy and the terms of democratic politics and political authority.

Their solution in a way was simpler than our solution can be. Because their solution, the solution of progressive politics, of the 60 or 70 years that followed, was to build up the national government; and not just to build up the national government as a counter poise* to economic power, but also to cultivate a sense of national community, to support a strong national government. And this goes back to Herbert Crowley and Sam Veer (phonetic), who emphasized that this is really the genius of the progressive response internationally -- a sense the community had to keep up with the political institutions which were trying to match the economy.

But now the economy is global, our gap is different. And if we simply follow their logic we would have to do what to some extent we are doing, building transnational institutions and conventions and agreements -- from NAFTA to Kyoto to International Human Rights accords. But the terms of political community can't be stretched for all purposes to that extent, which is why people these days are talking so much about the institutions of civil society, forms of political --* and democratic authority -- closer to home families, neighborhoods, schools, congregations and so on.

So it seems to me your challenge, our challenge, is to be able to do both at once -- enlarge the horizons of democratic political authority; while at the same time filling in the intermediate institutions and forms of political community, without which the American people are never going to identify with those vacant structures.

Q These are two points -- one is pretty adventurous, it comes from Roosevelt, who said, we must lay hold of the fact that the laws of economics are not made by nature, they are made by human beings. And what Roosevelt was really trying to do was to undue the opposition between government and markets, on the theory that you can't have markets without government. No one is against government intervention, certainly not the Republicans.

There is a fire in the Hamptons -- I think you were involved in this, I was, too, I was in the Hamptons. There's a fire in the Hamptons and the property owners in the Hamptons, not poor people, needed government protection, local, state and national, to get their property protected. And that's not exotic, that happens every day, that government intervention is necessary to protect ourselves from private violence or public violence. So this idea that government intervention is a bad thing, Republicans can't believe that, no one can believe that.

To expand that a little bit, the same point, liberty in a way depends on taxes. If we don't have a well funded government that's able to protect people in their private domain, we can't be free. So this government intervention versus markets opposition, which Reagan really got going, it's destructive confusion. No one who is committed to markets is against government intervention.

The second point really is responsive to what Michael said and what you said, Mr. President, which is that one way of thinking about the largeness of these supposedly small initiatives is to say that they're an effort to keep faith with the New Deal and the great society under social and economic circumstances that are extremely different and that call for non-dinosaur institutions. And so what we have still, after a few years of this presidency, is institutions that are very poorly adapted for the international market and for our own domestic market.

And what we need and what we're starting to get is much less in the way of government commands and rigid responses that are insensitive to incentives, and much more in the way of two things: information and economic instruments in the form of taxes and subsidies. And the thing that's being glimpsed, I think, and that's really, really good, is a commitment to social values of the New Deal -- which were actually Madison's also -- while at the same time a belief that we need institutions that have the kind of flexibility and adaptive potential of economic incentives, and not rigid dictates. And that's the large thing that's emerging hasn't gotten attention yet, but it's on the horizon.

THE PRESIDENT: We've tried to talk about it in those terms, but I don't think we've registered.

Q After those kind remarks from Michael, I obviously have to --

Q (Inaudible.)

Q -- with whom I agree so much, like any teacher, how much I disagree.

I think it's a fundamental mistake to think that the effort is that of the natural citizenship began with Herbert Crowley and Teddy Roosevelt, and with the founding of the Republic. And

Jefferson's words himself, when he said, "one people," in the Declaration. We're already a people, we discovered that we're a people. We created a constitution, a federation and a constitution. But, above all, we're using these instruments and a great line, ** the ancestors of the Republicans. And nothing infuriates a Republican more than the way the Republicans sell off the best part of their heritage-- which comes from Alexander Hamilton and Daniel Webster and McLean, not to mention Abraham Lincoln and the enormously constructive work that the Republican Party in directing the development of the country after the Civil War.

And we have the same task of making the union more perfect. This is just what the President said in his San Diego --** problem of change or, rather, the old ones emerge. And now the most of their problem, the problem of race, which is what he --*. It's not just race, it's a problem of blacks and whites. And you have to be perfectly frank about that. That's it. And this is not just our problem, this is a world problem. And we are the leaders. If we don't tackle this, nobody will. And --* because we have to set the example. And fortunately, economic things in such balance it could have a little leeway and he's trying now through talking. And there's always a problem about talking. You know, these marriage therapists say to you, got a problem with your wife? Talk it over. That's known as quarreling. (Laughter.) And I say the thing to do is go do something, when some friends of ours have trouble. They haven't said to go and join a choral society. (Laughter.)

That's why I think the armed services are a great example, because they have a mission and you can see who's performing and you can measure people and the color and the -- (inaudible) -- for you. I can't tell you how proud I was in 1975, that parade through Lexington. Every float was segregated, they were all white -- except the armed services, every one of them was integrated. We've done -- and you pointed that out -- I remember how hard it was in the Army, and saw it going on.

So he is right. The question can you do it with talking -- (inaudible) with acting. And competent education is the common prescription. But I don't know anyone who is better qualified, certainly any President as well qualified as you to handle this. You've got more sensitivity, you've got more background. And you're so right to make this central. (Inaudible) -- to solve this by decentralization or (inaudible). It was precisely in decentralized federal America that this vice spread and survived. And as a small town boy who's only too complacent about his small town background, I found an anti-localist. I mean, we were proud of what we did because we thought we were the best people in the country. (Inaudible.)

THE PRESIDENT: Well, you grew up in a small town in Ohio, right?

Q I did.

THE PRESIDENT: I was telling somebody today, I finally

started reading the history of America between the Civil War and World War I. And the way I got it figured, if you grew up in a small town in Ohio and you wore a Union uniform, you had about a one in 10 chance of being elected President. (Laughter.) Every President we had was a Union soldier from Ohio.

Q There were some very good presidents --

THE PRESIDENT: Yes, there were. They were.

Q Sam Veer and Michael Sandel (phonetic) and I are all fans of Herbert Crowley. I think the most important thing in Crowley's book is saying that the transition to an industrial society means that the government has to ensure a redistribution of wealth. I think that was the central thesis of the American Left, up until the '60s, when the Left sort of disappeared.

It seems to me that globalization is, in fact, and in the minds of most poor Americans, going to increase the tendency of the rich to get richer and the poor to get poorer. It's going to be seen, as the press were seeing, as a way of making it possible for decision-makers in Zurich and Singapore to put people out of work in Pennsylvania.

I think that despite everything one can say about government already being big enough, Crowley is still right, redistribution of wealth will only be accomplished through governmental action. I have no idea what the equivalent of the redistributive measures that were performed in the 50 years between Crowley and the '60s can be in an age of globalization; but I think that seeing that globalization doesn't make the poor poorer and divide the country into two nations is probably the first priority.

THE PRESIDENT: Well, let me just briefly respond to that. Somebody wrote a piece in the New York Times a couple of years ago that said that I had a great stealth poverty policy, I just didn't talk about it. But when we raised the taxes on the upper one-and-a-half percent of the American people in 1993, and doubled the earned income tax credit so that today it amounts to a tax cut of \$1,000 a year on any family of four with an income of under \$30,000, that was the biggest redistributive thing that had been done in America in over two decades.

Now, since then, we have raised the minimum wage, we've passed the child tax credit and we've done some other things that I think help. But the one thing that I think is important to know -- you talked about how this redistribution thing went on over a period of decades. When you have a change in the economic paradigm, if the government follows bad policies it can make it worse. I think the Reagan-Bush economic policies exaggerated the inequality. But I believe if a liberal Democrat had been President inequality would have increased when the economic paradigm changed, in the absence of

dramatic measures to the contrary, because new kinds of skills get rewarded.

And we have the education premium, the skills premium, for example, today, as compared with 30 years ago, is breathtakingly different. So the one other thing we've got to do is to change the job mix in the country, change the investment incentives for the people that are left behind and dramatically universalize high quality education. I do not believe that we have the power through tax policy alone to restore equality without having more widely dispersed skills and a higher level of them. I may be wrong, but that's what I believe based not only my study of history, but my analysis of the present situation. And I say that having affected the biggest redistribution of wealth that there maybe one of the things that cost us the Congress, because people didn't understand it. But it was a big redistribution of wealth and I'm proud of it, and I was glad to pay my extra taxes. And it helped to get the deficit down and got the economy going again.

But I think we've got to recognize that we have a lot of people in this country that are almost dysfunctional in the kind of economy we're living in. We've got to give them the capacity to be more than they can be right now.

Q I basically agree with you, Mr. President, about the parallel, historical parallel between late 20th century America and if were to project back in time 100 years ago, the fundamental changes that were sweeping the nation economically, in terms of our industrial foundation with a new industrial economy.

But something else that comes to mind when you think about these two historical periods together, there was, 100 years ago, enormous anxiety and fear about change. People were reacting to change, almost irrational fear about change. And I think we see some of that today, as we saw it 100 years ago. A hundred years ago the nation was reacting to the enormous tidal wave of immigrants from Europe, eastern and southern Europe. We see this today, certainly in a state like California, where I'm from.

Part of it is based on irrational fear. But I think part of it is based on not being able to cope with change. So here's the challenge I think that you face and your administration faces: how do you convince the American public that the government is best situated to facilitate that change; and that change need not be feared, that it can be embraced. And we are positioned, even though we live in an extremely complex society, for the government to be the engineer of that change, and the President and his administration the head of that -- (inaudible). That's a hard sell to the American public, because I think there continues to be a great amount of fear about changing society, changing economy, changing job, labor market. But I see it as an enormously important part of American democracy in the next century.

