

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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CREATION DATE/TIME: 1-DEC-1998 11:55:50.00

SUBJECT: Dallas Observer Article- Part I

TO: Thomas A. Kalil@eop (Thomas A. Kalil@eop [OPD])
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TO: Gene B. Sperling@eop (Gene B. Sperling@eop [OPD])
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TEXT:

To: H-1B/age discrimination mailing list

This was sent to me by a member of this e-mail list a couple of weeks ago. I've been saving sending it out until I had time to comment, but since that time will not come until two more weeks or so, I am going ahead and sending it to you now.

INVASION OF THE BODY SHOPPERS -Part I
BY MIRIAM ROZEN of the DALLAS OBSERVER

(Dallas Observer, November 12, 1998,
<http://dallasobserver.com/1998/111298/feature2-1.html>)

It is Saturday in Plano, a day when droves of well-heeled suburbanites gather at the mall or on the soccer field. As usual, Mali Subbiah is not among them. Instead, the Indian immigrant toils in a drab, crowded room in his suburban office suite.

A "cheesy little sign," as one employee calls it * a piece of paper on the front door * marks the headquarters of McDowell Tucker & Company, Inc., the current name of Subbiah's consulting firm. Inside, the office is so cramped that the reception room doubles as a supply closet. Visitors must wind their way through stacks of office supplies to get to a single worn, yellow couch.

Subbiah, a native of Madras in southern India, has labored here for the past seven years to build what is commonly referred to in the high-tech industry as a "body

shop."

The 35-year-old former robotics engineer, relying on the temporary and controversial H-1B visa program, combs his homeland for qualified engineers and software programmers * the "bodies"

* signs them to contracts with his company, then peddles their services to American companies ravenous for highly skilled workers. In return for acting as middleman, Subbiah takes a big chunk

* sometimes as much as 40 percent * out of the workers' paychecks every week.

That fact has led to accusations that Subbiah and his bodyshopping ilk are exploiters who bind men and women from impoverished third-world countries to deals that resemble indentured servitude. Because of Subbiah's cut * and he, in turn, often subcontracts with yet another middleman * the foreigners typically end up making much less than their American counterparts.

None of this concerns

Subbiah, who finds dozens of his countrymen more than willing to offer themselves up for "exploitation" in America. Indeed, he sees himself as offering a valuable service. "Imagine," Subbiah says, "if someone told you you could earn 10 times what you are now making." He is quick to add that his trade in human capital has made him a multimillionaire.

This afternoon, the wiry, energetic entrepreneur is making up for lost time. For almost five months, the Immigration and Naturalization

Service has barred admission of any foreign workers on the H-1B visa program that allows Subbiah's engineers and programmers to live and work temporarily in the United States. The INS had implemented a moratorium on H-1B immigrants in May 1998 when body s

hoppers like Subbiah gobbled up so many foreign workers that the congressionally set annual quota of 65,000 H-1Bs had already been reached. Only on October 1 did the INS resume issuing the visas.

Within 10 days of the ban's being lifted, Subbiah had scored in the body trade. Wandering around his office was a female programmer, dressed in the traditional kurta and shalwar, whom Subbiah referred to only as Sita. She had flown in from India just the night before, and Subbiah's wife was showing her around the office.

Subbiah says he will arrange and pay for Sita's stay in a Plano hotel while he finds her a "consulting assignment" with a corporation. To get

that position,

Subbiah may go directly to a company to offer the programmer's services, but more often he will work through another middleman, who will also take a cut of the worker's paycheck.

A handsome, fit man, Subbiah exudes an odd mixture of enthusiasm for his new country and boastful bravado. In seven years, his business has grown enormously. He has also developed a reputation for running a clean shop.

Sure, he works just about every week

end, and yes, he has

two children, but, he adds unapologetically, "My wife takes care of that."

He proudly relates how his 6-year-old daughter gets up every morning and says "God Bless America, not God Bless India." He, too, overflows with pride about his adopted country, and manages to wrap his own enterprise in patriotism. "I am getting the cream

of the crop

from India and dumping them on America," he says.

Any concern that he will drain the best and brightest from his desperately poor homeland? "No, there are plenty more there," Subbiah says.

Although he has about 40 people working for him in India * as well as 12 in the States * Subbiah says he couldn't live in his native country anymore because his body can't take the pollution. He won't send his money there, either. "To be honest with you,

I have several million dollars, and not one cent of it is invested in India," he says.

America has been good to Subbiah. He has imported some 350 engineers and programmers from India since 1993 * about 200 are under contract to him right now * and the home page for his company (www.sahana.com) claims that it generates more than \$15 million

in annual revenues. Subbiah started his business under the name Sahana International Inc. and changed to McDowell, Tucker & Co. when he merged with another consulting firm of that name. Yet another name change is in order, as Subbiah recently agreed to sell out * for somewhere in the range of \$17 million * to Aztec Technolog

y Partners, Inc., a publicly traded Boston-based concern.

Subbiah's good fortune would come as no surprise to high-tech industry insiders. Demand for engineers and programmers is enormous. A 1997 study by the Information Technology Association of America, an industry trade association, estimated that about 10 percent of U.S. technical jobs stand vacant because there's no one to fill them.

High-tech employers such as Texas Instruments, Microsoft, and Sun Microsystems insist it's hard to find U.S. workers with the appropriate skills to program and analyze computers. But in Asian countries like India, where children customarily learn their multiplication tables by

the

age of six, the supply is abundant and cheap. India has plenty of educational outlets for individuals with aptitudes in math and science;

it

has fewer jobs, despite the presence of some home-grown high-tech companies as well as international branches of American and European companies, including TI.

With a population set to hit one billion and a per capita annual income of only \$300, India pays its programmers and electrical engineers a pittance compared to U.S. rates. The typical programmer or engineer

working in Hyderabad, a southern city with enough of a stake in the silicon industry to go by the nickname "Cyberabad," earns between \$20,000 and \$24,000 a year, compared to \$50,000 and up in the United States.

"It is general knowledge in this industry that it is a real gold mine in Asian countries," says Eddie Vela, a senior software engineer in a Dallas office of medical supplier Abbott Laboratories. "These guys have multiple degrees, they know English, and they are willing to work cheaply." Abbott Labs, Vela quickly adds, "has been ethical to a T in my experience in dealing with foreigners."

Those workers' winning traits figure into the large numbers arriving on H-1B visas. In 1996, as many as 56,000 Asians came to the United States on H-1Bs, according to the INS. About 30,000 were Indians.

Anyone who has stopped by the parking lot of Pasand, a Northern Indian restaurant at the corner of Coit and Campbell roads, the heart of what is now known as Telecom Prairie in Richardson, can deduce from the carloads of diners dressed in traditional saris, shalwars, and kurtas that Indian expatriates are a formidable presence in Dallas. Gurusurthy Kalyanaram, an associate professor at the University of Texas at Dallas' school of management, estimates that 60,000 Indians now live in the Dallas-Fort Worth area, compared to 15,000 in 1980.

TI, the Dallas-based semiconductor company, has led lobbying efforts to get Congress to raise the yearly cap on H-1B workers. During a six-month period ending in March 1998, according to INS data, TI asked the agency for permission to bring in 82 individuals on H-1Bs, putting it near the top of a national roster of companies using the program. In the same period, Subbiah's company got INS approval to import more than 40 workers.

Whether an acute shortage of engineers and programmers actually exists is the subject of some debate. Labor unions say the supposed shortage is simply a smokescreen to enable companies to get cheaper help. The high-tech industry, of course, argues that the shortage is real,

and it has fought to get the H-1B program expanded.

TI lobbyists, when testifying before Congress in February, cited numbers from the American Association of Engineering Societies and the National Center for Education showing that 10,000 fewer students earn electrical engineering degrees each year in the 1990s than in the previous decade. "Know Any Engineers???" TI lobbyists wrote on one of their placards during a presentation to the U.S. Senate.

One surprising * and perhaps suspect * note in the debate was sounded by Stuart Anderson, an aide to Sen. Spencer Abraham, the Republican from Michigan who sponsored legislation to expand H-1B.

(The quotas were eventually increased.) A former researcher at the conservative Cato Institute, Anderson argued that employers couldn't possibly be clamoring for foreigners just to get cheap help, because the outsiders actually made more than their American counterparts. Citing National Science Foundation figures from 1995, Anderson noted that foreign-born engineers in general * not just those on temporary visas * earn between \$1,000 and \$2,000 more each year on average than their native-born colleagues.

H-1B detractors waved around National Science Foundation figures to make the opposite point. Paul J. Kostek, president-elect of the Institute of Electrical and Electronics Engineers Inc., released a study in October as the Senate was preparing to vote on the H-1B expansion showing that 4.7 million engineers whose highest degrees were in engineering and science had occupations in other fields. Kostek claimed the exodus from engineering and science fields wasn't voluntary, and reflected that some older engineers couldn't find jobs because employers weren't willing to pay for their skills when they could get foreigners much cheaper.

Indeed, body-shoppers have earned a reputation as operators, middlemen who skim easy money off of others' hard work. "I know there are workers who will tell you Mali runs a slave shop," Subbiah says.

Yet he shrugs off claims that body-shoppers such as himself are taking advantage of their charges. He's giving his former countrymen opportunities when such are scarce, he says. Even so, he refused to make any of his contract workers available for an interview when told he wouldn't have control over what ends up in print.

Reddy Bandi, a 27-year-old electrical engineer from Hyderabad who initially came to the United States on a student visa, has never worked for a bodyshopper. Since he came here five years ago, Bandi, an eager, ambitious son of a rice farmer, who, as the youngest of three, was the first in his family to go to college, has assiduously avoided working for entrepreneurs like Mali Subbiah. "I don't like to apply to companies who get people from the outside," Bandi says. "I know what their tactics are."

Bandi says he's heard nightmarish tales from electrical engineering buddies who got their ticket to America through bodyshoppers. Oftentimes, Bandi says, the bodyshoppers had no legitimate job contacts, so the engineers, once on American soil, were on their own in finding temporary jobs. When Bandi's friends finally found a better arrangement with a less ruthless middleman, it still took them months to pry their visa papers away from the original bodyshopper.

Reedhar Gunda, an electrical engineer from Bombay, was one of Bandi's friends who ran into trouble. Gunda now works as a consultant for Prudential Bache in Scranton, Pennsylvania. But when he came to the States eight months ago, he found out his bodyshopper was taking \$22 an hour out of his paycheck, leaving him with only \$28. Gunda eventually managed to extricate himself from his contract. He had to find another opening, then get that company to petition for his H-1B

visa all over again * a process that took several months.

Bandi's assimilation into the American high-tech industry went smoother. Within 18 months of arriving here, he'd acquired a master's degree in engineering from Arizona State University and switched from a student to H-1B visa so he could work. Even though his friends got a rough ride from the bodyshoppers, Bandi sees the people-importing business as a two-way street. "I don't blame only the companies," he says. "I also blame the people who come on H-1Bs. Their main intention is just to get in. When they get here, they start talking to people, they realize they are not being paid as well, they switch. Then sometimes they start switching two, three times a year."

===== ATTACHMENT 1

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by toadflax.cs.ucdavis.edu (8.9.1/8.9.1/CS UCDavis)

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===== END ATTACHMENT 1 =====

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Mark A. Kitchens (CN=Mark A. Kitchens/OU=WHO/O=EOP [WHO])

CREATION DATE/TIME:20-JAN-1999 12:04:19.00

SUBJECT: CNN Crossfire, January 19, 1999

TO: James E. Kennedy (CN=James E. Kennedy/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: James T. Heimbach (CN=James T. Heimbach/OU=WHO/O=EOP @ EOP [WHO])
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TO: gamble-bennett (gamble-bennett @ dol.gov @ inet [UNKNOWN])
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TEXT:

Moneyline News Hour with Lou Dobbs
Aired January 19, 1999 - 6:30 p.m. ET

White House Counsel Charles Ruff Presents President's
Defense; State of the Union Address to Call for More
Higher Defense, Education Spending

ANNOUNCER: From CNN's New York headquarters, the
MONEYLINE
NEWS HOUR WITH LOU DOBBS.

TONY GUIDA, CNN ANCHOR: Good evening, I'm Tony Guida in
for Lou
Dobbs. In less than three hours, President Clinton will
deliver his State of the
Union Address before the prosecution, judge, and jury in
his impeachment
trial.

While Mr. Clinton prepared for his speech in the House,

his lawyer appeared
on the Senate floor to launch his defense in a forceful
but measured attack on
the House prosecution.

Jeanne Meserve reports.

(BEGIN VIDEOTAPE)

CHARLESS RUFF, WHITE HOUSE COUNSEL: William Jefferson
Clinton
is not guilty of the charges that have been preferred
against him.

JEANNE MESERVE, CNN CORRESPONDENT (voice-over): "The
president did not commit perjury," White House lawyer
Charles Ruff told the
Senate. "He did not obstruction of justice."

RUFF: There was no basis for the House to impeach, and
there is now and
never will be any basis for the Senate to convict.

MESERVE: Ruff wielded a verbal stiletto to slash the
House managers' case.

RUFF: They have, in essence, treated these articles as
empty vessels to be
filled with some witch's brew of charges -- charges
considered and abandoned
and charges never considered at all.

MESERVE: Ruff accused the House managers of fudging the
facts of the
case, of constructing their arguments out of sealing
wax, string, and spider's
webs. And he chided them for making the case for witne
sses without having
heard any themselves.

Though calm and deliberate in most of his presentation,
emotion showed when
Ruff argued that the president's offenses, even if
proven, do not warrant
overturning an election. RUFF: Ask only this: Should
William Clinton, the
president, be removed from office? Are we at that
horrific moment in our
history when our union can be preserved only by taking
this step that the
framers saw as a last resort?

MESERVE: Saturday, Henry Hyde invoked Normandy, as he
urged senators

to remove the president. Charles Ruff countered by talking about his father's service at Omaha Beach.

RUFF: He fought as all those did for our country and our Constitution. And as long as each of us, manager, president's counsel, senator, does his or her constitutional duty, those who fought for their country will be proud.

MESERVE: When Ruff was done, House managers reacted.

REP. JAMES SENSENBRENNER (R-WI), IMPEACHMENT TRIAL MANAGER: No, our case isn't made of sealing wax and spider webs. It is made of testimony under oath. It is made of facts. It is made of law.

REP. LINDSEY GRAHAM (R-SC), IMPEACHMENT TRIAL MANAGER: If you can use your common sense, and you can put the whole record together, I think it was a good presentation that didn't make the point that logic and common sense would allow to be made.

MESERVE (on camera): The White House had planned to use Democratic members of the House Judiciary Committee to help make the case that the impeachment process in the House was unfair and partisan. However, after vehement criticism from Democratic Senator Robert Byrd of West Virginia, that plan has been scrapped. The White House will continue its defense Wednesday. Jeanne Meserve, CNN, Washington.

(END VIDEOTAPE)

GUIDA: More now on congressional response to the president's opening of his defense. Let's go to Bob Franken live on Capitol Hill with the latest. Bob?

BOB FRANKEN, CNN CONGRESSIONAL CORRESPONDENT: Well, Tony, the House Republican managers are not going to allow the White House defense team the same unfettered chance to present its case. They are every chance they can challenging the claims that are made in this case today by White House counsel Charles Ruff.

Almost immediately after he was through for the day,
they put out a series of
eight responses challenging some of the assertions made
by Ruff saying that,
in fact, the Ruff claim that their only allegations the
president lied before the
grand jury were disputed by the facts of the grand jury
testimony, this
according to the House managers, saying that the job
hunting efforts by
Vernon Jordan for Monica Lewinsky did not intensify,
according to Charles
Ruff, after the president had, in fact, found out that
Monica Lewinsky was on
a witness list.

The House managers say that, in fact, it did intensify
immediately after. The
White House claimed to the contrary was not true. On and
on down the list of
charges and counter charges that we've heard before, the
House managers,
the prosecutors have made it clear that they are not
going to allow any
advantage to be claimed because they have not challenged
the White House
lawyers. Tony?

GUIDA: Bob Franken on Capitol Hill.

There are 535 members of Congress but not all will
attend this evening's State
of the Union Address. At least there Republican
representatives will be no
shows. They contend it is inappropriate for a president
on trial to address
Congress.

In any case, Mr. Clinton's appearance will be an awkward
moment for both
Congress and the president coming on the opening day of
his defense in the
Senate.

Chris Black is live now at the White House with reaction
to today's defense,
and a preview of the president's speech. Chris?

CHRIS BLACK, CNN WHITE HOUSE CORRESPONDENT: Tony, the
White House was relieved to finally get its chance to
make a point-by-point
rebuttal of the case made last week by the House
managers.