THE PRESIDENT: If you go back to what -- just very briefly I'm going to try to spark -- go back to what Cass (phonetic) said about how we're trying to find less bureaucratic answers with democratic values to build a common society and preserve the social contract.

If you think about the New Deal and afterward, in the '50s and '60s, the world that most of us grew up in or lived a lot of our adult lives in -- we basically had Social Security and Medicare for people who worked their way, all through their lives, and then they went out of the work force because of their age. And we had a welfare state, if you will, of some significance, if people fell out of the work force. And then we had an unemployment system if they were temporarily out of the work force because of the business cycle we thought they'd already come back in.

Right now, more and more jobs feel like free agencies and pro athletes -- I saw somebody wrote that -- the difference is you didn't make \$3 million last year so you've got to find something to do tomorrow. And so what we've tried to do with health care, with retirement, with lifetime access to education, with all these, is to try to create a more flexible, if you will, safety net to preserve the social contract for people who are dislocated by change, so they can move more quickly and more fully back into the normal mainstream when they fall out. Because you're going to have people moving in and out in ways that are different from the way they used to.

Nobody's commented on this now, but one huge difference between now and a hundred years ago is the dramatic difference in the role of women in our economic and social life, which aggravates almost all these trends we're talking about

Q I think we all share the view that -- I shouldn't presume that, but from what I've heard -- the view that you have that markets cannot exist independently (inaudible) of social institutions, safety nets, the military structure, structures of distribution and so forth. And I think the issue that globalization and this process of rapid change is bringing to the fore is, I think Michael Sendel (sp) put it very nicely, is whether these forces are now extending beyond the national status and therefore you can no longer have nation states or the national governments perform these roles because the scope of the market has gone beyond that.

As an economist, I'm used to bringing the dismal message, but I think here actually there is a more pleasant message from economics. And that sort of downplays the role of globalization in this.

Let me make a distinction between two different questions. One is whether the internationalization of markets has increased in the last two or three decades, and certainly the answer to that question is certainly yes. A separate question is whether the whole world economy has become such a unified, single market

that, in fact, national governments are virtually powerless to shape their own societies in ways that might differ from those in their trading partners. And here I think overwhelmingly the evidence is that the answer is no. We're very much away from that. We've not reached anywhere near that.

By many measures, in fact -- we compare today's globalization with that in the 19th century -- by many measures, in fact, today's globalization does not measure up to that in the 19th century. Even the levels of capital flows that we see measured.

I think the positive message that comes from that is that not only is there still a very important role for the national government in terms of providing these institutions, these safety nets, these regulatory institutions and (inaudible) but the nation state actually still has the power to do that. And I think if we forget that then we are going into a mode of defeatism and just throwing our hands and saying that the requirements of competitiveness, requirements of the world market forbid us from doing this or that, whereas I think the appropriate way of looking at what's going on is that there are -- still national governments still retain considerable degree of autonomy.

And I just wanted to say that because I think we have to view what's going on in its appropriate context. I've written on issues that sort of suggest that globalization is creating a lot of important social problems. I also believe that in fact national governments retain substantial degree of autonomy to actually deal with these things. And with some help from (inaudible) at the international level (inaudible) which is a whole separate issue.

THE VICE PRESIDENT: Could I interject a brief question? I'm surprised by your -- I've been terrified since the beginning of the evening of betraying my ignorance in a flamboyant way -- (laughter) -- but I'm surprised that your search in the globalization in the 19th century exceeds the levels of and importance of globalization now. What do you mean by that?

Q And the height of the gold standard at the turn of the 19th century, the present century, if you look at the volume of capitalist (inaudible) across countries in relation to the national income, or if you look at flows of trade in relation to national income -- they've often exceeded the levels that we observe today. That's what I meant.

THE VICE PRESIDENT: Is that true in the United States?

Q For the United States in terms of trade, the openness is only slightly above the level that prevailed before World War I. In terms of capital flows, it's actually less, in terms of its relationship to the whole economy.

Q On this informational question, if I could impose on Dan Juerger (sp) and see if he has anything to add just on this.

And I'll call on you in order anyway.

Q I think it's (inaudible) yes in the capital flows. But in terms of communication and the ability for people to network, work around the world and to function as part of economic organizations instantaneously across borders, I think that's a whole category that the 19th century experience isn't relevant to. I mean, you're just part of it all the time, part of a 24-hour economy.

Q I'm pleased to see we have (inaudible) for a model for the future of progressivism and liberalism (inaudible) because I think the (inaudible) -- you have two sides. You have Wall Street and Franklin Roosevelt, and the progressive model suggests we have three sides. (inaudible) which is resisting the future (inaudible). Then you get -- a particular politician (inaudible) and if you just get out of the way, this revolution will miraculously produce this (inaudible) prosperity.

Progressives in the 1890s, and I think in the 1990s as well, had to steer a course between the (inaudible) this mindless utopianism. And it's a very dangerous course. And one of the issues that made this so difficult is because of the science fiction, that we have no story of the future, no (inaudible) in which the nation state plays a role in the advanced high-tech space (inaudible) role of the future. All science fiction assumes that the nation state becomes obsolete in the 21st and 22nd century. We get world government (inaudible)

I can't think of how many times I've read articles in (inaudible) and I think it has a pernicious, disabling effect on progressives in the United States and also progressives in Europe, because the article says, "now that the nation state is dead" (inaudible) either between world markets or the local councilman, or perhaps the (inaudible) but there is no story in the popular mind of globalization that is progressive, high-tech is advanced that is achieved by negotiation among strong nation states.

THE PRESIDENT: Well, let me just -- I don't want to interrupt the flow here, it's great. See, one of my theories is that we have to somehow get people to want a stronger nation, a more unified nation. We have to have sort of a new nationalism, if you will, to have the proper approach to the rest of the world. And one of the legitimate raps on this administration is we haven't figured out what our bumper sticker slogan is, like New Deal and Progressive Era and all that sort of stuff. But we really have to have that; otherwise this won't work.

There is no other unit other than the nation state that can create the kind of atmosphere of positive interdependence that we need both within the country and beyond our borders to do what -- to have what I think most of us would think of as a good life for our people.

Q Mr. President, I think one of the few people who

have figured this out is Senator Jesse Helms. If you look at this (inaudible) the past couple of decades, there has been this fear among (inaudible) reactionary conservatives that the nation state will become an instrument of globalization. In other words, that the federal government will team up with the United Nations to pass a child labor law (inaudible). But this has not seeped into the public mind and I think it disables those who, I think quite correctly, don't see any contradiction between this nationalization and (inaudible).

Q Let me try to put a few things together, starting with a slight disagreement in what is of course an empirical fact that in terms of (inaudible) 1912 was the (inaudible) from 1990. But that was trade in natural resources, that was trade in (inaudible). It was not trade in ideas and entertainment, in sound bites. It was not trade in the software of the new technologies. And we are now trading in -- and globalization is defined not by natural resources, but in fact, by information, by entertainment, by ideas, by pictures. And that means that that trade has a far more profound effect, which I think you were getting at in talking about that.

That it seems to me also changes the picture a little bit for the question of the nation state and the role of the nation state, because the nation state is a kind of physical entity, born in a material age and -- it's a natural resource, it's a physical thing. And in a virtual world, dominated evermore by information, the very notion of the nation state as a territorial and physical thing becomes more difficult.

And here I wanted to change a little bit the direction and say I think there's a powerful disjuncture, and I hear it here tonight and I see it all the time in America, between what Americans who don't read books very much but watch TV and are deeply anxious and worried, are thinking, and what opinion elites -- even the good opinion elites like us -- (laughter) -- because we tend to think things are okay, we tend to respond to anxiety by reciting facts, by telling people that you're okay, it's not as bad as it looks, global markets aren't that bad, they'll do good for you, not bad for you, there are a lot of new jobs there, there are a lot of new careers available.

Whereas a lot of Americans just aren't buying that. They know, they see that they hold jobs, often several -- maybe two or three of the new jobs in the world economy (inaudible) they know there are a lot of new jobs around. But there are deep anxieties that I think are not being addressed. And I still have the problem here with the last four or five years that I think this has been one of the most active -- an activist administration of the postwar world. I don't think it has found a way to communicate to the people what that means for them.

You used the word -- I agree with that -- the story. I

don't think the story is clear. I don't think the story of what you are doing affects the international economy and globalization, the future of our kids, education. It's my view that opposition to affirmative action is not really about race, it's about fear that we're not going to win the competitive race and something is wrong out there and we need every edge and we're not getting it with affirmative action.

Fast track to me is frightening to Americans because fast means out of control, and that very term gets them scared. They're not thinking about executive authority over trade treaties, which is what it's about. They're thinking fast track means somehow globalization is going to go even faster than it's been going, and it's going too fast for us already.

So finding a way to tell the story in a virtual age when images and communication and the new technologies are making the traditional language of class, of nation state, of bureaucracies less and less relevant in addressing the fears and anxieties of ordinary people seems to me to be the great challenge. I know there is no easy answer because in a sense a new language are born now and it's not yet fully born, but without that language I think a lot of Americans are going to continue to be deeply anxious about everything from health care to affirmative action to global markets, without seeing how all of the many important measures being taken by this administration and by local government make -- they don't see the linkage, they don't see the story, they don't see how it really affects their lives.

So I think finding that language and developing that language in a speech in which some of the outlines of that language because clear rather than simply a recitation of what this administration has done and what it intends to do, point by point, to address the specific problems of America and the world today is what's needed. I know that's not easy because I don't think language is a very -- I mean part of this a new invent of a language. What America did when it was founded-- the great task of America in the 18th century was not just to invent a new Constitution, but to invent a new language -- to transform republican language its European usage to ways that described new realities here.