White House counsel Charles Ruff did present a legalistic but also emotional defense of the president and underscored the high stakes involved. He said that -- He asked the Senate if the country was at the horrific moment of actually removing the president from office.

The president, meanwhile, has been spending the day polishing his State of the Union Address. Just hours from now, he'll travel up to Capitol Hill and make his -- lay out his annual agenda.

He's expected to propose some interesting proposals on Social Security. The president will attempt to spur momentum for a bipartisan solution to the long-term solvency problem of Social Security by proposing that 62 percent of the surplus be set aside for Social Security, and then up to 25 percent of that amount be invested in the stock market to improve the rate of return.

This is the administration's attempt to find some middle ground between Democratic constituency groups that oppose any change at all in Social Security and Republican calls for privatization.

The president also plans to call for a new round of trade talks to improve trade throughout the world. This is a fast track authority essentially by another name, and the administration will make specific proposals to try and improve exports of manufactured goods.

The president also has a laundry list of domestic proposals to put more police on the street, to improve patient rights, and once again, to set high standards for primary and secondary education. Tony?

GUIDA: Chris, what, if anything, does the White House say to the objections that everyone will expect to that part of the plan about Social Security, to invest some of it in the stock market, the objection that will probably be couched in terms like, "Hey, you don't gamble with this money"?

BLACK: Well, the feeling is that -- This is a very elaborate proposal that actually reduces the national debt over time to way less than what it is now.

And they actually think it's a good investment in the future. They feel that something has to be done. It's a middle ground. But we're talking about surplus money, not using the existing Social Security funds. So they're essentially doubling the Social Security trust fund over time.

GUIDA: Chris Black at the White House.

History will surely remember Bill Clinton at least in part as the only president of the 20th century to be impeached, but he would rather be remembered as the president who saved Social Security.

Charles Bierbauer looks at details and controversy involved with Mr. Clinton's rescue plan.

(BEGIN VIDEOTAPE)

CHARLES BIERBAUER, CNN CORRESPONDENT (voice-over): President Clinton is proposing Americans be allowed to invest part of their Social Security stake in the stock market.

WILLIAM J. CLINTON, PRESIDENT OF THE UNITED STATES:
Social Security is and must remain a rock-solid guarantee.

BIERBAUER: But it might be expanded to bring retirees a better return than the conservative treasury bills where all Social Security funds now rest.

The president is proposing new universal savings accounts. Abbreviated, that's USA. One example administration officials suggest would open the account with a \$100 government contribution. The government would then match 50 percent of a taxpayer's own contribution up to a \$300 match on a \$600 maximum contribution. Lower income workers would get a larger match.

In this example, a taxpayer could add a thousand dollar investment annually to a retirement nest egg. Any further gain or loss to the

USA account would
depend on the market.

Individuals could choose from a menu of investments,
much as with 401(k)
plans which many businesses offer employees. The funds
would be invested
and managed by a new government board.

SEN. PETE DOMENICI (R), NEW MEXICO: He is asking that a
public
entity do the investing of the Social Security money
that's going to go into
equity, stock market, and the like. I don't believe
Republicans are going to be
for that for a minute.

BIERBAUER: The accounts would be funded as a voluntary
add-on to
current Social Security taxes which would not change,
nor would benefits for
current retirees.

The Clinton plan anticipates a \$4 trillion surplus over
the next 15 years. It
would use 62 percent of that, 2.7 trillion, to shore up
the current Social
Security reserves; another 11 percent would fund the
government share of the
new USA investments.

The administration estimates that this would extend
Social Security solvency
by about a quarter century to the year 2055.

(on camera): This is a more adventuresome plan than the
president has
previously supported, but there are competing plans
circulating in Congress
that suggests it will take an even greater reliance on m
arket investments to
assure long-term retirement benefits. Charles Bierbauer,
CNN, Capitol Hill.

(END VIDEOTAPE)

GUIDA: When the MONEYLINE NEWS HOUR returns, the State
of the
Union and the state of the presidency. I'll talk to
veteran Washington reporter
Hugh Sidey about a most unusual day in Washington.

(COMMERCIAL BREAK)

GUIDA: By day, President Clinton is the defendant in a trial that could throw him out of office. By night, he's the chief executive with unparalleled support of the American public.

My guest tonight is "Time" magazine's Hugh Sidey, who has seen plenty in Washington but never, I venture, a day like this. Hugh Sidey, welcome back to MONEYLINE.

HUGH SIDEY, "TIME" MAGAZINE: Tony, thank you.

GUIDA: You have been covering Washington since Eisenhower. Have you ever seen a day like this?

SIDEY: No. As a matter of fact, Tony, I had a grave surge of nostalgia today, and I went down to my basement, and I got a big picture that I saved from the first of these that I covered, 1957 -- Ike's first State of the Union in his second term. And I looked at that picture of people, and there was a young Nixon and a young Kennedy and an LBJ and a Sam Rayburn and John Foster Dulles and an Earl Warren -- all there in the House chamber for this moment. And I thought back that, really, over most of these 42 years, the national purpose has prevailed, and there's been a sort of harmony up there.

But this is so bizarrely different in which you have a president that is going to appear before a body that half of whom want him out of there, who have called him a bum, really, in various terms and want him out of there. And he's going to appear and make his pitch. I'm sure he'll do quite well, as everybody suggests. Perhaps the polls will go up tomorrow. The public will like him.

What does that tell about the public? That maybe being bad is good when you're president, or a little evil helps with government? I don't know.

GUIDA: Well, it's an interesting question. And I was going to ask you, preview for us the State of the Union, not from the standpoint of its expected

content, but as a political speech given by this president against the background that you were just describing.

SIDEY: Well, it's, of course, I guess you might say in this particularly tense moment having his side of the whole impeachment thing begun today in the Senate, what you have here is probably the beginning of the end of Clinton's time, whether it's abbreviated or whether it's two full years. Nobody knows at this moment.

It is probably going to be the one, however, but nevertheless, it will be the beginning of the end, that drama, that act of his whole presidency in which he's going to, I'm sure, state what he thinks he's done, his achievements and what he wants to do. He's reaching for greatness now. Everybody does it.

I think Clinton reaches perhaps a little more enthusiastically and a little further than others. And by the way, he ought to be careful about that.

I was reading a little of Woodrow Wilson -- you see how far back I go -- when I look at this, and Woodrow Wilson failed because he overdramatized what he'd done. And I think that's one of the pitfalls that Clinton can fall into if he suggests that he was perhaps a more heroic figure in this time than he has been.

But he has a case to be made. He suggested the knobs, he's fine tuned things; he's been down there in the boiler room. And they may not be heroic one by one, but they may add up to something, and he could talk about that.

GUIDA: Hugh, getting back to the surreal nature of this speech tonight against the background of the impeachment trial going on, are you amused or alarmed or neither by the Senate judges who come out after every session to the TV cameras and tell us why they think the case against the president is compelling or why they don't think it's compelling, and then go on

to maintain, all of them,
that they haven't yet made up their minds?

SIDEY: I must say, Tony, I'm getting to that stage where
this sadly is more
amusing than anything. I told Lou here a few days ago I
thought really the
whole impeachment process is over, and the American
people have kind of
made up their minds. He'll been censured. We'll have the
debate. I don't know
what happens, but then we'll go on and we'll more or
less forget it. But it is --
it's alarming, but as I say, it's kind of funny.

I thought today, as I listened to the various senators
come out after the
afternoon's proceedings, that CNN could have saved a lot
of tape. All they
had to do was transpose the names and the titles, bec
ause last week, when the
Republicans presented their case, you had this partisan
line-up. And this week,
as the administration presents its case, they're saying
the same thing along the
same lines.

GUIDA: That's a good suggestion. I'll pass it along to
the bosses here.

All right, Hugh Sidey, nice to see you. We'll talk to
you again soon. SIDEY:
Thank you.

GUIDA: When we come back, the \$6 billion question: What
happens when
@Home marries Excite? And going once, going twice. Sold.
Dot com, a
venerable institution, sees its future, and its online.

(COMMERCIAL BREAK)

GUIDA: One week after the Chicago Bulls lost their best
player, today they
lost their most colorful. Dennis Rodman, known for his
plentiful tattoos, his
body piercings, his strange hair color, and his penchant
for wearing dresses,
has decided to retire, according to his agent.

Rodman began his career in 1986 with Detroit. He joined
the powerful Bulls in
1995. Rodman is also known for being one of the great
rebounders in the

game. He led the league for seven seasons. The always-surprising Rodman, suggesting through his agent, that now he might want to become a movie star.

Wall Street returned from the Martin Luther King holiday with a scorching rally in technology stocks. There have been just 11 trading days so far this year, and the NASDAQ has already set seven record highs. The latest today when the tech heavy index rocketed 59 points or 2 1/2 percent. But the Dow was unable to build much on Friday's triple digit rally. It gained just 14 points, though it had been down 130 points earlier in the session.

Driving the NASDAQ rally, the biggest deal in Internet history. @Home said today it would buy Excite for \$6.7 billion. Excite's stock got excited. It soared \$42 1/2 to a new 52-week high. @Home rose 13 3/8ths. And AT&T surged 7 1/8. That company is buying TCI, which is @Home's biggest shareholder.

We're going to have more on the At Home/Excite link-up later on in the MONEYLINE NEWS HOUR. I'll be talking with At Home's chief executive, Tom Jermoluk.

The NASDAQ has been telling us very forcefully that our future lies in the Internet. Today, one more bit of evidence. Sotheby's auction house, one of the most famous and one of the most staid sellers of antiques, of paintings, and collectibles, is looking into its own future as well. And guess what it sees?

(BEGIN VIDEOTAPE)

GUIDA (voice-over): Sotheby's is known for selling art and artifacts that most of us could never afford.

SOTHEBY AUCTIONEER: At \$1,300,000, sold.

GUIDA: But Sotheby's bread and butter is selling a lot of more moderately priced goods.

SOTHEBY AUCTIONEER: At \$800 right here. And I'm selling for 800.

Yours for 800. GUIDA: Eighty percent of everything Sotheby's auctions goes for less than \$5,000. Moving online opens up a huge market.

DIANA BROOKS, CEO, SOTHEBY HOLDINGS: By going onto the Internet, we not only will be able to handle a lot of volume that we have to turn away today, because we just have the physical constraints, we can't handle it, but that we're also going to be able to much more efficiently handle a lot of the low end business that comes through our doors today.

GUIDA: Already online auction sites UBID and eBay are making bidding popular on the Web. UBID mainly auctions computer equipment. eBay offers a sort of online garage sale.

eBay struck out when it tried to sell Mark McGwire's home run baseballs prior to a live auction. eBay received just one bid for 1/30th of the final sale price.

For now Sotheby's will not combine live and online auctions. It will rely on the reach of the Internet.

GERALD HIRSCHBERG, ANALYST, STANDARD & POOR'S: Customers who attend the major auctions are not going to be the same customers who will be bidding over the Internet for art and antiques and other collectibles. Probably gives Sotheby's an opportunity to have customers that they wouldn't normally have at their auctions.

(END VIDEOTAPE)

GUIDA: Sotheby's main challenge will be to walk the tightrope of upholding its up scale and exclusive image while hawking a lower price high volume catalog to the wired masses.

When we come back, Vice President Gore surveys the damage and the clean-up in Tennessee.

(COMMERCIAL BREAK)

GUIDA: Two top NATO generals arrived in Belgrade today with a message

for Yugoslav President Slobodan Milosevic: Stop attacks on ethnic Albanians in Kosovo or face possible NATO air strikes. Generals Wesley Clark and

Klaus Naumann met with Milosevic today to try to persuade him to abide by

October's cease fire. No word yet whether Milosevic intends to back off. The

NATO commanders also demanded that the Yugoslav president bring to

justice those responsible for last weekend's massacre of 45 ethnic Albanians.

Condemnation of that massacre led to the expulsion of William Walker, head of the International Monitoring team in Kosovo.

President Clinton today designated 12 counties in Tennessee major disaster

areas. On Sunday, severe storms, tornadoes, and high winds struck the state,

killing eight people, injuring more than a hundred, and damaging at least 600

homes. Vice President Al Gore today surveyed the damage in his home state

and the clean-up efforts, meeting with some of the victims of the freak

January storms. Today's disaster declaration makes federal relief funds

available for those areas.

GUIDA: Coming up on MONEYLENE, the biggest Internet deal in history, at

least as much history as that new industry can have.

We'll tell you all about At

Home's buyout of Excite.

Even the government can't stop the Microsoft money-making machine. We

have the latest numbers. And it's seven records and counting for the

NASDAQ this year, and this is still January. All that and a lot more straight

ahead on MONEYLENE.

(COMMERCIAL BREAK)

GUIDA: An eye-popping merger in the Internet business today stunned Wall

Street. @Home is snapping up Excite in a stock deal worth \$6.7 billion, the

largest merger yet in the .com world; a full 33 percent

bigger than the

AOL/Netscape deal, and that was just two months ago.

@Home delivers

high-speed Internet service, Excite is one of the most popular gateways to the

Worldwide Web, and their union reflects the mad rush among telephone, cable and media companies to dominate the Internet.

Steve Young has the details of the deal and Wall Street's exuberant reaction.

(BEGIN VIDEOTAPE)

STEVE YOUNG, CNN CORRESPONDENT (voice-over): @Home is paying an almost 60 percent premium for Excite, based on the Internet search

company's closing stock price Friday. It also is a portal; that's a place people

log onto and linger because it's chock full of stuff like want ads, games and a

shopping service. Excite stock spiked about 60 percent on the news. @Home

also gained, though less dramatically. So did AT&T; it will control @Home

when it completes its acquisition of TCI, @Home's principal backer.

Many analysts said Excite, which has yet to turn a profit, is worth the rich premium it fetched.

ANDREA WILLIAMS, VOLPE BROWN WHELAN: I don't think that @Home is paying too much. I do believe that Excite should deliver substantial

benefits to @Home, which should grow their user base and increase the

high-margin revenue opportunities for @Home, which ultimately means greater profits.

TOM JERMOLUK, CHAIRMAN & CEO, @HOME NETWORK: Excite has built a consumer brand in the Internet that is large, and we will use that

Excite name as our outward-facing consumer brand and build brand equity within it.

YOUNG: The companies say they expect combined revenue to increase 15

percent to 20 percent by 2002. Seventeen million consumers now use Excite

each month. @Home provides quick Internet service to just 330,000

customers, but its potential reach is nearly 60 million cable homes worldwide.

It believes Excite can drive more business its way.

GEORGE BELL, CEO,

EXCITE: We characterize the partnership as the media network of the next

century, media being the Excite piece, network being the @Home piece, to over-simplify the equation.

YOUNG: Excite was eager to do a deal because it's been lagging behind other

Internet directory and portal companies, notably Yahoo!

(END VIDEOTAPE)

YOUNG: Excite started talking with many companies, including Microsoft,

after America Online announced it's buying Netscape back in November.

That kicked off this latest round of online consolidation --Tony.

GUIDA: So what's the next big shoe to drop? Lycos, Infoseek?

YOUNG: Lycos, Infoseek and Microsoft might be an inquirer in the latest

earnings. We'll hear more about that -- I think they've got something like \$20 billion of cash on hand.

GUIDA: But clearly it's going to be more.

YOUNG: Yes, more.

GUIDA: All right, Steve Young.

And we're going to have more on the @Home/Excite deal and what it means

for the Internet business, later. I'll be talking with @Home chief executive Tom Jermoluk.

The deal unleashed yet another flurry of buying in technology stocks. The

Nasdaq composite set another record; it rose nearly 60 points or 2.5 percent.

Tonight it stands at 2408.17, with more than a billion shares traded. The big

names in computers fueled the rally, so did those amazing Internet stocks.

Lycos gained 25 and chance, a likely takeover candidate, as we said. Yahoo!

was up \$6, Infoseek up almost 5.75, DoubleClick soared 15 3/4.

America Online rose 3 5/8 on the New York Stock Exchange, where there was volatile trading today. The Dow Industrials tumbled as many as 130 points

this afternoon, with investors worried about what Federal Reserve Chairman

Alan Greenspan will say tomorrow at a House hearing. But then a late round

of buying pushed the blue chips into the plus column; the Dow gained 14.67, to

finish the day at 9355.22.

Microsoft stock ran up more than \$8 in after-hour trading -- after-hours

trading. That after Microsoft said its quarterly profits ballooned to almost \$2

billion, easily topping even the most optimistic forecasts.

As Bill Tucker reports, analysts are focused not only on today's stellar results,

but also on Microsoft's outlook for the rest of the year.