And finding a language that describes where we are in a more virtual world where material entities like natural resources and national states no longer tell the story and give a narrative to people seems to me to be the real challenge. And unless that can be done, I think anxieties will grow -- despite the objective good news subjective anxieties will grow, and I think you will continue not to be credited with the extraordinary work that the administration has done and it's continuing to do.

Q I'm actually a little more optimistic than all of the other commentators around the table, Mr. President. I think that the hatred of government seems to have, perhaps we would say, historically died in the blizzard of 1996, and that it's much less an

issue now. We are going through a period of remarkable change -- I'm not sure that the word globalization describes it correctly anymore. It's more a globality, it's already here, these changes. Technology really ties things together so instantaneously.

And I think that, as I was listening to what you said, it was really -- we have this very, I don't know whether the term calling mobile economy -- things move fast. And part of what this administration is about is addressing the skills sets and the social safety nets that you need in a mobile economy when things move that fast. It seems to me that the theme you had two years ago in your State of the Union address is something to return to when you said the era of big government is over doesn't mean that the era of no government is here, but it's rather refining and defining what government is in this mobile economy.

I think that you've done part of it in something that, strangely enough, there is not enough credit for, although it's talked a lot about, what has been done on the deficit, which is really a platform from which so much else that is beneficial to this country and the rest of the world -- it's what's made us the Rock of Gibraltar in this time of economic turmoil.

It seems to me that there are three things to talk about. One is, of course, what you said, how do you convey the benefits that we're getting -- and we, this country, is benefitting enormously from being part of this global economy -- and to make that connection. The second is to deal with the issue of leadership. Just as the world benefitted from American leadership during the Cold War, the world and the United States will benefit from that kind of leadership in the global economy, which is here, and it becomes really defined in terms of enlightened self-interest.

Obviously, as you were dealing with it before this dinner, there are real risks there -- the contagion from Asia, support the international institutions like the IMF that needs to be built into this. But it seems that in that arena of our global leadership and the benefits it's bringing to the country at home is part of the very important message.

Q I would like to inject, before you speak, Paula, just some additional thoughts that you might think about as you continue the discussion

(End of tape one, side one)

(Continue tape one, side two)

(In progress) -- economic issues, on the one hand, and social or values issues on the other, should be addressed separately, or whether they can be dealt with together. And that includes issues like the tensions between working family and the roles of women. And

also, the question of why people think the rights rhetoric on values resonate so much, especially with families in the country, and whether people think their approach to values has been useful in sparking a debate, or whether or not their agenda is an obstacle to dealing with values questions.

But I think this economic and values tension is something that I hope people will also address, as well as globalization now. And I'm going to call on Paula because I know she's done some work on that as well. But please speak on what you were thinking.

Q First of all, I want to say that I think that what's happened in the last few days has been incredibly important. (inaudible) -- all the calls that I've gotten in the last two days, one, my daughter and people of her generation, 20-year-olds, is (inaudible) about the expansion of the Peace Corps. And we were talking earlier, a few of us here, about the fact this generation feels that there's really no hook, no place for them to be a part of the nation (inaudible). And for a lot of us who have had that experience (inaudible) but it would be the greatest movement -- other civil rights movement groups were a part of this younger generation hasn't had that.

And when they heard about the expansion of the Peace Corps, that that might be something they could take advantage of, it was very important, the group of young people that were around my house over the last few days and hearing this. And so I want to thank you and say that that's part of the tone of the message that's important.

And two other things that have happened -- and this isn't just to advertise yourself, it's really -- I think these are the kinds of things that resonate -- the child care effort that happened this afternoon. David Hamburg (phonetic) and I were talking on the phone this morning -- this is cross-cutting across America. This is the kind of inclusionary politics that crosses class, it crosses (inaudible) people with various occupations (inaudible) but also puts meaning back to what our nation is about and what good government is about. I'd like the conversation (inaudible) to also address the issue of good government, not the question of less government, more government, but what is good government. And this is exactly -- this kind of an issue people get.

And the final word that I just wanted to -- the (inaudible) on health care. Now, the expansion of that -- it's terrific. It's in some case a women's issue that -- it's always on the top of our -- big women's issue (inaudible). We do 90 percent of the care-giving (inaudible). Anything that is going to help out women on this is going to help families, all the dependents, et cetera. It's wonderful. And these are the kind of issues I think that's sparked the kind of (inaudible).

I'd like to say just two other quick things on that.

One is that I think that most Americans, from the focus groups and things we've been doing across the issue, people do not have a (inaudible) case on the global economy. And if there's some way that that could be translated for Americans to get. And I don't know what the sound bites are, that's not my field. But when we were thinking about doing the project on NAFTA (inaudible) we had been thinking of looking at three different family units, one in Mexico, one in the United States, one in Canada. And we were doing a more up-close examination of that. People need to understand these issues in a more intimate way.

And right now it's confusing, it's frightening. I think people don't get it and I think that we need leadership on this. People need to find a way of getting inside it that provides comfort instead of fear.

And the last think I want to say, because I don't want to take too much time, is, of course, the world family issue. We presently have and we've had certainly since World War II -- the way our institutions are set up they remain fixed as if Ozzie and Harriet were the dominant (inaudible) and we know that's not true. I'm not even sure how true Ozzie and Harriet were back in those days. It certainly wasn't true in my own family. But it doesn't work. It doesn't work (inaudible). And probably the most important common ground theme that we've heard in focus groups from Republican (inaudible) and yuppies up in Seattle and retirees down in Florida was this issue of people not feeling that they have a chance to experience a quality of life.

They don't feel they have the time. They feel incredible pressures. They feel the anxieties that were mentioned. I think that's exactly right. And it's not because the economy isn't doing well. A lot of people are even doing better on that level. But deep down there's this incredible sense of disjunction between the various institutions that play on people's roles and lives.

In some ways that has been put forth too often as a women's issue. Yes, yes, it's a women's issue. But it's a universal issue. And we need to have leadership. And I want to say that in all the focus groups one of the things we heard is that people, bipartisan, different people in different age groups, feel that there's not political leadership on this -- that there's not political leadership in getting our institutions to work together for the better of the nation and for the better of the people.

And there's a desperate wanting of that. I think that's the hopeful part. But how this is going to come together, how we get work to be reorganized that really enhances family values and community life -- these are the questions of the 21st century and if we're (inaudible) we're really going to have to give the American people a sense of hope and leadership that this can happen.

THE PRESIDENT: Let me just briefly say, to tie that to the comment you made about the Peace Corps, since I have been here, the largest number of specific comments made to me -- specific comments by ordinary citizens when I'm out and around, working a ropeline and a crowd on the street, whatever -- about things that I have done that have affected their lives have come from two sources, two things. One is, people who have been in the AmeriCorps program, the national service program. There are 100,000 of them now so there are a lot of them out there walking around. They said it changed their lives and made them feel ennobled and blah, blah, blah. And people who -- one of the 12 million people, now probably 15 million people who have benefitted by the Family and Medical Leave law because it went right to the heart of what you're saying. This whole business of -- one of the reasons the child care thing will be so important is that it helps people balance work and family.

Let me just say one other thing on the trade deal. All the research I've seen shows that superficially people are quite confident. That is, superficially, most people believe, the overwhelming majority of people believe their economic situation will either get better or stay the same next year. But when you scratch the surface they're very concerned about what they consider to be the moral tensions in American life. And what of it is work and family, a lot of it is not having time to raise their kids, a lot of it is worrying about crime and drugs. But it is -- there is a sense of things still not in balance.

And one of the problems we've got on the global economy, let me say, is the benefits -- Ben Barber (phonetic) said this -- the smartest thing he said -- he wrote me this letter, he's absolutely right -- is that you cannot answer these problems with the facts. If you confront people with a laundry list of the facts they will turn you off. You have to change their imagination.

One reason is -- let's just take Louisiana. Louisiana just lost 3,400 jobs when Fruit of the Loom closed these big plants. Now, it didn't have anything to do with NAFTA really. It had a lot to do with decisions they made. But anyway, they did. You couldn't convince anyone that 100 percent of those jobs weren't lost because of trade. Or in a larger sense, something I know more about, Levi Strauss just announced they were downsizing by 11,000; most of us will buy more Dockers khaki pants and fewer denim Levis now. That's the main reason that they are. But you couldn't convince anybody that Levi is not closing all those things because they're going to give these jobs to somebody making 10 cents an hour.

On the other hand, all the jobs we got out of trade were added incrementally in small groups, somebody else got them, it didn't get a headline. And I do think, to me, that argues, among other things, for being much more explicit and coherent about how we should be helping people if they lose their jobs, whether they lose it from trade or not. People don't care whether they lose their jobs

from trade or not. If technology displaces them or if the boss screws up, or whatever, if you're still in your working years and you're treated like a free agent, you don't have lifetime employment anymore -- we need a way of expanding the winner's circle, to use the DOC phrase that's been around, quickly. And that will capture people's imagination and they can put it with all the new jobs and think, well, I got a way better than average chance to come out of this, I think on that.

But you're absolutely right about the trade deal. It just kills us every time it comes up.

MS. WILLIAMS: I might be a little scattered -- I'm very nervous, I must say. But I wanted to address the question of science fiction and of the story, because I do think that you, Mr. President, are doing all the right things, but how one conveys that story really is fairly complicated at this moment in time when the right has so captured the metaphors and the sort of sailing ships of language and the rhetoric. And so let me just throw out my own thoughts of what the story is and how it might be recaptured.

It does seem to me that there is a way in which the image of the "city on the hill," which has been such a consistent theme in our political discourse, has been revamped as a certain kind of Olympus of privilege for those who have earned it by certain acts and then Olympus as a gated community, as opposed to the new Jerusalem. And at the other end of this is not just a hell, but a prison. And there's a certain sacrifice, an image of sacrifice, almost -- (inaudible) of humanity at the other end. And although it's not explicitly racialized in a lot of us, it is visually racialized in terms of our television media.

And there's another tension that seems to be going on between the notion of American's perception of our government as being embodied in the Constitution. There's an equation with the Constitution as protecting certain inalienable rights -- or the Declaration of Independence -- but there's a certain inalienability to our participation and what we expect from government. And rather than really being at polar opposites with the market place, it seems like the language of market has invaded that sense of inalienability and made it precisely alienable in the ultimate market sense, so that now the discourse that has been so powerful in the wake of the Reagan and Bush administration -- this question of sort of purchasing freedom, a question of purchase of freedom, which is almost a replacement of the purchase of Christ. But it's purchase in almost a prayerful sense rather than a political sense. It's purchase which implies the option of not purchasing, of opting out in some sense, if not -- if you don't want to pay for it, you don't have to. I shouldn't have to be taxed for the common good. I should only be able to sort of buy it like slipping a coin in the slot of the automat of political presentation.

Overlayed on top of that, it seems to me, there's also a hive notion of humanity. I was going to really describe it as sort of a very econometric notion of discreet, hard-edged individuals who make rational choices and so forth, which really has replaced a notion of citizenship. But there's this other level of hive mentality where you have sort of the queen bees and the king bees who are sort of those who are the skilled workers, but not just skilled but who earn it by merit. And at the same time, an overlay on that of people who were born to it. Merit is almost at some, again, popular sense, merit is something with which you are born. And the extension to which unskilled laborers is frequently -- there's a subtext of that as those are people who are born inferior, the genetic inferior, the Charles Murray side of that -- and again, visually racialized, if not explicitly. And again, the split between those who by virtue of being either skilled or born to it enter Olympus, and those who are unskilled sort of fall into this realm of Sisyphean make-work and display labor, whether chain gangs or work-fare.

One of the most powerful, almost medieval embodiments of this was about a couple of weeks ago there was an article in the Wall Street Journal, it was on the front page, and the headline was, "women on welfare" -- something like "women on welfare find freedom through prison."

THE PRESIDENT: Working in the prison.

Q Yes, working in the prisons.

THE PRESIDENT: They got jobs in the prisons. Yes, I read it.

Q And it was all about these women who were -- and again, the article didn't say any of this explicitly, but through the use of pictures and through very subtle images cast two black women as mothers of potential criminals, and therefore, their way out of it was to learn how to not just guard them in the prisons, but at one point, to kill them. And from this there would be hope -- it was characterized as demanding work, it was characterized in the brightest and most biblical of terms, actually.

And it seems to me, it was a wonderfully crafted epic, with lots of rich mythological symbolism laid in it. And to sort of unpack that, it seems to me, the power of that particular piece is at the heart of what -- if you could invert that, recapture that. But when I read that piece in the Wall Street Journal -- the final thing I want to say is that it reminded me -- my response to it, what I kept thinking of was there's I think a chapter in Isaiah, and it's about the city being forsaken, and this particular image of these women being in some way mythologically wedded to these prisoners, to these male prisoners, struck me as being the precise antithesis of the exhortation in Isaiah that this shall be the city in which you shall -- there's an image of marriage, that the city shall be like a bride and we shall adore you like a bride. And it seems to me that

that has been so completely abandoned as a vehicle for something we might revivify -- this is a discussion.

Q Mr. President, I'd like to take up Sidney Blumenthal's challenge on the values problem which I think is a very important one. But I think you know how important it is to work even harder towards expanding the winner's circle. I think there are some very important things that can be done, whether it's returning to some expanded version of the G.I. Bill for American Workers that was put on the table three years ago, or thinking more expansively about what some people call under-employment insurance -- sort of the 21st century version of unemployment insurance -- or whether, as I believe is imperative, it's time to declare an urban education emergency, because we don't have one public school system in this country, we've got two -- one is mediocre and the other is failing. It seems to me that the theme of expanding the winner's circle is capacious enough to include a lot of things that need to be done in this country.

But I guess I want to focus on the values question that Sid Blumenthal put on the table because I've spent the past year and half of my life serving as Executive Director of something called the National Commission on Civic Renewal, which is dealing with some of the questions about Bob Putman (sp) and others put on the table. And in the course of that, I've spend a lot of time wading through survey data, focus groups, any evidence that I could find about what Americans are really feeling -- (inaudible) -- about their current condition. And I've reached the following conclusion.

They feel much better about the economy than they do about the society, and they feel much better about their own lives than they do about the country as a whole. One of the best students of American public opinion I know, a fellow by the name of Andy Kohot (phonetic), who is the head of the -- (inaudible) -- center of people in the press here in town, has talked about what he calls his optimism gap. He's been charting this now for nearly 25 years and he says that he's never seen a wider gap between how people feel about their home lives and what they think about the present state and future course of the country as a whole.

And so I've asked myself, well, what is the source of this optimism gap. Why has the economy, which is really in incredibly good condition, made people feel relatively optimistic about their own prospects, but what is there that's not the exact spot? It turns out that not only can't man live by bread alone, but nations can't live by bread alone. And people understand that. If you ask them what's wrong, over and over again you hear the same four things: number one, people are terrified about the condition of the American family. A circumstance in which 30 percent of all kids are born out of wedlock and 50 percent of all marriages end in divorce is something that scares the hell out of the American people. They don't know exactly what to do about it. But it is deeply disturbing as a reality.

Second, there's a conviction that the ties that bind in

neighborhoods and local communities are much weaker than they were a generation ago. There's an elaborate scholarly debate as to whether that is true or not, but I can tell you this for sure, people think it's true. And that belief that it's true is a powerful element of social comment.

Number three, crime and personal insecurity. And I know there's been an enormous amount of progress on this front for the past five years, but I've got to tell you, people are not comparing crime and security for what it was in 1990. They're comparing it to what it was in 1960. And by that standard, we have a long way to go as a country. And I find it impossible to overstate how important the culture -- how important to the state of the entire culture the explosion of violent has been over the past two generations, because not only has it created personal insecurity, it has also weakened bonds of trust between fellow citizens, and it has also discredited government because the protection (inaudible) -- that's the third thing.

And finally, people in general, parents especially, really believe that there needs to be (inaudible) creative social environment in which it becomes more and more difficult for parents to raise kids decently and to keep control over the fact (inaudible).

This is not what I think, Mr. President. I think that this is what the American people think when you ask them, and try not to project one's own beliefs as a relatively successful college professor on them. And I think that raises profound challenges for millions of people in this country. I think you've done better than anyone could have in associating yourself with these (inaudible) concerns, the concern about the state of society. But people are still feeling this way.

And I'm not here with a laundry list of things you can do to make them stop feeling this way. I think what you've done on crime is incredibly important, but I think as a country we need to think a lot harder about the importance of family in our lives and why people see sort of spooked about the state of the family. And I think we need to think a lot harder about ways in which national institutions, whether they be government or corporations or foundations, can deal in a productive way with the problem of the ties that bind individuals and neighborhoods. Because if we can do that, people are going to start feeling a lot better about the country.

Q Mr. President, I would like to elaborate on some of the points that Bill Galston just made because before we forget, when we talk about all the dynamism and complexity in the economy, we forget that there's been a kind of double whammy effect, certainly in the past 25 to 30 years, with respect not only to the economy, but to the American family, so that part of the anxiety and fear and concern about the state of the American family I think has to do with the

fact that the economy offers all kinds of uncertainty and family life does, too.

The family, too, has gone through a period of dramatic, historic change in its organization, in its complexity, so that one foot is on the economic sand and the other foot is in the sand of family life. And together, those combined effects I think contributed to this sense of grave concern and uncertainty about our kids, our future, where we're headed, where the nation is headed and what I as an individual trying to do my best, to get up in the morning and do my job and raise my kids, what's life going to be like for me.

And Bill Galston has made this point in writing so many times that I want to acknowledge it from him, but I think it's worth saying, and perhaps posing as a question -- is there a sense in which family should be a great exception to all these other things that we see going on? Is the family in some sense an exceptionalist institution in the sense that it must provide some kind of certainty, some basis of permanence in people's life, some certain conditions that make for the forging and maintaining of strong, enduring bonds over time between the generations? or will family life begin to resemble the global economy? And so this is, I think, a source of something to think about.

Second point, on this question of language, do people in their homes make a strict division between what's going on in the economic realm and what's going on in the domain of the family -- I want to make the argument that primarily the conversation at the kitchen table in America, as opposed to the conference table or the President's table, is a conversation, a language, about moral values. And it has to do very much with government as well. But the language is that of moral values, how do we raise our kids, how do we pass on values, how do we teach our children right from wrong.

Here's the example. In the mid 1980s, I went around trying to talk to middle-income mothers and fathers about the obstacles that help them -- the things that help them and the things that hurt them in raising their children. They consistently pointed to the market and the culture and the messages about things that you can buy, shaping your identity, about the extravagant cost of sneakers and kids thinking that if they bought sneakers, that somehow made them Michael Jordan without putting the effort into it. And out of this came an idea sort of in conversation that wouldn't it be great if schools had uniforms. Why? And here I think was a nice example of where economic considerations and moral considerations were so deeply fused and intertwined in the language, you really couldn't separate them out.

Why uniforms? Well, first of all, they didn't cost so much. You could buy a couple uniforms for the kids and they were all set. Two, on the moral front, it eliminated the kind of competitiveness among kids for brand-name clothing and a sort of artificial status based not on achievement and effort, but on what

you could buy in the marketplace. So here's an example I think of where the kitchen table conversation is a conversation primarily about rearing children and about what we teach our children and about how we prepare our children for the future.