(BEGIN VIDEOTAPE) BILL TUCKER, CNN CORRESPONDENT

(voice-over): Microsoft had said it would beat the street, but the numbers

were far ahead of even the most bullish estimates.

Profits at the world's

largest software company posted profits soared 75 percent over last year.

ART RUSSELL, TECHNOLOGY ANALYST, EDWARD JONES: I'm

pleasantly surprised, and I think, you know, one of the other things Microsoft

does -- the first thing they're real good at is they guide analysts to a level

where they can safely come in a penny or two ahead, and we saw that again

this quarter, except instead of a penny or two, it was 14 cents.

TUCKER: Microsoft benefited from strong corporate demand for personal

computers loaded with Windows NT, demand driven by companies preparing

for the year 2000. Revenues rose 38 percent to \$4.9 billion in the quarter, with

Microsoft earning almost \$2 billion. The company did issue its usual cautionary

statements about the second half of the year, warning

capital spending could
slow down. Microsoft's earnings come a week after Intel
posted
better-than-expected results.

MEGAN GRAHAM-HACKETT, S&P EQUITY GROUP: What we have in
the fourth quarter was really strong PC growth, and it's
carrying into the first
quarter, so they're also looking for companies -- the
big one, the Intels, IBMs,
Microsofts -- you're talking about a very positive
outlook for the first quarter --
really first half of '99.

(END VIDEOTAPE)

TUCKER: Microsoft beat the analysts, but then, Microsoft
has beaten
analysts estimates for almost seven years straight,
which perhaps explains
why investors ran Microsoft's stock up to a 52-week high
in front of the
numbers -- Tony.

GUIDA: And I guess we watch it tomorrow given the
after-hours trading
tonight.

TUCKER: Exactly, and we'll see, if it continues to move
higher, people'll take
the opportunity to make a little profit here and sell.

GUIDA: All right, Bill Tucker.

Investors sifted through reams of other quarterly
earnings reports today.

Dozens of blue-chip companies posted profits today,
among them: Pfizer.

Pfizer's net income rose 14 percent in the latest quarter -- sounds downright
paltry compared with these high-tech stocks, but anyway
-- 14 percent, more
than Wall Street had expected. Pfizer credited strong
sales, of course, of its
blockbuster drug Viagra.

And Delta Air Lines beat the street with a small
2-percent jump in profits.

Delta earned \$194 million in the latest quarter. Sales
barely budged.

The nation's banks and brokerages were among the
companies reporting
today. The global economic crisis was expected to hit

that key sector pretty

hard, but, as Allan Dodds Frank reports, it could have been a lot worse.

(BEGIN VIDEOTAPE)

ALLAN DODDS FRANK, CNN CORRESPONDENT (voice-over): Money center banks Chase Manhattan and J.P. Morgan, as well as a quartet of brokerages, beat Wall Street's quarterly earnings estimates by 10 percent or better. Chase was the stand out, helped by strength in credit cards and mortgage banking. Chase also said it reduced its exposure to emerging markets by 34 percent, helping earnings.

DAVID BERRY, KEEFE, BRUYETTE & WOODS: You got Chase having all-time record results, and you have J.P. Morgan that, while it beat expectations, is clearly earning at a pretty low level relative to their own expectations and to what anyone else would have thought a few months ago. Back in regional land, it's a really much steadier kind of performance.

FRANK: Indeed, regional banks, such as PNC, Comerica and Banc One, met expectations, reporting solid earnings largely unaffected by volatility in emerging markets. On the other hand, the nation's largest bank, BankAmerica, was two cents a share below estimates, and fell far short of last year's results. The bank blamed trading losses at hedge fund D.E. Shaw, as well as costs from its merger with NationsBank.

Three big brokerages, Merrill Lynch, PaineWebber and Bear Stearns, beat reduced forecasts, but investment banking slowed in the fourth quarter, and each firm failed to come close to results of a year ago.

RICHARD STRAUSS, GOLDMAN SACHS: Things have clearly come back incredibly, going into the beginning of the year, as the markets have rallied back, so investment banking is looking very, very strong. The bond market has unfrozen, so principal transaction revenues are, no doubt, going to rebound very nicely in the first quarter.

FRANK: Discount broker Charles Schwab posted record profits as it added 400,000 new accounts in the quarter.

(on camera): Schwab's profits from the Internet are rising, even though commissions per trade are lower. The discount broker said that, during the fourth quarter, it handled 93,000 trades online daily, and that 61 percent of its customers now use the Web to trade.

Allan Dodds Frank, CNN Financial News, New York.

(END VIDEOTAPE)

GUIDA: Let's look now at how some of those stocks played out on Wall Street today. Chase Manhattan rose 3 1/2, J.P. Morgan fell a little bit more than 2 3/4, BankAmerica was off a little bit more than a half, Merrill Lynch down 1 1/4, and PaineWebber lost 3 1/8.

The Supreme Court dealt a blow to local phone companies trying to break into the lucrative long-distance business. The high court rejected appeals by three baby Bells -- SBC Communications, USWest and Bell Atlantic. They argued that the 1996 Telecommunications Law unfairly punishes them. The law requires local phone companies to open their markets to competition before they can offer long-distance service. So far none of the baby Bells has won approval to offer long distance.

Coming up here on MONEYLINE: the man @Home with Excite and his growing online business: Tom Jermoluk. He's the chairman and CEO. We'll be right back.

(COMMERCIAL BREAK)

GUIDA: Let me correct what I told you moment ago. Paine-Webber (ph) lost three-eighths today, not three and three-eighths.

In tonight's MONEYLINE Focus: @Home's blockbuster buy-out of Excite. The deal comes just two months after AOL and Netscape's

merger rocked

Wall Street, and it leaves market watchers wondering whether 1999 might just be the year of the Internet merger.

Susan Lisovicz reports on the take-over target on the net.

(BEGIN VIDEOTAPE)

SUSAN LISOVICZ, CNN CORRESPONDENT (voice-over): Excite's acquisition by @Home would leave only two big independent gateways to the web. AOL is buying Netscape, Walt Disney is a majority shareholder in Infoseek, and Altavista is owned by Compaq. With a remarkable \$37.8 billion market cap, larger than that of aerospace giant Boeing, Yahoo! is thought to be too big to be an acquisition target. That leaves Lycos.

SHAUN ANDRIKOPOULOS, BT ALEX BROWN: Lycos is the one company that has not picked a major partner, either from a communications company perspective or from a branded media perspective. And there are a couple of large media companies out there, as well, that have yet to partner up in the Internet space -- most notably, News Corp. and Time-Warner.

LISOVICZ: Analysts say Microsoft and the German media giant Bertelsman are also likely suitors of Lycos. The appeal: In November, Lycos reached 45 percent of web users, behind AOL, Microsoft, and Yahoo!

DANIEL RIMER, HAMBRECHT & QUIST: The nature of the Internet as a medium lends itself to acquisition. If you think about it, rather, or unlike the physical world, where you have to walk from one store to the next, in the Internet space, you're basically one link away. So, the medium in and of itself lends itself to many more strategic partnerships.

LISOVICZ: Many analysts say traditional media companies have come to realize it's easier to buy access to the web than to build it.

(END VIDEOTAPE)

Lycos' expanded reach is partly due to its own aggressive buying spree. And given the explosion in Internet share prices, any bid for Lycos would not come cheap. Today's more than \$25 jump in the stock leaves Lycos with a market value of \$4.8 billion -- Tony.

GUIDA: Susan Lisovicz. My guest tonight certainly has consolidation on his mind. His company's \$6.7 billion buy-out of Excite is, as we have been telling you, the biggest yet.

I spoke earlier with @Home chairman and CEO, Tom Jermoluk.

(BEGIN VIDEOTAPE)

(on camera): Let's talk about why this particular company, Excite, and why at this very hefty price?

TOM JERMOLUK, CHAIRMAN & CEO, @HOME: Well, really Excite, we talked to a number of different people. Excite was a logical fit for us. They have tremendous brand that they've built up. They have their registered user base, 20 different million unique visitors every month. So, they've a great consumer brand. But, even more importantly, their technology -- the personalization technology, the one-on-one approach of their system, their back-end technology of match logic, highly undervalued in their own company and even more valuable with us.

The ability to target a company @Home -- on the television, on the personal computer -- really establish the one-to-one relationship for marketing, for e-commerce, for other kinds of technologies. They were a logical partner.

Besides the fact our buildings are next to each other in Redwood City, they have the same culture, we really love the people, so it was a natural fit.

GUIDA: Sure, I guess that helps. There's just a fountain separating your two companies out there in Redwood City, and so, I guess

proximity is one of the
main factors in making a deal with them.

JERMOLUK: It's not to be underestimated in the Internet.
You have to move
quick. We can't take the time to have a difficult
cultural interaction. We've got
to put these companies together, and get out there and
compete in the
marketplace and so, that was definitely one of the
factors.

GUIDA: You're paying \$6.7 billion, at least in terms of
stock, based on
Friday's numbers. That's an awful lot of money. How do
you justify that to the
shareholders?

JERMOLUK: Well, you have to look at it on a relative
basis. It's about 30
percent of the company after the merger. It's about a 30
percent premium to
their share price over the last 30 days. I think that's
a very reasonable number
in terms of these deals, because both companies really
looked at the synergies,
post the deal. After the announcement we put these
companies together, our
revenue accelerators are there, we'll end up being a \$2
billion plus company in
2002, and their creative (ph) earnings at 15 to 20
percent.

So, the financial numbers are really post -deal, and we
think we got it for a fair
price, and it's really because they're looking at their
value post-the deal.
There's not that many people out there who've built a
porthole of 20 million
plus reach in terms of unique users. They're a precious
commodity.

GUIDA: As you well know, the combination of Internet
access with portholes
is becoming the defining element of the commercial
Internet -- we had AOL
buying Netscape, you're buying Excite, presumably there
are going to be more
deals in this field that you, this new company is going
to have to compete
against.

JERMOLUK: Yes, I think so. Clearly we think we've chosen
the right

partner. Remember that our partnerships on the cable side are with companies like TCI and Cox and Comcast and now AT&T -- 60 million homes of distribution strong. Very strong partners with big marketing bases of their owns. Long distance, wireless customers, cable customers -- so, we can leverage their strengths and their marketing associations today with Excite's reach of 20 million plus, and really tie the things together, and I think that's a unique advantage.

So, we think that we'll be able to compete very effectively with AOL-Netscape accommodation, even as many homes as they have today. It pales in comparison to the cable TV subscribers or AT&T long distance subscribers or the reach of an Excite out there on the Internet. So, that combination, we feel we're going to be pretty powerful in the market.

GUIDA: Well, it's a fast changing landscape, and you are making history today with the largest deal, so far, in this field.

Tom Jermoluk of @Home. Thanks for being with us.

JERMOLUK: Thank you very much.

(END VIDEOTAPE)

GUIDA: And MONEYLINE will be right back.

(COMMERCIAL BREAK)

GUIDA: In less than two hours, President Clinton gives his annual State of the Union address. It's an event, no doubt, dripping with politics.

But as Kelli Arena reports, the president will focus on economics.

(BEGIN VIDEOTAPE)

KELLI ARENA, CNN CORRESPONDENT (voice-over): The president is set to propose exactly how he wants to spend the growing budget surplus. In tonight's State of the Union, the president will suggest

using about 62 percent
or more than \$2.7 trillion to shore up Social Security.
Another 11 percent, or
\$500 billion, will go to new government subsidized
retirement savings accounts
and another 15 percent would go to strengthen Medicare.
The most
controversial part of the plan involves investing some
of the money for Social
Security in the stock market.

STEPHEN MOORE, CATO INSTITUTE: Imagine what it would be
like if
you have the government -- as the biggest stockholder in
America, it's very
likely that what you would see is the government
starting to exert influence on
how our private corporations are being run.

ARENA: Conservatives would much rather return part of
the Social Security
tax to individuals and have them make their own
investment decisions. But at
least one analyst views the president's plan as a move
toward bridging the
political gap.

LES ALPERSTEIN, HSBC WASHINGTON ANALYST: The Democrats,
for one, were very concerned that if you reformed Social
Security by
privatizing accounts, you are taking some money that
people would rely on
later on -- put it into the market or what have you.
There was some risk
involved. The safety net would dry up or go away. There
was a problem; they
didn't like that idea. The Republicans, on the other han
d, are not so crazy
about safety nets and welfare kind of, you know,
mandatory programs. They
wanted the money to go into privatized accounts. What
he's doing is both.

ARENA (on camera): Both parties say they are committed
to reforming
Social Security, but the odds of any major agreement
this year are quickly
falling.

Kelli Arena, CNN Financial News, Washington.

(END VIDEOTAPE)

GUIDA: British Aerospace today unveiled plans to buy

General Electric's

Marconi Defense Electronics unit. The merger would form the world's third largest aerospace and defense company, behind Boeing and Lockheed Martin.

The new British Aerospace would be worth an estimated \$27 billion.

In tonight's "MONEYLINE Movers," AirTouch Communications continues to

soar, following Friday's merger with Britain's Vodafone. AirTouch up 9 1/4.

Shares of network solutions surged 19 7/8 after the company announced a

deal with American Express to help small businesses set up web sites.

Network solutions is the largest provider of Internet addresses. Network

solutions is up 60 percent on the year. And software maker Manugistics

plunged 32 percent after the struggling company said it planned to lay off 400

people, or 30 percent of its workforce.

A rare move today from the International Monetary Fund: it admitted

mistakes. The IMF said policies that it recommended for crisis-stricken Asia

were "broadly inappropriate to the circumstances," saying the organization was

too optimistic in its economic forecasts for the region.

That crisis, meanwhile,

still dragging down Asia's biggest economy. Bankruptcies in Japan soared 17

percent last year to their second-highest level since World War II. More than

19,000 companies went bust.

When we come back, the Internet finally spreads some of its wealth. Myron

Kandel will explain. (COMMERCIAL BREAK)

GUIDA: Finally tonight, Internet stocks have astounded the markets, which is

an understatement, but we don't know what else to say about them. The

question has been: will there be any trickle down or trickle up?

Mike Kandel may have found it -- Mike.

MYRON KANDEL, CNN CORRESPONDENT: Well, Tony, the wild gains

of the Internet stocks have amazed Wall Street

old-timers, but today, those
folks watched something that may have astounded them
even more. It was
AT&T, good old 'Ma Bell,' acting like a frisky Internet
newcomer.

It's more than \$7-rise in big-board trading accounted
for all the Dow's gain for
the day, and then some. Without telephone, the Dow would
have been down
15 points, instead of up 14. AT&T shares received a
double boost today from
the Supreme Court, ruling on the baby bells, and @Home's
acquisition of
excite. Since TCI, which telephone is acquiring, owns a
major chunk of
@Home, that deal gives 'Ma Bell' immediate entry into a
hot aspect of the
Internet arena without forcing it to spend any
additional big bucks to do so.

It's something like buying a box of Cracker Jacks and
finding a real diamond
ring inside. And so investors, young and old, sent AT&T
soaring to a record
high of 91 3/8, and that's less than five months after
it was selling below 50.
Not bad for an Internet stock in grandma's clothing.

GUIDA: 'Ma Bell' as an Internet company, who would have
thunk it? Thank
you, Myron.

That is MONEYLINE for this Tuesday night. Thanks for
being with us.
Good-night from New York.

"CROSSFIRE" is next.

END

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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TEXT:
WORLD NEWS TONIGHT WITH PETER JENNINGS
Aired on JANUARY 20, 1999

PETER JENNINGS, ABC News: (voice-over) On World News Tonight this Wednesday -- the President's ambitious plan to protect Social Security, but the chairman of the Federal Reserve says keep the government out of the stock market. Years of advice about how fiber in your diet helps to prevent colon cancer. Now, a very detailed study says it isn't true. And we'll take "A Closer Look" at the Olympic experience. Two cities coming to grips with corruption.

ANNOUNCER: From ABC News world headquarters in New York, this is World News Tonight with Peter Jennings.

PETER JENNINGS: Good evening. That was a long and detailed State of the Union address by the President last night. A lot to digest and debate. But the President got another bump in the polls for job performance. And as Mr. Clinton's trial resumed in the Senate today, he took to the road to sell one of his most controversial proposals.

(Cheering)

PETER JENNINGS: (voice-over) In Buffalo, New York, the first public rally he has been at since he was impeached in early December. "We're

going to have a big argument," he said, "about using the budget surplus to protect Social Security." And he is right. Today, Mr. Clinton's proposal to invest part of the budget surplus in the stock market.

(on camera) ran head on into opposition from the most influential money man in the whole country, the chairman of the Federal Reserve. That's where we begin. Here's ABC's John Cochran.