And then, finally, on the issue of expanding the winner's circle, I've been paying close attention to women and the non-college majority, and it's an important group because I can't think of a group in this society who has so much responsibility for the rearing of children and whose lives are changing in such dramatic ways.

Non-college women have increasing -- cannot rely on marriage; they spend lots of time as single mothers doing their darndest to raise kids under difficult circumstances. And of course, they no longer have welfare. So the three cards -- a college degree, a husband, and welfare are not cards that are particularly available for them to play. And yet they feel a tremendous responsibility for raising their children.

So how do we expand the winner's circle to include younger women, many of them mothers already? How do we make -- what's the success strategy for women in the non-college majority?

Q I'm going to call on Michael Sandel next, but I'd like to pose a whole new set of questions as well. And these questions deal with the ideas of national identity and the question of the nation itself. And they relate to the questions of values and the discontents about the economy as well.

And these are: How can a multicultural people create a national identity that avoids the pitfalls of identity politics? And this actually falls into a whole other question, which is the question of government.

You know, Ronald Reagan brandished the symbols of nationalism while undermining national authority, and did so very effectively. In a new era, what's usable in the American tradition to reanimate the national idea? And how can the role of government be legitimated again after a period of decades in which it's lost moral authority?

I'll call on Michael first.

Q I'd like to maybe kind of begin to address some of those questions by starting out with what I thought was a very powerful statement just now by Barbara about the connection between economic themes and moral and cultural themes. I think that we, as Democrats or progressives, suffered for a generation to the extent that we shied away from the moral and cultural themes that Barbara has been talking about, until the campaign of 1992 and your presidency. Democratic candidates effectively left the moral and cultural training to conservatives and to the religious right, not only politically, but also substantively.

We were talking before when we were talking about the economy and globalization, about fear and anxiety and frustration. And there's one set of fears and anxiety that I think has been powerfully and convincingly addressed in the themes of this administration, about the role of government being to equip Americans to compete effectively under conditions of the global economy -- job training, education, child care, health care -- for the sake of being able to prosper economically under the new rules.

But even if that agenda were fulfilled and made persuasive to the American people, there would still be another set of fears and anxieties and frustrations having to do with a sense of disempowerment, that people feel as they look about them -- looking upon the global economy but also on developments in families and neighborhoods and in public schools -- worry about the frame of the moral and social bonds, erosion of authority and of community.

This administration has things to say in response to that set of fears, too. But I wonder if it would -- but somehow since we're really -- we're playing catch-up in that sense of responses, because there's been a fallow period of 25 years prior to this administration when Democrats and progressives didn't really speak to those concerns.

I wonder if it wouldn't make sense as a way of defining the moral and political project of this administration to acknowledge directly these two difference sets of fears and frustrations, and then to lay out very clearly the sets of responses and policies that address the one and those that address the other. And the overall affirmative picture that can speak to the second, and this the conservatives have failed to do, has to do with the way in which authority and communities (inaudible) families are undermined by the effects of the commercial society and the popular culture and commercial advertising -- forces the conservatives for political reasons don't want to talk very much about.

I think we could be persuasive there. But I don't think we've articulated (inaudible) that set of responses to the fears and frustrations as we had to the economic one.

THE PRESIDENT: I think a lot of times we tend to get knocked off of it or not be able to do it on a consistent basis. We have done a lot of things -- when the Vice President did all this work on TV ratings and the v-chip, that was a huge deal with ordinary Americans. And we went out to a home in Virginia and sat with parents and their families, you know. When I went to Long Beach, California, to highlight their school uniform program, people ridiculed me about dealing with little things. Well, there was an article in The New York Times within the last month which pointed out that now over 20 percent of the school districts in America, containing over 30 percent of the students in America, in the last three years have adopted school uniform policies, and without exception school violence is down, discipline is up, learning is up,

the dropout rate is down, things are going better. I didn't spend a nickel on it.

And after I went out to Long Beach, they were flooded for weeks on end with requests for people to tell them how to do this and the Education Department had to put up -- did a brochure and sent it out all over America and said, here's how you set this up, here's how it can be constitutional.

So I agree with you. I think the non-economic value issues are very, very powerful, and in a way they cross. That's what the child care thing was about. They cross. And I think that our ability to recapture support for a national vision for government rests in large measure on our ability to have people see it as the instrument of their fulfillment of their moral values.

THE VICE PRESIDENT: I've learned so much already from what's been said here. It's just fascinating. And I really appreciate the chance to listen in on this. I was thinking about some of the similarities between the discussion that I was in with the President before we came here and this discussion. One of the underlying problems with the Asian economic crisis is that the climate for investment has to be one that inspires confidence so that people are willing to put their money back into this economy or that economy.

I think that's potentially a metaphor that is useful in exploring the question Sid put out here about identity politics, because the investment flows relevant to that question are not financial, but psychological and spiritual. I think that the rise of cynicism in the United States is partly a reflection of a poor climate for psychological investment in the nation state. People believe that proposed solutions have failed, unintended consequences have outweighed the intended benefits, a series of body blows to the body politic have sort of shaken our confidence in the nation state. And I think there are a series of centrifugal forces that are indeed pushing that psychological and spiritual investment out into the global civilization.

I think there is a way to reconcile the initial dispute between Professor Beard (sp) and Professor Sandel (sp) in that, yes, there was a national identity and an investment in that national identity at the beginning of the republic. But there's no doubt that when the Supreme Court reinterpreted the commerce clause and when the Constitution was amended and when all these new laws were passed and the Progressive Era and the New Deal, then the national identity was filled out in its richness and fullness. And I think that in that way, just as there was global identity before, it's being filled out in a brand new way. Every business in the United States practically now looks at its market in global terms. All the scientific associations keep up on the Internet with what their colleagues are doing in Beijing and Stockholm and everywhere else. And when we talk about policies here, there's always the international dimension, and that's different in real ways from what it was before.

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But I think we're beginning to see a reinvestment in the nation state. But the dominant trend I think has been a disinvestment, spiritually and psychologically, in the nation state. But I think there's been a simultaneous reinvestment not only into global entities -- I agree with whoever said that that's just too remote for -- you've got to have the intermediate institutions -- I forget who said that, but it's too remote. I think there's been reinvestment in two directions. Outward to the global civilization, but downward to regions, whether it's the Basques or the Flemish or the Pacific Coast.

And I think that in some ways this same process of disinvestment and reinvestment has been taking place in the family, because the new power relationships, thank goodness, between men and women have changed the internal dynamics of the family. And I think the practical reality of family life has been completely transformed by electronic media. I think specifically that television, number one, and telephones, number two, have caused a huge psychological disinvestment in the family. And that's being redistributed into a national and international culture. And people are disoriented by that.

I think that in order to address it, there has to be attention to the way in which people seek to have their psychological and spiritual needs met. And I believe that in a practical way there's a kind of set of concentric circles, and I believe with Barbara Whitehead that the primary venue within which people live their lives is the family. That's the psychological and spiritual space in which most transactions take place. And I think that one of the fundamental objectives of national policy -- because the nation state is the primary unit of account and will remain so, regardless of these investment flows -- one of the primary objectives ought to be to strengthen and buttress the family and make it easier for families to strengthen and buttress the individuals and become healing institutions rather than dysfunctional, malignant institutions, which they are so many times now.

Then I think the next concentric circle is the community. And I think that under President Clinton we have seen a renewed focus on what we call community empowerment, but community policing -- I won't go through the whole litany of policies, but I think that it is an extremely important focus for national policy.

Now, I'll leave aside the policies that I think are necessary and that he's been following to try to have an intelligent approach to this ever densifying, global community. We can all talk about that, but I just want to make one other point, and that is that the focus on race -- and I would add race and ethnicity -- is I think absolutely crucial because it has the ability to fracture all -- to knife through all of those concentric circles and unleash an evil in the soul that can really undermine and destroy all that can otherwise

be put together.

So I don't want to end with a question here, but those are just some of the thoughts that were provoked in me by what you all were saying.

Q I want to address the values question that Bill raised and bring it around to your specific question about responses to it. But I want to start by saying that while Bill --

(end of tape one, side two)

(begin tape two)

(In progress) -- isn't easy. The Republicans and conservatives answer it by saying, let's resurrect the old family, the way it was, with its patriarchy and its inequality and the women in the home.

And on the other hand, progressives say, well, that kind of family we don't want, but they end up perhaps with less family altogether than they want as a consequence of certain kinds of liberation.

We want the comforts of the family without its patriarchy. We want the solidarity of the family without its inequality. But those aren't so easy to have. And the same with religion. We want the comfort and consolation of religion without the dogmatism and intolerance -- not so easy.

The easy answer for the conservatives is go back to the 19th century and resurrect those old families. A, you can't do it. And, B, if you could, you would do it an impossible price to justice.

So the question is, is there a new concept of the family that allows for diversified forms other for the family?

We've tried it. In New York City they had "Jenny has Two Mommies." That was not a story that most people who care about families could buy, yet it was a story that in some ways told the story of what for some people the new family is like. A new lesbian family would have two mommies.

But clearly I don't think the President can get up in the State of the Union and say, "Jenny has Two Mommies" -- (laughter) -- is the story now I'm going to tell to help America into the new age of the family.

But on the other hand -- you asked a question about -- we live in a world where the family in structure, and there is no going back -- or I don't think we want to go back -- to a family

bought at the price of patriarchy and inequality, yet we still want much of what the family gave us and don't know quite how to get that same thing with religion, and here I think we're in a very, very tough place, the world is changing and uncomfortable in deeply disturbing ways. And we reach to the past to console ourselves but can really go back and ought not to go back, because the price of going back is too grim.