JOHN COCHRAN, ABC News: (voice-over) Alan Greenspan told Congress today that even if independent trustees manage Social Security investments, those decisions would be affected by politics. For example, pressure to help an industry in trouble or to create jobs for certain kinds of voters.

ALAN GREENSPAN, Chairman, Federal Reserve Board: I'm fearful that we will use those assets in a way which, one, will create a lower rate of return for Social Security recipients.

JOHN COCHRAN: (voice-over) Greenspan pointed to pension funds run by state and local governments, which have averaged rates of return two to three points lower than private retirement funds. Overseas, Japan is the only major government to make a huge pension investment in stocks. That was fine when the market was booming. But in the mid '90s, the Tokyo market nose-dived, and the government had to cut Social Security benefits and raise Social Security taxes.

DALLAS SALISBURY, Employee Benefit Research Institute: And the expectation is more benefit cuts and more tax increases.

JOHN COCHRAN: (on camera) And not more investing in the market?

DALLAS SALISBURY: And not more investing in the stock market.

JOHN COCHRAN: (voice-over) Wall Street traders argue that in the long run, stocks always pay a higher return than the low-paying Treasury bonds Social Security funds have always been invested in. And in any case, only about 15 percent of Social Security money would go for stocks. But that still leaves a lot of unanswered questions.

Should the government care only about making big profits? How about politically incorrect industries or companies under investigation by the government? Should it invest in tobacco or companies that use child labor?

MICHAEL TANNER, Cato Institute: Or how about companies that have just busted their union or give money to Planned Parenthood or make R-rated movies? You can pick any social issue, and it will immediately become an investment issue.

JOHN COCHRAN: (on camera) The President's aides admit they don't have all the solutions. But they hope that with so many Americans bullish about the stock market and worried about Social Security, Republicans will have to join the search for some answers. John Cochran, ABC News, Washington.

Day Two Of President'S Defense

PETER JENNINGS: So over to the Senate now, this was day two of the President's defense in his impeachment trial. And today, the President's lawyers attacked the evidence in the perjury and obstruction of justice cases against him. They also went after the Republican prosecutors. Here's ABC's Jackie Judd.

JACKIE JUDD, ABC News: (voice-over) Gregory Craig's statement was laced with indignation that the President might be removed from office for what Craig called untrue and fundamentally frivolous charges of perjury.

GREGORY CRAIG, White House Special Counsel: The allegations are frequently trivial, almost always technical, often immaterial and always

insubstantial.

Pres. BILL CLINTON: It depends upon what the meaning of the word "is" is.

JACKIE JUDD: (voice-over) About the now-famous moment when President Clinton defended his truthfulness by debating with prosecutors what the definition of "is" is, Craig would concede only the President had made a political mistake.

GREGORY CRAIG: You may find it frustrating. You may find it irritating when you watched him do this. But he is not committing perjury. He is committing the offense of nit-picking.

JACKIE JUDD: (voice-over) White House lawyer Cheryl Mills was there to argue against obstruction of justice charges, but she ended on a personal note, challenging Republicans who have equated Paula Jones's lawsuit against Mr. Clinton with a civil rights struggle.

CHERYL MILLS, Deputy White House Counsel: I stand here before you today because President Bill Clinton believed I could stand here for him.

JACKIE JUDD: (on camera) Mills also emotionally defended the President's secretary Betty Currie against suggestions she didn't testify truthfully. Mills said it's an offense to Currie and millions of Americans to suggest that loyalty breeds dishonesty. Jackie Judd, ABC News, Washington.

What People Thought Of President'S Speech

PETER JENNINGS: When the President's rather long speech was over last night, some of us rather glibly said there was something in it for everyone. Of course, it's impossible to know what everyone thought about it. But ABC's Dean Reynolds has been in the center of the country, sampling opinion in Des Moines, Iowa.

Pres. BILL CLINTON: Tonight, I propose that we...

DEAN REYNOLDS, ABC News: (voice-over) They watched the speech closely, though some were distracted.

1st WOMAN IN DES MOINES: I kept feeling as though the elephant was in the room, and we weren't talking about the elephant.

DEAN REYNOLDS: (voice-over) The elephant, of course, is the trial of Mr. Clinton and the year-long Lewinsky melodrama.

(on camera) Is it difficult for you to focus on him as President without thinking about him as defendant in the case?

2nd WOMAN IN DES MOINES: This is horrible. But I wondered who had given him his tie.

(Laughter)

DEAN REYNOLDS: (voice-over) And while the President never mentioned his trial, these Iowans saw something between the lines of what he said.

1st MAN IN DES MOINES: It's really what wasn't said that was important in this situation. You know, "Look what we've done. Look what I can do for you. And by the way, don't chuck me out."

DEAN REYNOLDS: (voice-over) Few here thought Mr. Clinton could accomplish much of the agenda he outlined in his address.

2nd MAN IN DES MOINES: You can't trust him so you can't move on. You can't get things passed and implemented.

DEAN REYNOLDS: (voice-over) And others worried about the diminished stature of the presidency itself.

1st MAN IN DES MOINES: It's going to take a long time to get that back. And that's one of the true tragedies of this situation.

DEAN REYNOLDS: (voice-over) For all the ovations in the House chamber last night, this room applauded just once.

Pres. BILL CLINTON: Sammy Sosa, you're a hero in two countries tonight.

3rd WOMAN IN DES MOINES: I agree with that.

DEAN REYNOLDS: (voice-over) It was a diverse group, with about half supporting the President's agenda and others believing he should go. But there was unanimity on at least one point. None of them thought he would be leaving office any time soon. Dean Reynolds, ABC News, Des Moines.

PETER JENNINGS: The tobacco industry today went after some of the news that the President made last night. Last night, you'll recall the President said that the Justice Department is preparing a lawsuit against tobacco companies to recover health care costs related to the smoking. Industry officials today called that a "political act." The tobacco companies have settled similar lawsuits with all 50 states, agreeing to pay more than \$200 billion over the next 25 years.

In just a moment -- a new study that turns the conventional wisdom about fiber and colon cancer right on its head.

(Commercial Break)

High-Fiber Diet And Colon Cancer

PETER JENNINGS: Today, an authoritative study on colon cancer and fiber that contradicts what doctors have been saying for years. The study in the New England Journal of Medicine says there is no evidence that eating lots of high-fiber foods, like bran and broccoli, does anything to lower the risk of colon cancer. Here's ABC's Ned Potter.

NED POTTER, ABC News: (voice-over) Decades ago, scientists noticed that African tribespeople, who ate lots of raw vegetables, almost never got colon cancer. And that is part of the reason Americans now load up on fruits, vegetables, grains, beans and all sorts of fiber supplements. Doctors tell them a high-fiber diet will protect against colon cancer. It's a great theory. It just may not be true.

Dr. CHARLES FUCHS, Brigham & Women's Hospital: Women who ate a high-fiber diet were just as likely to develop colon cancer as women who ate a low-fiber diet.

NED POTTER: (voice-over) Charles Fuchs and his team used a study of 88,000 nurses over 16 years. It was the biggest and most reliable study yet of people's diets. It showed fiber did not lower the risk of colon cancer.

Dr. ALEXANDER WALKER, Harvard School of Public Health: Every so often, you get data which makes all your previous explanations seem like they don't fit anymore.

NED POTTER: (on camera) Once again, the conventional wisdom has been turned upside down, leaving people to wonder just how they can protect their health. Doctors' new advice is that you keep doing what they already recommended.

(voice-over) A high-fiber diet is still important for many reasons. Studies have shown it protects against heart disease, perhaps diabetes, high blood pressure and other problems. As for colon cancer, there's still plenty one can do.

Dr. CHARLES FUCHS: We have learned an enormous amount about how to help prevent colon cancer in the past decade. Things other than fiber appear to be quite beneficial.

NED POTTER: (voice-over) Such as? Doctors recommend exercise, cutting

down on red meat and taking vitamins, including folic acid, which happens to be in many of those high-fiber vegetables. In other words, the prevailing wisdom for a healthy lifestyle still stands, just for different reasons. Ned Potter, ABC News, New York.

PETER JENNINGS: Our medical editor, Tim Johnson, also reminds us that all attempts to prevent colon cancer are, for the most part, unreliable. The best way, he says, is to go for early screening to detect colon cancer while it is still curable.

Overseas today -- the U.S. and its.

(voice-over) .NATO allies sending warships to the Adriatic Sea to be nearer the Yugoslav province of Kosovo, where Serb forces continued to battle ethnic Albanian rebels today. Defense Secretary William Cohen said that "NATO credibility is on the line." ABC's John McWethy reports from the Pentagon there are no indications that any air strike is imminent.

(on camera) In a moment, we'll take "A Closer Look" at the expanding Olympic scandal.

(Commercial Break)

A Closer Look

PETER JENNINGS: We're going to take "A Closer Look" tonight at the Olympic experience.

(voice-over) The vice president of the International Olympic Committee, Canadian Richard Pound, there on the right, is in charge of the IOC's investigation into Salt Lake City's bid for the 2002 Winter Games. The Wall Street Journal reports today that the investigation will implicate as many as 16 IOC members for accepting more than \$780,000 in payoffs.

(on camera) Mr. Pound says this kind of activity has been going on long before Salt Lake's Olympic bid. Tonight, a tale of two cities -- one about to host the games, another still recovering. We begin with Mark Litke in Nagano.

MARK LITKE, ABC News: (voice-over) One year ago, Nagano basked in the Olympic glow. Today, the city is mired in recession, its Olympic venues seldom used, its residents dismayed over the widening Olympic scandal.

(on camera) No one in Nagano has yet been officially accused of any bribery or corruption, but there have been a number of suspicious and embarrassing revelations recently.

(voice-over) After repeated denials, the mayor of Nagano now admits a consultant with close ties to IOC President Juan Antonio Samaranch was hired to help Nagano in its Olympic quest. The consultant's fee? \$250,000. But that was just small change.

Nagano spent at least \$18 million in its bidding efforts, but where did the money go? Shortly after winning the games, a citizens group here demanded a full accounting of the expenditures. Masao Ezawa (ph), a member of the group, was told the records could not be found.

But now, this official from the bidding committee admits that he ordered all the records burned. "These were private documents," he says, "not for public viewing." Still, the records Ezawa has obtained show the extravagant itineraries laid on for Olympic officials visiting Japan.

At the same time, some of Japan's wealthiest corporate leaders were also donating \$23 million to one of Mr. Samaranch's favorite projects -- this new Olympic museum in Lausanne, Switzerland. Evidence that's leading more and more Japanese to believe their country won the games by paying the most.

(on camera) There is an old Japanese expression now heard often here when it comes to the Olympics -- ``seiten no heki reki (ph)." How could something so beautiful suddenly become so ugly? Mark Litke, ABC News, Nagano.

Sydney Suffering Olympic Scandal Fallout

DEBORAH WANG, ABC News: (voice-over) This is Deborah Wang in Sydney, Australia. Here, too, organizers spent millions of dollars wining and dining IOC members to win the 2000 Summer Games.

(on camera) Even though Sydney hasn't been implicated in the scandal, it is still suffering from the fallout. With less than 20 months to go before the games begin, organizers are struggling to raise some \$200 million from private sponsors.

MATTHEW MOORE, Sydney Morning Herald: Sponsors have got to be worried when people are seeing this sort of corruption, because you're selling an ideal. If it's tainted, it's very hard to sell.

DEBORAH WANG: (voice-over) Organizers were already under pressure because the Asian economic crisis has hurt fund-raising efforts. Dozens of new sites for the games are under construction. And many of them are close to completion. While no one doubts the games will go ahead, organizers say budgets may have to be cut if sponsorship money falls through.

MICHAEL KNIGHT, Sydney Olympic Organizing Committee: We believe that if we don't raise another cent of sponsorship, we can still put on a terrific games.

DEBORAH WANG: (voice-over) For Australia's Olympic hopefuls, the scandal is an unwelcome distraction. Australian officials are pressing the IOC to investigate quickly and aggressively.

ANDREW THOMSON, Former Australian Sports Minister: There's obviously a terrible smell about the IOC, and there's a terrible stench of corruption. So the only way to deal with that is to open the stable doors and wash them out.

DEBORAH WANG: (voice-over) Otherwise, Sydney could become the first Olympic city to suffer real damage from the scandal. Deborah Wang, ABC News, Sydney, Australia.

PETER JENNINGS: Should make it clear that some IOC members and potential host cities have turned their backs on corruption. Richard Pound told the Toronto Star he once turned down a \$1 million bribe. And officials in the city of Ostersund in Sweden say they were solicited for bribes. Ostersund has made three attempts to get the games. The mayor says it's impossible. The IOC demands are too great.

When we come back, trash, trade and toxic words.

(Commercial Break)

Toxic Words Over Trash

PETER JENNINGS: An item tonight about a burden for public figures. ABC News has learned that Newt Gingrich will become the first former Speaker of the House of Representatives to receive full-time police protection after leaving office. Mr. Gingrich had a number of threats during his time as Speaker, and U.S. Capitol Police believe that the continued protection is necessary.

Some of the news tonight is garbage. Don't take that too literally. Garbage is big business in this country -- collecting it, moving it,

storing it. It's also the source of a nasty war of words between New York City and the state of Virginia.

New York City is facing a garbage crunch and was planning to triple its deliveries to the state of Virginia. That triggered concern in the Old Dominion. But nothing like the storm that erupted when a certain politician some of us know spoke his mind. Here's ABC's Bob Woodruff.

BOB WOODRUFF, ABC News: (voice-over) In less than three years, New York City's only remaining landfill is scheduled to close. So New York has been paying private companies to truck thousands of tons of trash every day to rural landfills in Virginia. Now the plans are to send more on barges, and that is too much for Virginia's governor.

Gov. JAMES GILMORE, (R) Virginia: The image that we don't want to have is to be a trash repository to New York City or anyplace else.

BOB WOODRUFF: (voice-over) This was a minor dispute until New York mayor Rudolph Giuliani outraged Virginians by suggesting they should be happy to accept New York's trash. Why?

Mayor RUDOLPH GIULIANI, New York City: People in Virginia like to utilize New York because we're a cultural center, because we're a business center.

BOB WOODRUFF: (on camera) The mayor's argument is that because so many people come to New York City from other states to enjoy the theaters and the restaurants and, therefore, create garbage, they shouldn't complain too much when New York tries to ship it right back to them.

(voice-over) In Virginia's statehouse they could not believe this Yankee arrogance.

WILLIAM BOLLING, (R) Virginia State Senate: We spend our hard-earned money to attend plays on Broadway. Yet somehow we have to reciprocate for those pleasures by accepting their trash?

BOB WOODRUFF: (voice-over) That's exactly right, New Yorkers say.

DERRICK MITCHELL, New Yorker: As for shipping up to Virginia, I'm all for it. If they need me to drive the barge, I'll drive the barge.

BOB WOODRUFF: (voice-over) Many Virginians are wary about barges because they remember what happened in 1987, when a New York barge loaded with trash was turned away by city after city as an environmental hazard. But today's barges are much safer, the manufacturers say. Some say safer than having hundreds of trucks on the state's highways.

Others say reducing garbage coming into Virginia would threaten the jobs and schools that money from the garbage industry has helped to create. So Giuliani said it is money that will eventually decide this debate. And he mocked the politicians who don't believe it.

RUDOLPH GIULIANI: You can get up and say, "We're going to block all the garbage coming to our city or our state," and then what happens is everybody will clap for you. And then, the business goes on anyway.

BOB WOODRUFF: (voice-over) Maybe so, but Virginia's governor is no longer such a willing customer. Bob Woodruff, ABC News, New York.

PETER JENNINGS: You do sympathize with Virginia a little.

"On The Money" tonight -- a very good financial second quarter for Microsoft. There's been another great.

(voice-over) burst in personal computer sales. Microsoft profits were up 75 percent as a result. And the company's share price jumped 5 percent today after a big bump yesterday.

On Wall Street, the Dow Jones Industrial Average was down more than 19 points to close at 9335. On the NASDAQ, stocks were up 7 points to close at 2415.

Graphics: Dow Jones 15-day Trend

Change: Down 19.31

Close: 9335.91

Volume: 899,170,450

NASDAQ 15-day Trend

Change: Up 7.32

Close: 2415.49

Volume: 1,263,379,817

(voice-over) A note of caution about the overall economy today from the Federal Reserve chairman. Mr. Greenspan said there are few signs of "an appreciable slowdown in the economy," but small ones will be necessary to maintain the longest peace-time expansion in the nation's history.