But at the same time, we're not quite ready to go on into this new world, which is a fantastic world, an egalitarian world, but a world with also a terrible price to pay for men and women and for families.

And finding our way through that, or to ask the President or any government to negotiate those waters, may be asking too much. One thing I think we can do, and here's an attempt at answering your question, I don't think a President can lead the moral way into whatever new form of families there will be. That's going to take more than any government or any President can do. I think he can work to prevent the kinds of abuses and dangers from arising around those transitions. And there are American values that count for a lot -- pluralism and diversity is one, tolerance is another.

That is to say, I don't think the President can point the way to what the new family is going to look like. He can try to create a climate in which there is more openness to the experimentation and the cost of that experimentation that are going to be necessary. Same thing with race. Race remains a deep issue and no conversation, no presidential policy can solve it. But at the same time, the President can make sure that it's a conversation that's had that's open, that's tolerant, and that really represents the side.

So I think here -- I just want to point to the fact that there are deep real conflicts in our society that simply mentioning the terms "religion" and "family" cannot paper over going back to some earlier version cannot respond to in rushing forward to something that most Americans are unready to accept, even though they see --

THE PRESIDENT: If I could just -- I don't want to say much, and I'll defer to Sam. But just to sort of support what Ben said and what Bill Galston (phonetic) said, just kind of informationally for all of you, because we just finished another presidential election not very long ago. I'm convinced that the overwhelming driving impulse of most voters, if the economy is at all acceptable, is values-based. I just got the November unemployment rates. I get them a month later than I get the state-by-state. The national unemployment, I get the state-by-state unemployment rates. In the 26 states with the lowest unemployment, Bob Dole carried 13 and I carried 13 -- the people that I benefited the most. In the 25 states and the District of Columbia with the highest unemployment, I carried 19 and Bob Dole carried 6.

Now, I say that only to point that most of the states where Dole won were like Nebraska and North Dakota, had 1.9 unemployment rates. But white married Protestants don't think they're supposed to vote for Democrats yet. I can just tell you they don't, because they see their values as manifested by people who advocate things they believe in. Whereas single working women believe in interdependence and community and understand reinforcement, and they see their values by people who live out there and are busting it trying to help them raise their kids and get through the day and make a better life.

Basically most racial minorities, having been subject to all kinds of problems, not only have a historical -- black have a historical affinity to the Democratic Party, but I got a record Hispanic vote because Mi Familia is about more than just you come and tell me you spout the same rhetoric I do. And Hispanics figured out that the Republicans basically were using them to whip up white resentment and get votes, so we got a record Hispanic vote, from people who believe that the model of society was community interdependence. For people who believe the best model for society was exhortation to good behavior, I got the living hell beat out of me.

I'm just sort of putting this out to reinforce what Galston said and Ben said and what others said, and people who do believe that the market is the primary purpose of politics, we lose them too, because I don't believe that. In other words, I don't think all this stuff is for sale. But I think it's just interesting. I'm just saying that to sort of enlighten the conversation.

Q (Inaudible.)

THE PRESIDENT: First of all, the reason that Al and I won is that we got a bigger percentage of people who had been voting for Republicans in the past, partly with good economics and partly because they did think we represented their values. There has always been a great divide in America between those who believe that the government was the instrument of our common good, helping to reinforce our community and our own family life and our own individual aspirations, and those who basically believe the government was a problem and they wanted people in power in politics who would say what they believed and have whatever policies they agreed with and otherwise get out of their way.

And the truth is, most of the those states in the inter-mountain west, for example, our prosperous as hell, and they got what they needed out of the government 50 years ago, and it's fine with them to treat it as a problem. You know, if you've got 2 percent unemployment, you don't need anything. What does Nebraska need from us?

But a lot of it, to be fair, is honest values -- white married Protestants who are, particularly if their Christian conservatives, basically believe we're still cultural aliens, because

of gays of abortion or whatever it is, and because they think the government is bad. Which is why I say again -- I like all this modern talk, but don't forget, we are in a historic battle here to define the nation. It is the same battle -- you wrote that piece back in November saying that the Democrats ought to be hearkening back to Alexander Hamilton, not Thomas Jefferson. That's absolutely right.

Alexander Hamilton and John Marshall set the tone for this country that was then taken up by Abraham Lincoln, as you pointed out, with Henry Clay and Webster and John Quincy Adams in the middle, and then Theodore Roosevelt and Woodrow Wilson, all the way down to the present day, and the people that were against them.

If you read the decisions of the Supreme Court in this last term, they were all minor cases except for the Brady Bill, so they each had no scholarly review to amount to a hill of beans. If you read the rhetoric in those Supreme Court cases, they are the biggest assault on the nation since the FDR Supreme Court invalidated the New Deal legislation. They are -- it's chilling. They challenged John Marshall's conclusions.

It doesn't bother me what we're having with the -- we are repeating what we have done for 220 years, but it really does matter how it comes out, which is why I asked you all here, because it's real important that we find a way to get enough of those people to feel like they're part of our American community, and that there is an interdependence, and that government is a part of that, that markets and religion and rhetoric can't get the whole thing done. There is a way in which we are tangibly bound together. That's really what this fight is about, I believe.

I didn't mean to say all that, but I think it's important that you understand, there are real political consequences here to how people think about this.

THE VICE PRESIDENT: If I could say just one more thing. If we want to create the conditions wherein people will reinvest psychologically in the nation and in their communities and in their families, I think there are certain practical things that can be done. Balancing the budget, reinventing government, creating a record of success in solving specific problems, avoiding terrible mistakes -- that can cause people to believe that it's important to reinvest in the nation. Family and Medical Leave, child care, deadbeat dad child support collections, et cetera can make it easier for people to believe that it's worth hanging in there with their families.

Community policing, brownfield redevelopment, et cetera, et cetera can bring communities together with stronger cohesion to create a climate in which people say, okay, I'm not just going to become a zombie in front of the TV and I'm not just going to be an individual actor without respect to my community, my neighborhood, and my family. I'm going to reinvest in it.

And I think all those things are very closely related. And I think the one continuing thread in this presidency, which I agree we haven't been able to sloganize or articulate in as compelling a way as we'd like to, has been a steady, relentless rebuilding of those institutions and strengthening of those institutions such that people feel more confident about them.

And I don't think we're that far from crossing a threshold beyond which people say, hey, I feel a real big difference now. I think we're close to that.

MR. BLUMENTHAL: I want to not add any more speakers. We just have a few more speakers. I want to conclude with Sam Bier (phonetic), but I have a few more people, Mr. President, who wish to speak, and I'd like to call on Randall Kennedy.

Q Yes, on a couple of occasions people have made references to the importance of the race question, and I know this is an issue about which you feel passionately. I must say, in my own view the conversation on race has been, in my view, very disappointing, largely because it has lacked vividness. I think that a lot of people feel -- I certainly have felt and when I've watched snatches of the conversation or listened in, I think people feel that a lot of this is just pure public relations, and I think that people feel it's largely just pure public relations because the real things that grip people where they are so often glossed over.

In the last discussion, for instance, you talked with the -- you applauded the young man who said that sometimes he sees a black guy walking down the street and he feels a little bit fearful. Now, that particular issue is a big one. It's a big issue. It's an issue that comes up in day-to-day life. It's an issue that affects every pedestrian trying to negotiate the mean streets. How do we get home after a long, hard day? We're confronting strangers. What do we do? Do we walk down the street? Do we say hello? Do we duck inside of a building? Do we cross the street? How do we act towards our fellow citizens?

It's a big issue. It's an issue that comes up with policing all the time. Should police officers take race into account in questioning people and detaining people? It's an issue that comes up when people decide who they're going to hire, who they're going to let out apartments to for rent.

These sorts of issues -- I mean, affirmative action has taken up a huge part of the discussion, I think maybe, probably too much of it. I think there are a lot of just basic issues in terms of ethics, just day-to-day ethics that people discuss that are really on people's minds and they're close to people's hearts, but seem to be cut out of the conversation at the very point at which people really might get a good conversation going, where there might really be a

disagreement, a real honest disagreement, where people candor might flow to the surface. Those points don't come up, though in day-to-day life, there are lots of -- they do come up, and there are lots of places where people really do feel things very intensely, but thus far, in so far as the official conversation, it hasn't been there at all.

And since this is so important, and I know it's so important to you, I would urge you to structure things in such a way as to allow a real discussion.

THE PRESIDENT: I've only had one guy -- Kit was the only person except for the fight I had with Abigail over affirmative action, that young boy who had the guts to say that was the only sort of meaty thing we had, you know.

I would like some guidance from you later about how you think we could structure it to get that done.

Q You didn't have to tackle the race issue. You could have played it safe and not chosen it as one of the agenda items for your second administration. But there hasn't been a President for 30 years that had the fortitude enough to put that on the national agenda. And irrespective of whatever flack you may catch, you've done something fundamentally important for us, because you've put the issue of race and ethnicity in the mind of Americans. And it will be discussed. It's going to take a long time. It's going to go certainly beyond your administration for many, many years.

The famous African American, W.E.B. DuBois, I think had it right when he said that the color line was going to be the major problem of the 20th century. He really had so much of it correct. But it took a lot of guts, and have to commend you and Vice President Gore for putting this before Americans, because without it, we wouldn't have had a discussion. We would have simply been trying to defend affirmative action first and foremost without getting to so many of the other complex issues that revolve around the discussion of race. So I applaud for that.

THE PRESIDENT: Let me just very briefly say it's a highly -- it's a very complicated thing, but at bottom it's very simple. It really is a question of whether we can continue this historic process of broadening and deepening our meaning of one America. We just had a great article in the newspaper here the other day about this group of Muslims that has a -- they have a school with 50 kids, and it's a grade school, and they want to have like 400 kids in a high school. And they're about to get turned around by their second community in suburban Washington to put their school in, because people are afraid that the Saudis are going to be financing Arab terrorists or something.

And, you know, it's not altogether untrue that some of these Middle Eastern states have not done that, it just had nothing

to do with this school. So these are the kinds of things -- it's a thing like who you meet on the street. We just had a -- at Christmas this time on the Capitol, we had a Muslim symbol that was defaced, and Jewish leaders came out and spoke against it. It was quite good.

But all of this mosaic of America now, if we can deal with our racial and ethnic and religious diversity, it's a huge advantage for us in this globalized world. It will help make people feel at home. It will give them the kind of bearings and moorings they need. And if we don't, then we -- well, you see around the world what happens.

Q Well, we have so many topics here and they're all very good. Let me start abstract and get concrete, kind of the opposite of a usual law professor. (Laughter.) You can think of what Roosevelt did that was so fantastic, is he took these two competing strands in American history, the Hamiltonian and the Jeffersonian. One was about democracy and self-government, and the other was about centralized national government, and he kind of yoked them together. That was the first time that had ever happened.

And as I heard Michael talking -- and I don't know if this is quite Michael's view -- but something that emerged from what he was saying and others was kind of an effort to link Lincoln -- well, this is what Lincoln -- link Hamilton with something like Bennett. I think William Bennett has done a lot of good in talking about cultural deterioration. A lot of it, too, as Ben and Barbara suggest, is kind of backward-looking. But at least to put his finger on that, that's been very helpful.

So let me get concrete. A lot of these are very familiar ideas, but to organize them in a way that would be coherent would be really good. A lot of participants in the creation of the culture, that is, the media, think they're a little bit in the position of the school systems when you don't have school uniforms. That is, they're in a system in which they're competing among each other to their collective detriment, in a way producing things that they really despise. Members of the media often say that privately and sometimes they even say it publicly.

Now, a lot of initiatives are designed to do something about that, like educational programming for children, which many members of the media are for and which the FCC has taken a little initiative toward. That's wonderful. People really like that. Barbara Whitehead's suggestion, that's directly responsive to that.

Free air time for candidates is an effort to call up kind of the democratic goals of the First Amendment. And that's something that there is a lot of discussion of, and it's connected with this idea of having the media and the market serve us rather than control us.

There is a general idea about having parental control of new media sources. I know the Vice President has worked on this; you

also, Mr. President. And that's not so far afield from educational programming for kids and free air time for candidates.

And also I think to try to inculcate some norms on the media's part by using the bully pulpit for voluntary self-restraint with respect to violent programming and other destructive programming, and programming which calls itself the news which is often just summaries of the violent events which were the basis for the TV movie that preceded the news.

Now, there is not a tremendous amount that can be done through law to control this, but there is a lot that can be done I think to activate something that's very widespread, which is Americans don't like this. Even when they watch it, they don't like the phenomenon.

This is a large problem. It needs a lot of thought. But I think it unites a lot of these different themes.

MR. BLUMENTHAL: Michael Lind (phonetic), and I hope you refer to the question the President raised of Hamilton, whose portrait hangs in the next room, and Mr. Jefferson, who dined in this room.

Q Well, as I was telling the First Lady earlier, it's rather ironic that we're eating in the Jefferson room, because the Democratic Party in theory traces its origins back to Thomas Jefferson, but in practice, as I've argued and Professor Bier and various other people, in fact it's the latest update of the Hamiltonian party in many ways, which has gone through many incarnations -- the Federalists, the Whigs, including the Thomas Dewey Republicans in mid-century.

The point I wanted to raise, however, has to do with nationality and race. In the 18th century, Dr. Samuel Johnson defined a nation, if my memory serves me correctly, as a group of people who live in a territory and inter-marry with one another. Now, this is a very unpopular thing to say in American academic circles and in certain liberal circles, because it's thought that this is the blood and soil definition, it's quasi-fascist. This is ethnic nationalism versus civic nationalism.

There is a big debate between melting pot nationalism, which implies that indeed all groups lose their identity over time -- they actually merge through intermarriage -- as opposed to purely constitutional patriotism.

What I'm going to report to you is that that debate is completely academic, as my friend Richard Rodriguez has repeatedly point out. We're undergoing this amazing revolution in race relations in this country, symbolized by intermarriage rates. This is amazing. This is an enormous victory. No one in the 1960s could have foreseen the rate of intermarriage among groups, with some exceptions, which I'll address in a minute.

If you go back to the '60s, you see the civil rights reformers are tip-toeing very delicately around the last taboo in American politics, which is cross-racial marriage, which means not only black-white intermarriage, but marriage between Hindus and whites, which was illegal in the United States before 1966, 1967 in many states. The last time I checked the statistics, one out of every two Asian Americans marries outside of the group, usually to the white majority obviously. That's where most of the potential partners are.

If I'm not mistaken, one out of every three Latin American immigrants, or descendants of Latin American immigrants, marries outside of the group. And the numbers of intermarriage would be much higher if you had lower immigration rates, if these were second, third, fourth generations.

That's the good news. The bad news is that black Americans are not participating in this incredible bubbling trans-racial melting pot in which whites, Asians, and Hispanic immigrants are participating in. I think that shows one of the flaws in the liberal approach to race.

David Hallinger, a very distinguished social thinker, has described what he calls the ethno-racial pentagon. This is the idea that are five more or less official races in America. They were actually invented by the Office of Management Budget in the Nixon and Ford administrations, where Congress had come up with like 18 categories. And the administration said, these are too many races, give us something like more than two, but fewer than 10. So we ended up with five.

We get European American; African American -- which are the older categories -- Asian American, which was kind of a historic category; you get Hispanic, and there is now that little asterisk, where it says, is not racial, but nevertheless is treated as though it's a race; and then you get this wonderful wacky category, Asian and Pacific Islander, which includes everyone from my god-children who are part Chinese and part European American, recent Filipino immigrants, and caucasians from South India. They're all Asian and Pacific Islanders.

I went into the bookstore the other day; there is now a magazine called Asia and Pacific Islander. There are courses where you have to choose from one of the five races. These are fictions.

Now, all racial categories obviously are fictions. But in America, the great harm this does is twofold, I think. It disguises the fact that we have this extraordinary transracial melting pot among whites, Asians, and Hispanics, which is replicating the success of the old European immigrant melting pot. Where in the 19th century, you may recall, Irish were considered a different race. They were actually listed separately on U.S. forms -- white, black, Irish.

There was this enormous cultural war in this country between the Irish and the Protestants. What happened? Well, they inter-married. They formed the generic white American. Something like this is happening with Asians, whites, and Hispanics. It's not happening with black Americans.

Q Not as fast, but it's happening.

Q Slowly, but not at same speed. And I think the reason is, when we treat Hispanics or Asian and Pacific Islanders, who are immigrant ethnic groups, as though they're the same as black Americans, we are ignoring what black and white mean in America. This is a caste system within a single nation. These are not ethnicities. That is, the white Southern culture and the black Souther culture, as you know, overlap at so many points that it's very difficult to say at what point this is an African American culture and this is a white Southern culture, historically.

Nevertheless, there was this completely arbitrary genetic definition so no matter what your culture was, no matter how you identified yourself, you were black or you were white.

Now, I think that liberals inadvertently, in the service of good ends, have, by elevating the ordinary troubles that accompany groups like Hispanic Americans, which in my opinion are more like those of earlier generations of European immigrant groups. What they've done is, we've gotten away from what I think is the real racial question in the United States, which is, are we going to get a third melting pot in this country? We had a melting pot among the English colonists. We then had a white-only melting pot among European immigrants and Anglo-Americans. Now we may get a melting pot that excludes many black Americans for a third time.

I wince every time I see the debate over -- not to take away from the real problems that Hispanic Americans have faced, the serious persecution that Asian Americans have faced, but I think that the black American problem is an order of magnitude greater, and it's different in kind, than the discrimination faced by recent immigrants from Latin America, or even -- although they actually suffered worse -- Japanese Americans, Chinese immigrants, and so on.

THE PRESIDENT: Do you draw any conclusions from the fact that the rate of intermarriage among blacks and whites in America is highest among military families?

Q I do, frankly.

THE PRESIDENT: What is it?

Q It is that -- I don't think that there is anti-black prejudice as such. I think the stigma attaches to a

particular kind of culture in the American mind, which is partly a regional culture. Partly it's white Southern culture, influencing the black traditions. Because in many ways, if you look at rural white immigrants from the white South to cities like Chicago and so on, you get many of the same pathologies of black Americans in the northeastern cities, who are, among other things, immigrants from the South, poor immigrants from the South.

I think a lot of this is class and culture. And what the military does is, it strips everyone --

THE PRESIDENT: You get a common culture.

Q It's a common culture. Now, it's a brutal, coercive, painful process. (Laughter.)

THE PRESIDENT: I think it's pretty great what they've done.

Q As long as we're talking about the progressives, some of the progressives were racists. The non-racist progressives --

Q (Inaudible.)

Q -- but there were non-racist progressives. And their answer to the dilemma of can you have people of radically different genetic backgrounds become Americans, was Americanization. Now, this has fallen into disrepute -- unjustly so, I think, given the fact that our American culture is in itself a mulatto or mestizo, mixed-race culture.

MR. BLUMENTHAL: I've had a flurry of hands -- (laughter) -- during this.