That recent 1-cent increase in first-class stamps is proving to be an irritation. Some people are using 32-cent stamps and then taping a penny on to the envelope. The Postal Service says the coins are damaging postal machinery.

(on camera) When we come back, a new stamp for one of history's controversial figures.

(Commercial Break)

Honoring Black Activist Malcolm X

PETER JENNINGS: Finally this evening, a powerful example of how things change. Today, in the same week that we celebrate Martin Luther King's birthday, the Postal Service has issued a new stamp to honor the black activist Malcolm X.

(voice-over) A commemorative stamp for Malcolm X?

OSSIE DAVIS, Actor: We in this community look upon this commemorative stamp finally as America's stamp of approval.

PETER JENNINGS: (voice-over) Thirty years ago, it would have been unthinkable.

MALCOLM X: You are better than the white man.

PETER JENNINGS: (voice-over) In the 1950s and '60s, Malcolm X, as spokesman for the black Muslim movement, was one of the most provocative black nationalist leaders in the country. Whites listened fearfully as he mocked the nonviolent message of Martin Luther King.

MALCOLM X: This is what the white man has done to you and me. He has divided us.

PETER JENNINGS: (voice-over) Stand together, he said, and fight back. By 1965, when he was assassinated by a rival black Muslim, Malcolm X was far more prepared to work with white America. But all these years later, he is still primarily a symbol of black self-respect. "Cooperate," he finally preached, "but don't compromise."

(on camera) That's our report on World News Tonight. I'm Peter Jennings. Good night.

END

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WORLD NEWS TONIGHT WITH PETER JENNINGS
FEBRUARY 22, 1999

PETER JENNINGS, ABC News: (voice-over) On World News Tonight this Monday -- in Jasper, Texas, the jury hears how a black man tried to save himself as he was dragged to his death on a country road. The deadline in Kosovo -- will it be war or compromise? Our ``Closer Look" at health care -- when HMOs do what they're supposed to do. And the power of a single

telephone in the hands of a woman.

ANNOUNCER: From ABC News world headquarters in New York, this is World News Tonight with Peter Jennings.

PETER JENNINGS: Good evening. We are going to begin in Jasper, Texas, again tonight. Because today in the murder trial of the white supremacist John William King, the jury heard the most devastating details of what it was like for James Byrd, Jr., a black man, to be dragged to his death behind a truck.

The prosecution has finished presenting its evidence today, and King's defense lasted only an hour. But for the people in the courtroom, it was a day not to be forgotten. James Byrd tried to save himself -- not that he ever had a chance. ABC's Steve Osunsami reports from Jasper.

STEVE OSUNSAMI, ABC News: (voice-over) Every juror knew how James Byrd, Jr. was dragged from the back of this gray pick-up truck. But today, a pathologist told them he was alive, conscious and struggling. Dr. Tommy Brown (ph) explained how Byrd shifted his body in a desperate attempt to escape the pain for a mile and a half. With a chain tied around his ankles, Byrd tried to pull himself forward. He twisted and turned until he was pulled over this drainage pipe, and it severed his head.

PROSECUTOR: We owed this to the public, to the country, to the world, to put on everything we had. And that's what we've done.

STEVE OSUNSAMI: (voice-over) Some of James Byrd's family chose to stay away from the courtroom this morning to avoid reliving the story of this human being's suffering. In a town where more than a third of all residents are African American, his relatives say the horror of this crime is now painfully clear.

DARRELL VERETTE, James Byrd's Nephew: It strikes fear in your heart, you know. It strikes fear to say this can actually happen to you. This is something just because of the color of my skin that I can be targeted for the same kind of violence.

STEVE OSUNSAMI: (voice-over) Prosecutors introduced more evidence of King's hate -- this jail cell graffiti, King's white supremacist calling card and the beer and the smoke prosecutors say he almost.

STEVE OSUNSAMI: (on camera) Prosecutors introduced a final piece of evidence today, a letter King wrote from his jail cell to one of the other two defendants. In it, King writes, "Even if we are convicted, we will have made history." Steve Osunsami, ABC News, Jasper, Texas.

Serbs Seem To Be Preparing For Battle

PETER JENNINGS: The other major story of the day is, of course, overseas. In France today, the Secretary of State.

(voice-over) Madeleine Albright has been trying to persuade the ethnic Albanians to accept a peace agreement for the Yugoslav province of Kosovo so that a deadline tomorrow, a threatened deadline.

(on camera) .of NATO bombing, need not be acknowledged. Neither the Serbs nor the ethnic Albanians have signed on to this agreement. The Serbs are under the threat of air strikes if they're the only holdouts. And tonight, as ABC's John McWethy reports, the Serbs seem to be preparing for battle.

JOHN MCWETHY, ABC News: (voice-over) Intelligence sources tell ABC News that the Serbs are dispersing tanks and troops to make them harder to hit, mobilizing the reserves, dispatching medical people to the field -- all

apparent indicators that Serb leader Milosevic will not back down and is preparing to be hit by NATO air strikes. It is either that, sources say, or an elaborate bluff.

If Milosevic does not compromise and the ethnic Albanians do, then Pentagon sources say the first air strikes would combine unmanned Cruise missiles, more than 100 of them, with radar-evading F-117 Stealth fighter bombers. The goal -- blind and disrupt Serbia's air defenses, which include up-to-date Russian-made missiles and radar.

Serb air defenses are considered capable under the right circumstances of shooting down a NATO plane, which is making planners very cautious. The next phase of an air campaign would involve the bombing of Serb troop and police units in both Kosovo and greater Serbia.

Adm. LEIGHTON SMITH (Ret.), Former NATO Commander: You put a lot of hurt on him in a very short period of time, and when I say short period of time, I'm talking two to three days.

JOHN MCWETHY: (on camera) What would happen after that, if the Serbs continue to resist, is not clear. America's European allies seem to have little stomach for a long-term bombing campaign, which is something Milosevic may be counting on. John McWethy, ABC News, the Pentagon.

President Meets With Nation'S Governors

PETER JENNINGS: Now, the domestic business of the country. At the White House today, the President met with the nation's governors, in town for their annual winter meeting. While the Clinton administration and the Congress are talking a lot about getting back to business now that the impeachment trial is over, the governors are thumping their chests a bit and pointing out that they've been on the job all along. ABC's Sam Donaldson is at the White House.

SAM DONALDSON, ABC News: (voice-over) At the White House, the governors told the President they want to see a return to civility in Washington and want to work with him on a forward-moving agenda. But they made clear, on their terms. Consider the \$206 billion settlement that states won from the tobacco companies to defray Medicaid costs for tobacco-related illnesses. The states want to keep it all.

Gov. MICHAEL LEAVITT, (R) Utah: This is state money. The federal government was invited to participate but declined.

SAM DONALDSON: (voice-over) But under the law, the federal government maintains it must have a share, because...

JOE LOCKHART, White House Press Secretary: The majority of money in Medicaid is -- the burden is borne by the federal government. The current law requires the federal government to recoup that.

SAM DONALDSON: (voice-over) Then there's education.

TEACHER: Do you have to move a distance?

SAM DONALDSON: (voice-over) The President plugged hard today for his new education initiatives, federal money he wants tied to certain priorities, such as classroom size. The governors want the money, but they want to decide how to spend it.

Gov. THOMAS CARPER, (D) Delaware: The key words are flexibility for us, reasonable levels of funding for us and also for us to be willing to be held accountable. And we are.

SAM DONALDSON: (voice-over) The President made no immediate response on tobacco but hit back hard on education.

Pres. BILL CLINTON: We don't have any business telling you whom to

hire, how to teach, how to run schools. But let's not kid ourselves. We are not doing our children any favors by continuing to subsidize practices that don't work and failing to invest in practices that do.

SAM DONALDSON: (on camera) The President pledged to work with the governors, even to the point of asking Congress to make an exception to the law so they can keep the tobacco money, as long as they commit to spending it on tobacco-related issues. What all this seems to show, Peter, is that while in this post impeachment era, the dialogue once again may be civil, the struggle over control of the dollars remains as fierce as ever.

PETER JENNINGS: Thank you, Sam. Sam Donaldson at the White House.

On the subject of money, there's a major cutback at the country's largest clothing maker today.

(voice-over) Levi Strauss is going to lay off a third of its workforce, which is almost 6,000 workers. The company will close half of its 22 plants and shift the work overseas, where production is cheaper. Levi is suffering in large measure because young people are not buying Levi's jeans as their parents did.

On the other hand, many companies are still adding workers -- a sign of the economy. A survey of 16,000 firms published today finds that a third plan to hire additional workers in the second quarter of the year. That means that the overall job market should stay strong through the early part of the summer.

The legendary Pinkerton Detective Agency is being bought by a Swedish security firm. Pinkerton detectives guarded Abraham Lincoln during the Civil War, chased the outlaw Jesse James and worked for industrialists trying to crush the labor movement in its early days. The new now-Swedish company will be the world's largest security operation.

On Wall Street today, the Dow Jones Industrial Average was up more than 212 points to close at 9552. On the NASDAQ, stocks were up 58 and a half points, almost.

Graphics: Dow Jones 15-day Trend

Change: Up 212.73

Close: 9552.68

Volume: 715,582,290

NASDAQ 15-day Trend

Change: Up 58.41

Close: 2342.01

Volume: 836,822,345

(on camera) When we come back, trying to keep weapons know-how inside Russia.

(voice-over) The question is, is American aid paying for the very thing it's been trying to prevent? And the power of the phone call. In fact, the most powerful tool they've ever possessed.

(Commercial Break)

It'S Your Money

PETER JENNINGS: In Washington today, the government office that investigates how the government spends its money is very concerned about a program that provides money, U.S. money, to Russia, especially given that the Clinton administration wants to expand the program. The General Accounting Office finds that it may be looking at a program that has gone wrong. Here's ABC's Bob Jamieson.

BOB JAMIESON, ABC News: (voice-over) Boris Zirkov (ph) and Yuri Yashin

(ph) are scientists who used to work in Russia's chemical weapons program. They are now doing research into pollution control, paid for by the United States, to prevent the spread of weapons technology. They are examples of what the program is designed to accomplish.

But today's GAO report found U.S. aid may be paying for the very thing it's supposed to prevent. The U.S. taxpayer may have supported scientists still working on Russian weapons programs.

And worse, American money has gone to at least four Russian institutes which may have helped countries seeking nuclear technology, including Iran and Libya. And even when the money has gone where it was intended, 40 percent has been siphoned off to pay Russian taxes.

IVAN ELAND, Cato Institute Defense Analyst: The real problem is that these weapons scientists are still in their weapons laboratories, and I think we need to not fund scientists who are still there. We need to get the scientists out of the weapons laboratories.

BOB JAMIESON: (voice-over) The aid program has spent hundreds of millions of dollars over the last five years on the scientists and to destroy everything from nuclear warheads to chemical weapons. The administration now wants to spend \$4 billion more -- some of that money on housing the demoralized Russian army.

(on camera) But should U.S. taxpayers be paying to house Russian soldiers? That's just one of many questions being asked about the American aid program.

(voice-over) Key Republicans on the Senate Foreign Relations Committee today questioned the White House plan to expand the program. Despite the criticism, the administration still believes a bigger aid program is the best way to keep nuclear weapons and technology inside Russia. It's a multibillion dollar bet. Bob Jamieson, ABC News, Moscow.

PETER JENNINGS: The congressional committee overseeing the government's efforts to fix the Year 2000 computer bug problem issued its quarterly report card today. Overall, the government went up from a "D" to a "C" plus. The report did say that the Transportation Department, State and Defense Departments still lag far behind in upgrading their computer programs.

The National Cancer Institute says today that giving chemotherapy and radiation simultaneously can cut the risk of death from invasive cervical cancer in half, and they cite five different studies. This is the first breakthrough in the treatment of this particular cancer since the 1950s.

In a moment -- the difference when HMOs make an additional effort and the difference when they just give up. We'll take "A Closer Look."

(Commercial Break)

A Closer Look

PETER JENNINGS: This week, we're going to take "A Closer Look" at the turbulent relationship between many Americans and their health care providers.

(voice-over) One hundred fifty million Americans are now enrolled in HMOs or other managed-care programs. Most polls tell us that 80 percent of Americans are satisfied with what they're getting.

(on camera) Still, the idea that health care companies cut costs at the expense of quality care is a pretty enduring one. We'll get to that in a moment. But first, let's take "A Closer Look" at the upside. Here's ABC's Michele Norris.

MICHELE NORRIS, ABC News: (voice-over) Keith Welter (ph) was diagnosed with diabetes in 1983. Fourteen years later, he lost both his legs due to poor circulation. He says that loss could have been avoided if his doctors had kept in touch once he left the hospital.

KEITH WELTER: Not once did he say or did the nurses say that the consequences of diabetes is such and such, is such and such -- is kidney damage, heart failure.

MICHELE NORRIS: (voice-over) Tragedies like this happen time and again because of a fundamental flaw in health care -- patients often do not see doctors until they are in crisis.

GEORGE HALVORSON, President & CEO, HealthPartners: By the time they come back in, we're doing damage control instead of damage prevention.

MICHELE NORRIS: (on camera) Americans spend close to \$500 billion a year treating chronic disease. Some managed care health plans are aggressively trying to cut those costs and at the same time improve health care. The remedy -- teach patients how to manage their disease and, in the long run, avoid costly complications.

(voice-over) For example, take diabetes -- a chronic disease with no cure that affects 16 million Americans. It is the leading cause of blindness, amputations and kidney failure in the U.S. Half of all HMOs now have disease-management plans for diabetes.

At the HealthPartners HMO in Minnesota, that approach has helped reduce the number of serious complications by 16 percent. HealthPartners discovered that it's really very simple.

NURSE: And your cholesterol level.

MICHELE NORRIS: (voice-over) Nurses, nutritionists and other health specialists work one-on-one to educate patients in between doctor's visits.

JOY, Dietitian: Hi, Tricia. It's Joy, the dietitian from HealthPartners.

MICHELE NORRIS: (voice-over) And a hotline provides quick and easy counseling or, if needed, a gentle reminder.

HOTLINE OPERATOR: I can give you a call once every couple weeks or once a month and just see how things are going.

Dr. JOANN SPERL-HILLEN, Diabetes Care Improvement Project: By offering them this additional support, I think it gets at the nitty-gritty of what patients need to help them get control over the disease.

MICHELE NORRIS: (voice-over) Keith Welter knows what is at stake. He is now enrolled in the HealthPartners plan.

KEITH WELTER: I can honestly say that if I had the support that I was getting from HealthPartners years ago, I really don't think I would be in the predicament I'm in today.

MICHELE NORRIS: (voice-over) A predicament that thousands can avoid if health plans managed to save money by first changing lives. Michele Norris, ABC News, Minneapolis.

When Hmos Abandon Elderly Patients To Cut Costs

PETER JENNINGS: On the other hand, sometimes when health care plans try to save money, that's when the HMO horror stories get dragged out and told. About six million elderly and disabled Americans on Medicare are in managed care plans. Last year, about 400,000 people were let go, abandoned by their plans because the company said the elderly were too expensive. ABC's John Cochran tonight on what happens then.

LOLO HEIDLINGER (ph): What is this?

JOHN COCHRAN, ABC News: (voice-over) When we visited Otto and Lolo

Heidlinger four months ago, they had just learned their HMO was dropping Medicare patients.

OTTO HEIDLINGER: God forbid a severe situation arises. We wouldn't know where to take the money from.

JOHN COCHRAN: (on camera) When I was here the last time, Otto, you said "God forbid, something should happen." Something happened.

OTTO HEIDLINGER: Something happened. Lolo has a reoccurrence of her cancer. Totally unexpected.

JOHN COCHRAN: (voice-over) With the bad news came some good. Otto and Lolo were able to join a new HMO just before her breast cancer came back, although there was a drawback. Lolo needs intensive radiation, which will leave her exhausted. But her new plan insists that she travel every day for six weeks from her home in Delaware to a hospital in Pennsylvania. The HMO has no deal with her local hospital.

LOLO HEIDLINGER: Out of state, my doctors are not there. It's a hospital that's totally away from where we live.

JOHN COCHRAN: (voice-over) On top of that, there is no guarantee that their new HMO won't drop them, just as their old one did. They are alarmed by a conversation with an HMO official.

OTTO HEIDLINGER: He told me the other day, "If we don't make money, they'll pull out." He said, "If we are burdened with problems like yours, who knows what can happen."

JOHN COCHRAN: (voice-over) A lot of elderly Americans are worried about their future coverage. Whatever problems they may have with HMOs, they count on them to help pay for prescription drugs, which are not covered by the traditional Medicare program.

LOLO HEIDLINGER: John, this is the most important thing that the elderly people need.

JOHN COCHRAN: (voice-over) The Heidlingers say they're willing to pay more to the government, if Washington will then pay more to the HMOs so they don't go out of business.

(on camera) So you say the solution is not to cuss the HMOs, but to see that they get more money?

LOLO HEIDLINGER: That's the bottom line to the whole thing. Don't lose money on us. There is no need for that.

JOHN COCHRAN: (voice-over) Maybe there is no need for that, but the Heidlingers have every reason to worry. HMOs warn that unless Washington increases premiums, they will have no choice but to drop Medicare and the six million elderly Americans like the Heidlingers who rely on them. John Cochran, ABC News, Wilmington, Delaware.

PETER JENNINGS: Tomorrow, we'll take "A Closer Look" at what happens to patients when an HMO goes bankrupt. And they do.

In a moment -- imagine never, ever having access to a telephone. And how a phone might generate a peaceful revolution.

(Commercial Break)

The Power Of A Single Telephone

PETER JENNINGS: Finally from us this evening -- a crucial connection. For all the power of high technology, the fact is that almost half the people on earth have never made a single telephone call. So now, think of the power that just one telephone might represent as an agent of change. It's coming. ABC's Mark Litke reports tonight from Bangladesh.

MARK LITKE, ABC News: (voice-over) Most Bangladeshis will enter the

next century much as their ancestors entered this one -- most, but not all.

ABEDA SULTANA (ph): Hello.

MARK LITKE: (voice-over) Just a few months ago, Abeda Sultana had never used or even seen a telephone. Today, she owns the one-and-only cellular phone in her remote village and runs her own business, renting phone time to her neighbors for pennies a call.

"Every day," she says, "I thank God for this miracle." God, and this one Bangladeshi banker. Mohammad Yunus is already well known worldwide for providing loans to the very poor, primarily women. Now, he has launched a program to put one cell phone in each of his country's 68,000 villages, giving the poor the most powerful tool they've ever possessed.

MOHAMMAD YUNUS, Grameen Bank of Bangladesh: Today, it's a very simple thing, you see, the tip of the iceberg. But if you go on deep into it, you see a lot of things can happen around it, just with this tiny, little piece of technology.

MARK LITKE: (voice-over) Imagine -- an isolated farmer can call for a current crop prices so he won't be cheated by a middleman. For the first time, a mother with a sick child can call a doctor.

MOHAMMAD YUNUS: They're in command. They're not at the mercy of anybody else.

MARK LITKE: (voice-over) What Yunus does is give a cell phone to one woman per village. Women, he says, are more responsible. She then pays for the phone with proceeds from her phone service, which can make up to \$200 a month -- a small fortune for her family, a connection to the world for her village.

(on camera) This cellular phone revolution is not without its critics, those who say it brings too much change, too fast, undermining the centuries-old social fabric of these villages.

(voice-over) Some fear a backlash from conservative men who resent so much power in the hands of women. Others worry that the family owning the phone will become too greedy. But almost as soon as the cell phone arrives in one village, the village down the road wants one, too. That, says Yunus, is the definition of progress, and it can't be stopped.

(on camera) You've let the genie out of a bottle.

MOHAMMAD YUNUS: That's the word (?). Genie out of the bottle. That's what we are really trying to do. Take the genie out of the bottle.

MARK LITKE: (voice-over) They have missed out on the progress of the 20th century, but with one tool, they've arrived at the 21st. Mark Litke, ABC News, Bangladesh.

PETER JENNINGS: That is our report on World News Tonight. I'm Peter Jennings. We hope you have a nice evening. Good night.

END

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TEXT:
WORLD NEWS TONIGHT WITH PETER JENNINGS
Aired on MARCH 31, 1999

PETER JENNINGS, ABC News: (voice-over) On World News Tonight this Wednesday -- the NATO alliance tries to raise the stakes in its campaign against the Serbs. It says the capital city will now be a target. Millennium computer panic. The biggest thing to fear may be fear itself. And just days until opening day. Can money alone win or lose a season?

ANNOUNCER: From ABC News world headquarters in New York, this is World News Tonight with Peter Jennings.

PETER JENNINGS: Good evening. The policy for attacking the Serbs in Yugoslavia is firm for another day -- bombing, more bombing, nothing but bombing. And by tonight, the Serbian leader, Slobodan Milosevic, has undoubtedly heard that NATO has a new idea. It intends, so it says, to bomb the capital city, Belgrade. We're going to begin with that potential new dimension to the air campaign. At the Pentagon, ABC's John McWethy.

JOHN MCWETHY, ABC News: (voice-over) Taking the air campaign to downtown Belgrade is something that NATO had been avoiding because of the possibility of civilian casualties. Now among the targets being considered, the Ministry of Defense and Interior and the presidential

palace.

JAMES RUBIN, State Department Spokesman: No place where attacks on Kosovo are conceived and planned will be immune from NATO air strikes.

Gen. MIKE DUGAN (Ret.), Former Air Force Chief of Staff: It means going places -- not where the tactical front is, not where you see the tanks and the artillery pieces -- but where you see the decision-makers.

JOHN MCWETHY: (voice-over) Military sources tell ABC News that some targets have been selected to send a very personal message to Milosevic and his top supporters. Their homes and offices will be considered potential targets. Even if buildings are empty -- which officials concede some are -- destroying them, they argue, still sends a powerful symbolic message.

Today, NATO released video of new strikes against ammunition and fuel storage areas, and the Pentagon claims Serb tanks in Kosovo were attacked for the first time. But more of the same may do little good.

(on camera) Intelligence sources say time is running out. They calculate in another several days, Milosevic will have won in Kosovo. He will have utterly destroyed what is left of the ethnic Albanians' insurgent army and will have forced hundreds of thousands of the people of Kosovo to leave the country, burning their homes as they go.

(voice-over) So the Clinton administration and America's NATO allies are left struggling with the question -- what do we do now? John McWethy, ABC News, the Pentagon.

The Serbian State Of Mind

PETER JENNINGS: If NATO actually does take its air campaign to the center of the Yugoslav capital, it surely knows that the Serbian leadership has more bomb shelters available than there are in most cities. As for breaking the Serbian spirit, where Kosovo is involved, that's a very tall order.

Kosovo is a national shrine, even for many Serbs who find Mr. Milosevic's nationalism revolting. Sheila MacVicar tonight on the Serbian state of mind.

SHEILA MACVICAR, ABC News: (voice-over) According to Serbian TV, it is business as usual tonight. They showed pictures of President Slobodan Milosevic, but there was no mention that NATO now has downtown Belgrade in its sights. In the streets, the news did spread by Internet, foreign radio broadcasts and word of mouth.

And to make a point about potential casualties, journalists were taken to the city's largest hospital, only 300 yards from the defense ministry. Staff and patients said they were terrified.

But on the surface, life in Belgrade goes on very much as normal. Another government-organized rock concert in the city's center today. A Serbian journalist spoke to National Public Radio by telephone.

Voice of DEJAN ANASTASIJEVIC, Serbian Journalist: There's plenty of food. Serbia is largely an agricultural country, and now it's the middle of the spring. The price of meat went down, however. It's surprising. There's a general shortage of fuel and cigarettes. The government said that these will be rationed.

SHEILA MACVICAR: (voice-over) But as the bombing continues and now escalates, people are tiring of the shelters and looking outside the city for safety.

Voice of MARIA IVANOVIC, Freelance Journalist: There is fear setting

in. It's beginning to feel more panic here, more aggressive.

SHEILA MACVICAR: (on camera) Still, there are no signs President Milosevic is pulling back. Here in Montenegro, there is growing concern tonight that Milosevic may be preparing to move against the Western-minded and neutral government of this republic, perhaps even preparing a military coup. Sheila MacVicar, ABC News, Podgorica, Montenegro.

Kosovo'S Ethnic Albanian Population Dwindling

PETER JENNINGS: The NATO alliance may not be doing much to stop the Serb forces in Kosovo, but the State Department does seem to know what's going on. Today, the department named 20 towns and villages in the province where it said there is credible evidence of war crimes -- mass executions, forced expulsion. And nearly all of it since the NATO campaign began.

Until recently, two million people lived in Kosovo. One way or another now, the ethnic Albanian population dwindles every day. We have two reports, beginning with ABC's Clay Scott, who's on the Kosovo border with Macedonia.

CLAY SCOTT, ABC News: (voice-over) They arrived at the border this morning -- nearly 2,000 ethnic Albanians. They said they had been forced onto trains by Serb soldiers who locked the doors shut. When the trains reached the border, the doors were opened, and the refugees made their way single file along the tracks for fear of buried land mines.

The Serbs took both their money and their passports, the refugees said, and there had been worse before they left. "They shot the two sisters of my husband," she says. This woman was on one of those trains arriving this morning from Kosovo's capital, Pristina.

FEMALE REFUGEE FROM PRISTINA: We came without bread, without nothing. If they stayed there one day more, two days, they are going to die, some of them.

CLAY SCOTT: (voice-over) Aid officials are especially worried about thousands of other refugees who are traveling by road on foot. They are stranded in the mountainous no-man's land along the Macedonian border, braving cold and hunger. They're still there because the Macedonian government has been extremely reluctant to take more Albanians because that would upset its own ethnic balance between Christians and Muslims.

This family arrived today from that no man's land after three days in the mountains. They described the last harrowing hours in their village. "They were killing people," she said. "I didn't even have time to put on my shoes." "We hid in the basement," he said. "We could hear the Serbs enter our building. When it was dark, we crawled out the window. There were dead people in the street."

His son and his grandchildren, he says, are still missing, lost somewhere in the mountains of Kosovo. Clay Scott, ABC News, on the Kosovo-Macedonia border.

The Flight From Kosovo

MIKE LEE, ABC News: (voice-over) This is Mike Lee at the Albanian border with Kosovo. Some 10,000 refugees crossed into Albania today. Buses were overflowing with frightened people. "There's nothing left of our homes but ashes," said this man.

A small convoy of tractors arrived today with all those who made it out

of the village of Zym (ph). Some of them said they watched from a riverbank as the Serbs shot to death 22 of their men. They made it to the town of Kukes today, where thousands are scrambling for bread and other relief supplies.

(on camera) All of this has been extremely difficult for the children. Most of them don't even understand what a refugee is. All they know is that their lives have suddenly been turned upside down.

(voice-over) "My daughter asked me, 'Mommy, where are we going?'" said this woman. "I told her, 'Don't worry. We are going to grandma's house.' But when she looked back and saw our house on fire, she started screaming.

"The Serb police burned our house," she says. Her name is Calabria (ph). She is only 3 years old. "Yes, I saw the flames. Yes, I was scared, very scared."

Thousands of mothers are trying to comfort their children. They cry and say, "It's just like we see on TV. Are we going to die like people die in the movies?"

Late today, these people from one little village in Kosovo rode off to continue life in another place. They do not know where. Mike Lee, ABC News at the Albanian-Kosovo border.

PETER JENNINGS: Just one other note with -- based on what you see there. Faced with what we can all see is happening, President Clinton has ordered up \$50 million worth of food and other emergency supplies for the refugees.

When we come back, the debate about using ground troops in Kosovo. Not in the White House.

(Commercial Break)

A Closer Look

PETER JENNINGS: We are going to take "A Closer Look" tonight at the argument being waged, largely in the editorial pages, about sending ground troops to Kosovo. Ever since the President said that he was trying to prevent a human disaster there, it has been clear to some people that ground troops would be needed and equally clear to others that it was not in the cards.

It is a debate made sharper by the fact that air power alone has not held the Serbs back. First, ABC's John Martin.

JOHN MARTIN, ABC News: (voice-over) As the air campaign continues, the bombs fall and refugees flee, five former government officials said today that ground troops may be needed to finish the job in Kosovo. Jeanne Kirkpatrick was U.S. ambassador to the United Nations under Ronald Reagan.

JEANNE KIRKPATRICK, Former U.S. Ambassador to U.N.: You cannot, from a remote location, stop troops on the ground from committing horrors, if they are inclined to do so.

JOHN MARTIN: (voice-over) Frank Carlucci was secretary of defense in the Reagan administration.

FRANK CARLUCCI, Former Secretary of Defense: If it does require ground troops in order to prevail, then I think we ought to send in ground troops.

JOHN MARTIN: (voice-over) William Howard Taft was ambassador to NATO in the Bush administration.

WILLIAM HOWARD TAFT IV, Former U.S. Ambassador to NATO: We have the political objectives. We should achieve them. If it takes ground troops, fine.

JOHN MARTIN: (voice-over) But what should the military objective be? Originally, it was autonomy for Kosovo.

MORTON ABRAMOWITZ, Former Assistant Secretary of State: I think that has now been forfeited. It has changed dramatically with this vast expulsion of people and this beating up on the Kosovars.

JOHN MARTIN: (voice-over) What's left -- safe havens or driving the Serbs out? Whatever the objective, said senator and Vietnam veteran John McCain, there must be an all-out effort.

Sen. JOHN MCCAIN, (R) Arizona: If that means at some point we may have to use ground troops, then we may have to use ground troops.

JOHN MARTIN: (voice-over) Retired General Colin Powell, Joint Chiefs chairman under George Bush, is reluctant to send troops.

Gen. COLIN POWELL (Ret.), Former Chairman, Joint Chiefs of Staff: I think it's a point we should try to avoid and see if air power can continue to work. At the end of the day, if you wish to seize the initiative, then you may have to do that.

JOHN MARTIN: (on camera) But Powell does concede that right now, without ground troops, NATO is at a disadvantage against the Serbs. John Martin, ABC News, Washington.

Nato At Disadvantage Without Ground Troops

PETER JENNINGS: It is pretty elementary what the former chairman of the Joint Chiefs says. NATO is clearly at a disadvantage without any ground forces. But as Colin Powell knows better than most, senior military men and the President are often haunted by what has gone before. Here's ABC's John Cochran.

JOHN COCHRAN, ABC News: (voice-over) In his first year as president, Bill Clinton learned the danger of using ground troops. Faced with another human tragedy, starvation in Somalia, an inexperienced Clinton turned a humanitarian mission into a futile and bloody hunt for a Somali war lord. Thirty Americans were killed. A humiliated president withdrew.

TED GALEN CARPENTER, Cato Institute: Somalia should certainly be an object lesson for anyone who suggests sending ground troops to Kosovo. That was a very bitter experience. We went in with the best of intentions, and yet we went and ended up with a lot of dead Americans.

JOHN COCHRAN: (voice-over) But what about Operation Desert Storm which succeeded in driving Saddam Hussein from Kuwait? The difference there was that George Bush built a coalition with overwhelming force and had plenty of time not only to prepare for military action, but to convince the public that casualties would be justified to protect American access to Gulf oil. Also, the desert was perfect for allied troop operations.

But Kosovo is harder to explain to Americans, and the mountainous terrain would be ideal for Serb guerrilla operations against NATO forces. Some say sending in ground troops would be madness now that 40,000 armed Serbs are already in Kosovo.

RICHARD PERLE, American Enterprise Institute: So we have come in too late. I think this is negligence and incompetence on a grand scale, and I would be very reluctant to entrust the lives of American ground forces to the strategic thinkers who have gotten us into the situation we are now in.

JOHN COCHRAN: (on camera) On one thing everyone agrees. There can be no ground campaign unless the President convinces a skeptical public it is necessary. And so far, no one seems more skeptical than the President himself. John Cochran, ABC News, Washington.

PETER JENNINGS: Just time now to check in with our White House correspondent. Sam Donaldson is with us. Sam, there are some suggestions around today that, in spite of the failure to help the Kosovars or stop Mr. Milosevic, there's talk there in the White House that the President may, at some point fairly soon, say he's accomplished his goals, and NATO will stop the bombing.

SAM DONALDSON, ABC News: Well, Peter, he'd like to. From the beginning, the objective has been to accomplish limited goals -- to deter Milosevic's ability to kill people, to damage his war machine and, at that point, to get out.

As one senior official said the other day, "We never said we'd bomb him back to the negotiating table." So at the moment, if you look throughout the administration, you find all of the major players on the same page. Bomb, bomb, bomb. No ground troops. There's no talk of that here -- at least not today, Peter. And the guess is that there won't be any tomorrow either.

PETER JENNINGS: Sam, very briefly, if they had to point to a result up until now, what would it be?

SAM DONALDSON: They'd say that they wanted to demonstrate NATO's resolve. That is that NATO said it would bomb and it did. And they've done that. Milosevic must now understand that if NATO says we're going to bomb you, we're going to bomb you. The problem, of course, is what does the bombing accomplish because that, at the end of the day, is the way this page will be written in history.