THE PRESIDENT: It certainly (inaudible.) (Laughter.)

MR. BLUMENTHAL: And before we get to Sam and his benediction, as it were, I'd like to just call on a few people who have raised their hands and have them quickly respond. And, Michael, you had a hand up.

Q Before we leave I want to say a bad word about Alexander Hamilton. (Laughter.) Mr. President, you have been talking about building a nation --

THE PRESIDENT: He was slow on the draw.

Q -- and that's laudable. And you've got Sam here whispering in your ear that Hamilton and the Whigs are the people we should -- (laughter).

MR. BLUMENTHAL: Now, he gets a chance to respond.

Q If we look out this window here, there is a memorial to Thomas Jefferson. There is no memorial to Alexander Hamilton. And the reason for that is he doesn't need one, because the world that we inhabit, the commercial society that we inhabit, is Alexander Hamilton's memorial. We only build memorials on the Mall for Presidents who embody ideals that are under siege. And it's true that Alexander Hamilton spoke to the nation, and so did the Whigs, but it's also true that Alexander Hamilton was not a democrat. Alexander Hamilton wanted the presidency to be a kind of a monarchy. And Alexander Hamilton's idea of civic virtue was for the federal government to assume the debt of the states so that the interested bond-holders would come to have a stake in the national government. That was his idea of civic virtue.

And Thomas Jefferson stood against that by saying that economics and markets should be the handmaiden of politics rather than the other way around. And that was the great issue that separated them.

And on that issue, Jefferson is our man, not Hamilton. The problem with the national idea in our time, though we have to summon it to awaken a sense of shared responsibility for the common fate of fellow citizens and for a more generous welfare state and all the things that you've been working toward against great odds, the defect of the national ideal, as it's developed, is that it's become complacent in the face of the project of self-government, and particularly asserting the prerogatives of democratic political authority, vis-a-vis markets and the economy. And on that score, it seems to me Jefferson provides a powerful corrective, and the national ideal is only worthy of being resuscitated and claimed by us in so far as it's tied to the project of cultivating citizenship, not just consumerism, and civic virtue and the capacity of government to exercise some democratic authority over the commercial forces that are increasingly governing our lives.

MR. BLUMENTHAL: Dan, you're going to have the final comment.

Q Very quickly, there is a lot of hostility to markets around this table. I think a market is just a way of getting things done, and markets depend upon governments to work (inaudible) you have to get the rules in place, and that's what a government does.

I just want to say, I hear two themes from this discussion and two things to worry about. The number one theme I think of this evening's discussion is the American community -- how to define it, how to nurture it, how it relates to what's happening in the rest of the world. The second theme, we started talking about progressives at the beginning of the dinner, and I was thinking about your comment that in many ways we're in this odd situation at the end of the 20th century where it is conjoining to the beginning of the

20th century.

From the first world war to the end of the Cold War as a period would now surmount it. I mean, the Duma is a term that the Russians used at the beginning of the century. And I was thinking that one of the -- among the two things to worry about, one of which has been alluded to in some degree in terms of the media -- it's a different dimension of it, though, and it's a thing that progressives worried about -- although the New Deal did, but it's really a progressive issue, is economic concentration. And that is a phenomenon of this age and these conditions. What to do anybody it, how far, is something that this administration and we will continue to wrestle with.

The other thing that's bothering a lot of people, I thought Bill Galston's description of those four issues is very powerful, and there is a sense, as you said, Mr. President, even 1.9 percent unemployment, people are still anxious. And it's partly that this market society has this relentless pressure to it. It's just unstoppable. And where does it come from? Well, as Pogo said, the enemy is us. It is the endowments that support the people sitting around this table. It's all of our retirements. Two-thirds of the stocks in this country are owned by either are retirement funds or near-retirement funds, and that drive for performance compared to everybody else is driving lots of what's happening in our economy and, increasingly, in economies around the world.

This is the direction -- more people proportionately are going to be older in society. The pension funds are more important -- seems that this relentless pressure is something that's going to continue and in some ways accelerate. And a lot of other countries are discovering what they call now the Anglo-Saxon pressure from shareholders which we're all experiencing.

THE PRESIDENT: If I might just make -- I know we got to wrap up, but just something -- if any of you -- one of the things Sydney will say, if you want to write us anything after this is over to follow up on all the things you would have said and didn't and all that, feel free to do it.

But I think there are two things that worth pointing out along the lines Dan discussed, and this whole question of why there is anxiety amidst prosperity, and how are values are violated. Part of it is, if you glorify the market, you put too much emphasis on owning and on doing. And secondly, as you care more about owning and doing, then you have to work harder.

So one interesting little statistic I think it's important that we not forget, I don't agree with those who say that there has been no improvement in income inequality in the 1990s. The statistics indicate that actually there is a modest improvement in income inequality the last couple of years, that we may be beginning

slowly to turn that around. But that is -- first of all, we've got a hell of a long way to go to catch up to the levels of equality we had in the mid-seventies, but that may be happening.

But one of the things that masks is that it is perfectly clear that the average person today in the work force is spending more hours at work than his or her counterpart was in 1969. And since most parents are in the work force, a far higher percentage than were in the work force in 1969, a lot of them the only parent in the family, that has significant consequences for all these other issues you've been talking about.

And I'm not sure we know exactly how to talk about that, but it's worth your thinking about, just focusing on that, that notwithstanding all this other stuff, even if you believe incomes are rising again, and I do, and time spent at work and away from home, to continue to reinforce our society's emphasis on having and doing, is quite significant.

Q We have a saying -- Dudley Herschbach, who is a Nobel Prize-winning chemist at Harvard and I and a number of people are part of this turtle group that formed, the slogan of which was, Go slower, America. And the idea was the turtle wins the race, but what people are really lacking is quality of time. And just what you pointed out, people working harder to stay in place, the Alice in Wonderland kind of phenomenon. That's very universal, again across lots of different families.

So we often evoke this kind of image of what that would mean. But I think institutionally what that means, about to -- think, and how to have policies, public and private policies that would really shift some of this around and bring more freedom in people's lives is essential.

THE PRESIDENT: You know, one of the things -- what we tried to do, we had problems even with the unions on it, is to broaden the notion of comp time and let people who take their overtime in time at home instead of cash if they wanted to, because we were trying to give people just more ways to sort of elbow their way in to fashion their own lives and their own family lives in the blizzard of economic complexity.

Q We have a company of 200 people. We wanted to do that, but we weren't allowed to. We had to pay them overtime, couldn't -- somehow we were violating the law.

THE PRESIDENT: I know. What we're trying to do is -- let me just say that what we're trying to do is change the law so that if your employee wants to do it, you can do it. In other words, I don't think the employers should be able to force their employees to give up overtime, but I think that -- because you can readily see what would happen in unscrupulous hands -- but there are a lot of

people who would give anything to have more time in regular daylight hours for their kids and would work overtime to do it.

Q (Inaudible.)

MR. BLUMENTHAL: Well, last I'd like to call on Sam Bier.

Q Well, it's been a delicious dinner -- (laughter) -- and an intellectual feast, as Judge Bork said -- (laughter).

THE PRESIDENT: My old constitutional law professor, antitrust law.

Q If you'll try to put this together in a State of the Union message, it will be a delicious smorgasbord. (Laughter).

THE PRESIDENT: We'll all go home at 3:30 in the morning. (Laughter.)

Q Stick with your theme, race, and above all the fact of black-white relations -- what you've seen as a historic opportunity to really -- economic problems seem stabilized for the time, but the chance of doing something on this issue of issues -- is unparalleled. And you're the kind who can do it. And you started doing it. (Inaudible.) All I would say in conclusion is, it isn't only a question of civil rights; it's a question of integration. Rights for what? For integration. You can't do it solely on the basis of rights. And then many people claim them and various groups will claim them. This is the way to our disintegration, because it cultivates the basis for a multicultural (inaudible). And then we would have a mosaic society, which isn't only a question of what we would miss, it would be insecure, it would disorder.

When John F. Kennedy finally took civil rights seriously, it's because when he saw social order being threatened. then he did act. But he wasn't really interested before that. But when he saw the disorder, because you can see that in the tapes, that's when he reacted and Martin Luther King led him the way, who was so intelligent. He wasn't only compassionate; he was intelligent.

But the social order, national security, but above all the enhancement of American civilization. That's what Martin Luther King expressed in his great metaphor. When the sons of slaves and the slave-owners will sit together at the table of brotherhood -- that has a literal meaning. The lunch counters were the first places to be integrated. But it means a larger sense that you have blacks and whites living together, social exchange, social intercourse to create a more perfect union of civilized America.

This happens through the exchange of our gifts, our virtues, our powers -- the things that you get celebrated in (inaudible). So it's a highly democratic (inaudible) how to make a

democratic nation, because a democracy is no use unless it also happens some entity. What are the boundaries? Who are the members? A nation gives it a goal, and it gives it a boundary. And you've got that opportunity and you're the man to do it. End of message.
(Laughter.)

THE PRESIDENT: Thank you all very much.
I seriously would, if you further thoughts on what we talked about tonight, I welcome you to write and send them in. The State of the Union is January 27. If you want it digested by me before then, you have to do it quickly. This has been very, very helpful to me. I hope you've found it worth your while, and we're very grateful to you. (Applause.)

END

Message Sent To:

Ann F. Lewis/WHO/EOP
Ron Klain/OVP @ OVP
Christine N. Macy/WHO/EOP
Bruce N. Reed/OPD/EOP
Gene B. Sperling/OPD/EOP
Katharine Button/WHO/EOP
Michelle Crisci/WHO/EOP
Michael Waldman/WHO/EOP
Morley A. Winograd/OVP @ OVP
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