PETER JENNINGS: Thanks very much, Sam. Sam Donaldson at the White House tonight.

We'll be back in a moment with some of the day's other news. There's another Y2K problem. The more they worry, the worse it appears to get.

(Commercial Break)

Millennium Computer Panic

PETER JENNINGS: Now, some of the other news today -- in Washington, the government announced that 92 percent of its critical computer systems are ready for the Year 2000. And it promises that the computers controlling air traffic and the ones that issue Medicare checks will be ready this summer. That is the good news. Now here's ABC's James Walker.

JAMES WALKER, ABC News: (voice-over) Two hundred and seventy-five days to go and the closer we get, the noisier, the more ominous the predictions become.

NARRATOR (Clip from "Y2K & You"): Twenty-five billion microchips -- if they fail, it's an electronic ice age.

JAMES WALKER: (voice-over) There's the noise on the Net -- from the publishers, from the sales people.

SALESMAN: Four cases lasts one family one year.

JAMES WALKER: (voice-over) The concern is that people may panic.

UNIDENTIFIED WOMAN: Whatever I have, I intend to take out of the bank. And if there's enough, I would probably buy gold.

PETER DE JAGER, Computer Consultant: When we panic, we lose everything. We are no longer a civilization when we panic. And that's my fear is that we will panic.

JAMES WALKER: (voice-over) Computer consultant Peter De Jager was one of the first to predict a Y2K disaster. This month, he changed his mind.

PETER DE JAGER: The number-one concern is no longer the technical

issue. It is now the fear itself.

JAMES WALKER: (voice-over) There is a growing consensus that banks, insurance and phone companies will have their computers ready for the Year 2000.

(on camera) Federal officials hope today's report that the government is solving the Y2K problem will minimize the danger that people will overreact.

JOHN KOSKINEN, White House Y2K Council: The overreaction risks are that, you know, hundreds of millions of Americans decide that they're all going to, at the last minute, take money out of the bank, money out of the market, fill up their cars with gas and buy a lot of anything. The system won't tolerate that.

JAMES WALKER: (voice-over) In fact, computer experts say very few Y2K failures are likely to occur on January 1. Instead, they believe there will be small-scale disruptions spread out over the next year or so.

VENDOR: Take Visa, Mastercard, cash, check.

JAMES WALKER: (voice-over) That's why they urge people to stay away from those who are out to profit from doom. James Walker, ABC News, New York.

PETER JENNINGS: "On The Money" tonight -- prices on the rise.

(voice-over) In the past two weeks, gas prices have jumped about 12 cents a gallon in most places. In California, drivers are now paying up to 40 cents more following the decision by key oil-producing nations to cut production and since a fire shut down a major California refinery.

(on camera) In Washington today, a report from the government's official auditor, the General Accounting Office, says that major federal agencies could not account for a majority of the \$466 billion in assets that they hold.

(voice-over) On Wall Street today, the Dow Jones Industrial Average was down more than 127 points to close at 9786. On the NASDAQ, stocks were down almost 19 points.

Graphics: Dow Jones 15-day Trend

Change: Down 127.10

Close: 9786.16

Volume: 922,062,400

NASDAQ 15-day Trend

Change: Down 18.89

Close: 2461.40

Volume: 1,074,988,205

(on camera) In a moment -- baseball, 1999. The season of the rich.

TERRY RYAN, General Manager, Minnesota Twins: It's not good for us to go into the season thinking that we may not stand a chance from April. That's not the way to play professional sports.

PETER JENNINGS: (voice-over) Poor teams out of the hunt before the game begins.

(Commercial Break)

Season Of The Rich

PETER JENNINGS: Finally tonight -- the money games. This Sunday is baseball's opening day. We learned today that the Major Leagues are considering selling patches of advertising on players' uniforms to boost team revenues. It's actually not such a ludicrous idea for some teams.

ABC's Aaron Brown reports tonight that today in baseball, more than ever, winning depends on the wallet.

AARON BROWN, ABC News: (voice-over) For Major League Baseball, last year was close to perfect. There was McGwire and Sosa, the Yankees 125-win season.

BUD SELIG, Baseball Commissioner: I think George Will put it correctly near the end of the year, this is probably, in many ways, baseball's greatest year.

AARON BROWN: (voice-over) But if the summer was kind, winter was cruel. The big teams, the teams with the deep pockets, spent their cash wildly. The Yankees more than \$85 million for Bernie Williams, the Anaheim Angels spent more than \$80 million for Mo Vaughn.

And the Dodgers, a staggering \$105 million over seven years for pitcher Kevin Brown, \$15 million a year, which is about the entire Minnesota Twins payroll. The rich got better. The baseball poor got left behind.

RANDY SMITH, General Manager, Detroit Tigers: You have to spend to win, and if you don't spend, you're not going to win. I think you look at the top 12 payrolls last year, 11 of them had winning records. Look at the bottom 12 payrolls, they all had losing records.

AARON BROWN: (on camera) Baseball has always had its rich teams and its poor teams. The Yankees haven't won two dozen championships simply because they've had better scouts. But the disparity has never been this great, both off the field, the money the big teams make, and on the field, the talent they can buy.

(voice-over) While the Yankee payroll was growing -- it will exceed \$80 million this year -- the Twins payroll is shrinking. They are trying to cut salaries to between \$10 million and \$15 million, about half what they paid last year. The Yankees field stars at almost every position. The Twins will field a team so inexperienced, so devoid of stars, they not only won't be competitive within their division, they can barely be called major league.

TERRY RYAN, General Manager, Minnesota Twins: It's not good for us to go into the season thinking that we may not stand a chance from April even to compete with Cleveland. That's not the way to play professional sports.

AARON BROWN: (voice-over) But that is how baseball is being played these days in a half dozen or more of baseball's 30 cities. And fans in those cities are denied the very best part of spring.

BUD SELIG: They have to have the hope that their team can be competitive and faith that they believe that. If you take that away from too many franchises, you've obviously hurt the game.

AARON BROWN: (voice-over) In too many places, the game is hurting, and the season is effectively over before the first pitch has been thrown.

Aaron Brown, ABC News, Lakeland, Florida.

PETER JENNINGS: Just a brief review of our top story tonight.

(voice-over) NATO now says it's going to take the air war to downtown Belgrade, the Yugoslav capital. The White House still has no plans to use U.S. ground troops. And as the massive flow of refugees continues, ABC's John McWethy says intelligence reports predict that within a few days, Slobodan Milosevic will have essentially won, driving the ethnic Albanians from their homes and defeating what there was of their military forces.

(on camera) That is our report on World News Tonight. Don't forget 20/20 and Nightline.

I'm Peter Jennings. Have a good evening. Good night.

END

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To: H-1B/age discrimination mailing list

FAIR has put up a detailed, fascinating report of the recent hearings
on skills-based immigration. It is available at

<http://www.fairus.org/08226903.htm>

but it is so important that I am including it here below.

In my opinion, there was a large amount of disinformation and faulty
reasoning occurring at that hearing (based on the report here), by
almost all parties. I have loads of comments, but it would literally
take me all day to state them all here.

Thanks very much to FAIR for making this available.

Norm

Legislative Hearing -- March 25, 1999

House Hearing on Skilled Immigrants

On 3/25/99 the House Immigration and Claims Subcommittee held a
hearing on the benefits of highly skilled immigrants to the United
States economy. This hearing was attended by Reps. Lamar Smith (R-TX),
Sheila Jackson-Lee (D-TX), Bob Goodlatte (R-VA), Elton Gallegly
(R-CA), Ed Pease (R-IN), Marty Meehan (D-MA), and Zoe Lofgren (D-CA).

Opening Statements: After delivering his opening statement, Rep. Smith
heard the statements of the first witness panel.

Testimony:

Three panels testified before the subcommittee:

Panel 1 : Professor Barry Chiswick, Department of Economics, University of Illinois at Chicago, Dr. James Edwards, Richard Judy, Director, Center for Workforce Development, Hudson Institute, and Rebecca Burdette, Immigration Attorney Panel 2 : William Archey, President and CEO, American Electronics Association, and Randel Johnson, Vice President, Labor and Employee Benefits, U.S. Chamber of Commerce. Panel 3 : Kersi Shroff and Stephen Clarke, Legal Specialists, Directorate of Legal Research, Western Law Division, Law Library of Congress, and Laura Reiff, Immigration Attorney

Panel I

Prof. Chiswick, from the University of Illinois at Chicago, stressed the returns to skill for immigrants to the United States. In his opening statement, Chiswick advocated a points-based admission system for immigrants coming to the United States for employment, along the lines of similar point-based systems in Australia and Canada.

Dr. James Edwards focused his testimony on the challenges facing the United States economy in the 21st century and how immigration could assist the economy. While pointing out that a pro-skilled worker immigration policy would not be anti-family, he noted that an increase in the speed of communication and the ease of travel meant the family contact could be kept relatively intact even though family members might be separated by geography. Edwards also cited a Hudson Institute study regarding the development of the workforce through 2020. He identified four areas of concern: 1) a skills gap between potential employees and jobs, 2) fiscal problems with government spending, 3) increased Medicare costs, and 4) an increase in income inequality.

Richard Judy focused on the impact of current immigration policy on the economy. "The continuation of our current immigration policy will undermine America's economy in the 21st century," Judy noted.

Rebecca Burdette, an immigration attorney, stressed the positive benefits of highly skilled immigrants in her prepared remarks. She also stated that the "backlogs are intolerable" in INS processing of visa applications and naturalization. She also advocated raising the cap on per-country admissions under the employment provisions of the legal permanent resident status.

Rep. Smith began the question period by noting that the points system advocated by Chiswick, as well as abolishing the diversity visa system, and other reforms mentioned by the panel were identical in many respects to the reforms recommended by the Jordan Commission. He asked the panelists to comment on the similarities between their recommendations and the Jordan Commission and how their recommendations would assist the economy.

Prof. Chiswick stated that "Absolutely a switch to that kind of policy would have . . . beneficial effect on economic growth . . . the more positive impact of immigrants, the more positive the attitude of the public toward immigrants.

Dr. Edwards followed up Chiswick's comments by pointing out that the continued immigration of low-skilled persons was placing a strain on low-skilled Americans. "We have reduced the welfare rolls from 13 million to 8 million, but this[continued low-skill immigration] compound the problem."

Richard Judy expressed his reservations for a points-based admission system that focused too heavily on academic degrees, arguing that it "should recognize workplace skills . . . So I would not favor a simple minded system." He also noted that ". . . the flexibility of the points system is one of its advantages."

Rebecca Burdette stressed the cumbersome nature of current visa regulations. Rep. Smith asked her about the National Academy of Sciences study regarding the costs to the United States of immigrants based on their skill level. The study showed that immigrants with below a high school education cost the country \$90,000, immigrants with the equivalent of a high school education cost the country \$30,000, and immigrants with a college education or more were a net benefit to the nation of \$100,000. Ms. Burdette said that she didn't doubt the study's conclusions.

Rep. Meehan asked Mr. Judy about the tradeoffs involved in admitting high-skilled immigrants versus educating native workers for high-skilled positions. Using the example of his own family Meehan stated "While I feel strongly in a global economy that we need to provide skills," he expressed concern that the United States would unfairly exclude unskilled laborers, such as his immigrant ancestors. Judy replied that because our modern economy is skills-based we no longer have the opportunities for low-skilled immigrants to make a contribution to the economy. "We are not trying to exclude people," Judy declared, but "tilt the mix of people [we admit]."

Rep. Meehan remarked "I get concerned that instead of beefing up our educational system . . . we instead bring in [high-skilled immigrants]." Prof. Chiswick addressed Meehan's concerns by noting that we can augment the quality of the workforce through skilled immigration, but wholesale replacement seems unlikely.

Rep. Jackson-Lee asked Prof. Chiswick if he wanted a high school level of education to be a minimum floor on immigrant qualification for entry[This reflected a major Democratic concern echoed by Lofgren that requirements or a points system would apply to persons applying under the family preference categories for admittance - thus the wife of an Indian engineer, to use Lofgren's example, would have to have a high school degree], and asked Mr. Judy how he would explain the individual immigrant success story featured earlier in the day [a former welfare mother immigrant from Sierra Leone who owns a drycleaning business].

Prof. Chiswick replied that a high school education was "not necessarily" an absolute requirement, but that "the burden of proof - there should be a compelling reason that this person is of value to the United States."

Judy replied that while he admired the success story, we should do more for our educational system to prepare people for the workforce.

Rep. Pease asked the panel if there was enough experience in implementing points-based systems to evaluate their success.

Prof. Chiswick stated that "I've studied both systems and they work very well at getting high-skilled workers into those countries [Australia and Canada] including those [workers] that would like to come to the United States."

Rep. Pease also asked Ms. Burdette why she favored raising the per-country cap. Burdette replied that because the total number of employment base permanent residency visas is currently under-allocated, raising the cap would not crowd out immigrants from other countries.

Rep. Lofgren asked Ms. Burdette about the current situation in applying for permanent resident status. Ms. Burdette took the opportunity to point out what she found to be the biggest flaws of the current INS and DOL policy. "The problem is DOL has focused personnel or resources" on processing applications. The current system "has serious disadvantages to it. Small and medium size businesses . . . don't have access to the same talent" [due to the bureaucratic process].

Rep. Lofgren then asked the panel to comment on how reform of immigration policy in relation to skilled immigrants could take into account H-1B visa reform.

Prof. Chiswick pointed out that "H-1B is essentially a targeted employment program. It's a farce." "Scrap both [H-1B and employment-based LPR] - Go to a point system . . . and get DOL out of the process," he recommended.

Rep. Goodlatte asked the panel where they would get the numbers under our current immigration cap to reallocate them for a points-based system.

Prof. Chiswick said that "I would take them from diversity visas," as well as the brother/sister and adult relative preference categories. Dr. Edwards would take them from the extended family preferences as well.

Rep. Goodlatte then asked by how many the numbers should be increased

Dr. Edwards said he would scrap the employment-based visas entirely. Mr. Judy would go to a combination rule-based and points-based system for employment admissions. Ms. Burdette argued that the basis of our immigration system is family reunification.

Rep. Goodlatte questioned her on the practicality of family reunification. Laying out a 20 year timeline from when a family member

first gets an H-1 visa to the arrival of their brother/sister, Goodlatte then asked Burdette how she would reform the system. Averring that the question was a difficult one, Burdette responded that she didn't know how to solve the backlog.

Rep. Jackson-Lee finished the questioning of the first panel by reading from a CATO institute study on immigration.

Panel II

William Archey, the President and CEO of the American Electronics Association, gave a Microsoft PowerPoint presentation as his prepared testimony. His presentation focused on the workforce needs for the 21st century. The growth of high-skilled positions, especially in the computer industry, has been dramatic in percentage terms. Interestingly, Archey rated the top 10 technology states, as well as the top 10 states for granting high-tech degrees. Within these 10 states were the 5 highest immigrant receiving states, although Archey did not make that connection.

Randel K. Johnson, Vice President for Labor & Employee Benefits at the U.S. Chamber of Commerce, focused on the need of the economy for more skilled and unskilled workers. According to Johnson, employers have difficulty finding qualified workers, and shortages exist in several areas. Johnson cited studies by the American Counsel of Personnel and Training Magazine which, he claimed, show that the United States needs about 20 million more workers beyond what the Census Bureau projects will be available in the next 30 years, if the economy is to grow at 2.5% with 1.5% productivity growth.

Rep. Smith asked about the \$60 billion training figure used by Mr. Johnson in his statement. He also cited the Workforce 2020 report by the Hudson Institute and an Investor's Business Daily article which stated that 90% of new jobs will require a high school education as evidence that immigration policy ought to reflect the changing economic conditions.

Mr. Johnson, responding to Smith's question about using a point system for admission, noted that several EEO lawsuits have struck down high school degree requirements in employment, but were more lenient with college degree requirements.

Rep. Jackson-Lee began her questioning by asking Mr. Archey "What happens to inner city communities in terms of attracting citizens from these [inner city] populations [if high-skilled immigration is increased]?"

Mr. Archey stressed that "There are a number of companies that have adopted schools" and made other contributions to inner cities. He also noted that Washington D.C. has the best ratio of students to computers in the nation, but can't graduate many of its students, while California has the worst ratio.

Rep. Jackson-Lee asked the panel what could be done to improve the

workers so that they qualify for high-skill positions.

Mr. Archey pointed to better K-12 education as well as better math and science education. "You think the law of supply and demand would kick in," regarding high-tech employment, he stated. Archey also stated his preference for vouchers or charter schools.

Rep. Lofgren began her questions by observing "If we can get it [immigration] right in the 16th Congressional District [in California], we can get it right in the rest of America." San Jose is "wallowing in diversity" according to her and "Walking into an American high-tech company is like walking into the UN." Rep. Lofgren stated that she didn't see any difference between employment-based and family reunification-based immigration, because many children who come here as immigrants go on to found companies, just like Andy Grove at Intel.

Panel III

Kersi Shroff, Senior Legal Specialist at the Law Library of Congress, testified on the effects and operation of Australia's points-based admission system. Australia went from having 70% of its immigrant flow family-based to a rough parity between economic and family-based immigration. The Australian government plans on admitting 30,500 family migrants and 35,000 skilled migrants. The Australian government estimates that skilled migrants contribute about 2.4 billion Australian dollars.

Stephen Clarke, Senior Legal Specialist at the Law Library of Congress, testified on the effects and operation of Canada's points-based admission system. According to Clarke, Canada doesn't have a strict cap on immigration admissions, but the government does prepare an immigration plan each year that estimates the total number of admissions. The 1999 plan envisions 200,000-225,000 admissions. Skilled migrants and their dependents number 100,000, business migrants [what we would consider investor visas] number 18,000, spouses, children, etc. number 54,000-58,000, and refugees will be about 22,000 to 29,000. Canada gives an immigrant points-based on 10 categories. These categories include education, age, literacy, settlement expenses, vocational preparation, potential for self-employment, arranged employment, general employment demand, and other factors. To be admitted to the country, migrants must have 70 points, except for assisted relatives, who need 65 points.

Laura Reiff, counsel with Ingersoll Rand, testified that she believes family reunification and employment-based immigration are the center of our immigration policy. According to the National Bureau of Economic Research (NBER) and the Congressional Research Service, there is a high need for immigrants of all skill levels. Reiff used the example of welders needed by Ingersoll Rand, (located in Texas), to bolster her arguments against the current employment-based immigration program. Because the welding positions are vocational, they don't require a college degree, even though they are highly skilled. Ms. Reiff also referred back to the former welfare mother from Sierra

Leone to buttress her testimony about the benefits of unskilled immigrants.

Rep. Smith asked both Law Library of Congress panelists "What's the point for giving these particular preferences [points categories]" - "How do these preferences boost the economy?"

Shroff and Clarke cited the downstream effects of the businesses headed by high-skilled immigrants as evidence that it had economic benefits.

Rep. Smith then questioned Ms. Reiff about the NBER study that she cited. He noted that 1) the study had methodological flaws and 2) it was a working document, not an official study because it hadn't been peer reviewed. Ms. Reiff amended her comments and said she agreed with the committee that high unemployment among low-skilled workers was a serious problem.

Rep. Lofgren began her questioning by pointing out that each country responds to different impulses and conditions in making immigration policy. She also cast racial aspersions on the points system before commending the New Zealand version of investor ['million dollar'] visas. Rep. Lofgren then asked Ms. Reiff to comment about her experiences with the labor certification process.

Ms. Reiff began her reply by observing that the H-1B cap will likely be hit in May, according to INS statistics. She also stated that the proposed regulations from the DOL in response to last year's visas increase are overburdensome and go beyond the statutory authority of the law. "I think we may see a lawsuit [challenging the regulations]," or Congress will have to revisit the issue she observed. Labor certification "is not working" according to Reiff, citing figures from California that estimate a permanent labor certification takes 7-10 years.

Rep. Lofgren expressed her hope that the DOL would expand the categories of positions in high-tech that it tracks individually, including Java programmers, so that more Labor Condition Applications can be pre-certified [based on occupation]. Ms. Reiff concurred with that assessment, adding that "Perhaps the program [labor certification] shouldn't be within the DOL and that should be re-evaluated." The goal, according to Rep. Lofgren, is "How to align the bureaucratic cycle with the business cycle."

Rep. Lofgren quizzed Reiff on her proposals to reform the labor certification process. Reiff believes that the Department of Commerce should handle labor certification. She would also like a revamped process for the LCA. "If they [DOL] can automate, and get themselves into the high-tech world," then improvement in the LCA process may be possible. Reiff also noted that breakdowns in the fax-based LCA approval system had contributed to severe delays in the H-1B application process.

Rep. Smith resumed his questioning, and noted that no-one was

proposing that immigrants in the spousal preference category have a minimum high school education. He asked Reiff if she supported the present LCA system or a points system.

Ms. Reiff responded that she has some problems with a points system, stating "I think the Canadian system has some racist overtones to it." She also raised the possibility of a court challenge along those lines should a points system be implemented.

Rep. Smith then asked Reiff about the high unemployment among Hispanic communities along the south Texas border. "Don't you think that a part of the high unemployment rate [30%] is due to [low-skilled immigration]," he wondered. Reiff avoided the question by noting that the problem in the labor market is finding workers who are qualified. Rep. Smith broke into her response to repeat his question. Reiff responded that "nationally speaking", immigration doesn't contribute to unemployment. Rep. Smith then asked if there was a 'shortage' because employers didn't pay enough. Reiff replied with a version of the 'Americans won't do those jobs' cliché before being cut off by Rep. Smith's recitation of Department of Commerce statistics showing that 2/3 of unskilled jobs are held by native-born workers.

After this exchange, Rep. Smith turned the hearing over to Rep. Jackson-Lee.

Rep. Jackson-Lee asked the Library panelists if they were present to advocate for the points system or just describe it. After they assured her that they were there to describe the system, she wanted them to project the Canadian and Australian experience to the United States. After the panelists confirmed for Jackson-Lee that both countries are smaller than the United States, they assured her that these countries could provide a basis in experience for judging points systems.

Rep. Jackson-Lee next questioned Reiff on the issue of replacement of American workers. "Do you see the replacement of American workers?"

"I don't see it as a replacement issue," Reiff replied, before adding "They wouldn't hire me [to get workers into the country] if they could find workers [in America]."

Rep. Jackson-Lee returned to her questioning of the Library panelists. "What's the diversity[of Canada and Australian] . . . what percentage minority?" She also asked what the impact of a points system would be on non-whites.

Both Clarke and Shroff pointed out that under the points system, the majority of persons admitted were Asian. They denied that the points system had any racist undertone, and stated that the points system resulted in more diversity.

Rep. Jackson-Lee then closed the hearing by noting that she had learned a great deal from the panelists, and that she hoped to do hearings on the Texas border this session.===== ATTACHMENT 1

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WORLD NEWS TONIGHT WITH PETER JENNINGS
Aired on APRIL 8, 1999

PETER JENNINGS, ABC News: (voice-over) On World News Tonight this Thursday -- the war against the Serbs. How tough is NATO making it on the Serbian troops in Kosovo? Some second thoughts on releasing American soldiers. AT&T is raising rates on some of the people who can least afford it. And shades of George Washington. Who's doing this to the cherry trees?

ANNOUNCER: From ABC News world headquarters in New York, this is World News Tonight with Peter Jennings.

PETER JENNINGS: Good evening. The NATO bombing campaign against the Serbs in Yugoslavia is now a full-scale 24-hour operation. This is day 16. And the Pentagon says that every day they try to get closer to operational Serb forces in the field.

(voice-over) NATO and the Serbs have traded charges today about who is responsible for some of the damage in the capital of Kosovo. And there has been a delay, at least, in winning freedom for the three American prisoners of war the Serbs hold.

(on camera) We're going to go to the Pentagon first. And here's ABC's John McWethy.

JOHN MCWETHY, ABC News: (voice-over) For an F-16 pilot preparing to attack, this was the view from the cockpit -- two Serb missiles heading his way. But a second later, both missiles fly right by, either because of electronic jamming by NATO or because the Serbs were firing blindly, afraid to turn on their radar because NATO would attack it.

And for this A-10 pilot, coming in low against a bridge, all the flashes in the upper right-hand corner, are anti-aircraft artillery, known as ``triple A."

Rear Adm. THOMAS WILSON, Joint Staff Director of Intelligence: He's taking what we would consider moderate to heavy triple A all the way in on this run. So this is not without risk.

JOHN MCWETHY: (voice-over) This is now a day and night operation. For the first time, the Pentagon provided estimates of what it is accomplishing. Most bridges into Kosovo have been attacked, reducing road traffic into the area by half, cutting supplies to Serb troops. The Pentagon estimates fuel storage in Serbia has been cut by 20 percent with both Serb refineries put out of business, reducing the flow of fuel to Serb tanks and trucks.

THOMAS WILSON: You can see that we're doing this throughout the depth and breadth of Serbia. And we'll continue to do that even as we continue to go after forces in the field.

JOHN MCWETHY: (voice-over) But ABC News has learned that NATO wants still more fire power, not just the 24 Apache tank killing helicopters already requested -- but double that number, 48. That will also double the number of U.S. support troops in Albania from 2,000 to 4,000.

(on camera) The first helicopters could be flying in just 10 days. But because support equipment must come through Albania's Tirana airport, already overwhelmed with relief flights to feed the refugees, it could take a month or longer before all the Apaches are in operation. John McWethy, ABC News, the Pentagon.
Second Thoughts?

PETER JENNINGS: A little later in the broadcast, we're going to take ``A Closer Look" at the cost of all this and the burden on the U.S. budget. And as we said, there has been no final agreement yet on the release of three American soldiers captured by the Serbs. If, and it is still an ``if," Cyprus is able to broker a deal, what's behind Slobodan Milosevic's decision to let them go? From Belgrade, ABC's Morton Dean.

MORTON DEAN, ABC News: (voice-over) When he arrived in Belgrade, the acting president of Cyprus announced his critical meeting with President Milosevic is now scheduled for tomorrow.

SPYROS KYPRIANOU, Cypriot Special Envoy: I'm here as a friend to see if, in any way, I can help.

MORTON DEAN: (voice-over) Cypriot officials let it be known they were told the continued bombing of Belgrade left it murky at best whether the Americans will be freed. Serbia TV has not mentioned the captured soldiers for days. But there are those here who believe releasing the Americans is a good idea. Among them, the accused Serbian war criminal, known as Arkan.

ZELJKO RAZNJATOVIC ARKAN, Serb Paramilitary Leader: We want to show our part that we are human that we are -- by releasing the three enemy soldiers, and I can say three Americans.

MORTON DEAN: (voice-over) Freeing the Americans would be the latest move by President Milosevic designed, if nothing else, to project him into the headlines as a man of compromise. Today, his government announced peace had come to Kosovo. And the Serbs claim a modern Albanian leader, Ibrahim Rugova, has joined in the peace effort.

Milosevic has closed Kosovo's borders, ending the massive exodus. And today Serb soldiers were seen mining the border with Albania, presumably to be certain that anyone heading out or heading in pays a price. Morton Dean, ABC News, Belgrade.

Press Gets Look At Damage In Pristina

PETER JENNINGS: The international press has had a limited look inside Kosovo today. It has been off limits since the NATO attacks began. A group of reporters was driven from Belgrade to the Kosovo capital, Pristina, a couple of hundred miles away. ABC's Mike Lee tonight on what they saw.

MIKE LEE, ABC News: (voice-over) The streets of Kosovo's capital are virtually deserted. A few weeks ago, some 200,000 people lived here. This is a largely ethnic Albanian neighborhood. Now the houses are shuttered. The shops are closed.

A few Serb policemen can be seen, but officials did not want them photographed. Pristina has also been heavily damaged. Serb officials claim that NATO is responsible for the destruction of the telecommunications center, the bombing of a cemetery and a row of homes. The Serbs say 10 people died here.

RADOVAN UROSEVIC, Serb Media Center: And this, as you can clearly see, is a barbarian act, nothing else.

MIKE LEE: (voice-over) NATO officials today acknowledged that they hit the telecommunications center and that residential buildings nearby may have been damaged. But NATO officials insist that most of the other damage was done by the Serbs.

Air Cmdr. DAVID WILBY, NATO Military Spokesman: NATO has certainly not caused the reported widespread and random damage which we believe has been orchestrated by Serbian forces.

MIKE LEE: (voice-over) Today, I spoke by telephone to an ethnic Albanian who has stayed behind in Pristina. He says that he has witnessed Serb police beating ethnic Albanians, but that he has also experienced much kindness from Serb neighbors.

ETHNIC ALBANIAN MAN IN PRISTINA: I am not able to go out and buy food, for example, for my family. But Serbs can go. So they go and buy for us.

MIKE LEE: (on camera) So your Serb neighbors help you out? They don't tell police where to find you?

ETHNIC ALBANIAN MAN IN PRISTINA: No, no. We get along real good with each other.

MIKE LEE: As for all of those refugees who had been waiting inside Kosovo, just on the other side of this border checkpoint and are now gone, relief officials today expressed concern for their safety.

KIM MAYNARD, USAID: My biggest concern is that they are being used as human shields.

MIKE LEE: (voice-over) Many refugees have been seen arriving back in Pristina.

ETHNIC ALBANIAN MAN IN PRISTINA: Maybe 2,000, 3,000 vehicles, nobody stopped them. But I heard from friends that turned back, they had orders from the Yugoslav army and the police to go back in the city.

MIKE LEE: (voice-over) A city where no one on either side feels safe. Mike Lee, ABC News, at the Macedonian border with Kosovo.

Residents Of Korce Welcome Refugees

PETER JENNINGS: Just a couple of other notes about the refugees. At the border between Kosovo and Albania, which, as we said, the Serbs have closed, one old man was allowed to pass.

(voice-over) His name is Rajim Zulfage (ph). He's 83 years old. He says he walked for three days without shoes in order to get out. And along the way, he says saw a line of empty buses and cars which stretched for, he thought, 15 miles. And there was no sign of people.

(on camera) Doctors say he is suffering from exhaustion.

And for a handful of Kosovo's refugees who made it to the Albanian town of Korce, today was a relatively good day. ABC's Jane Clayson was there.

(Music playing)

JANE CLAYSON, ABC News: (voice-over) A small performance for some new arrivals, compliments of school children. Finally, for these people, a reason to smile. They had traveled across this bumpy, winding road miles into the Albanian countryside in the middle of the night.

(on camera) After a 15-hour bus ride, thousands of them were brought to this stadium. Many of them didn't even know where they were.

(voice-over) They certainly could not have imagined the generosity that awaited them here. This poor village in the middle of the poorest country in Europe has opened its arms.

KORCE RESIDENT: They have nothing. Everything was ruined. We must help them. We are poor. This is all I can do.

JANE CLAYSON: (voice-over) The town of Korce has adopted 350 of these families and welcomed them into what was once a vacant dormitory. The town has paid for fresh sheets and warm blankets. And today, they prepared three hot meals for their guests.

"Last night was the first night we slept well without fear that someone would harm us," this woman says. "Every night has been a nightmare for us."

It was late afternoon when the children of Korce appeared to serenade their new neighbors. After all the suffering, a bit of hope. Jane Clayson, ABC News, Korce, Albania.

PETER JENNINGS: When we come back, we're going to change the subject.

(voice-over) Warm smiles and a host of problems. China's premier visits the White House. And then, we're going to take a look at the beast in the beauty spot.

(Commercial Break)

Warm Smiles And A Host Of Problems

PETER JENNINGS: President Clinton has another major foreign policy challenge on his plate. It's much bigger than Kosovo over the long term and potentially more dangerous. It is China, and the President is particularly vulnerable to criticism. ABC's Sam Donaldson is at the White House tonight, where today premier Zhu Rongji paid a visit.

SAM DONALDSON, ABC News: (voice-over) The official White House welcome

for Chinese president Zhu was cordial, but the strains in the relationship between the two countries are strong and numerous and were fully on display at an afternoon press conference. Has China stolen nuclear secrets from the United States, Zhu was asked.

ZHU RONGJI, Chinese Premier: (through translator) I don't believe such a story. It is not the policy of China to steal so-called military secrets from the United States.

SAM DONALDSON: (voice-over) Zhu also said he had no knowledge that the Chinese government had contributed money to Mr. Clinton's 1996 campaign. The President didn't respond directly to either of those points but said, however...

Pres. BILL CLINTON: I hope that, that he and his government will cooperate with these two investigations. And so, I think it's important that we continue the investigation and do our best to find out what happened.

SAM DONALDSON: (voice-over) Premier Zhu said China would cooperate. But on the question of espionage, a story in today's New York Times said White House national security advisor Samuel Berger had been briefed by the summer of 1997 about possible ongoing Chinese efforts to steal information about building a neutron bomb.

At his March 19 press conference of this year, President Clinton said no one had suggested to him Chinese espionage had taken place during his administration.

Pres. BILL CLINTON: But there has been no espionage at the labs since I have been president. I can tell you that no one has reported to me that they suspect such a thing has occurred.

SAM DONALDSON: (voice-over) In light of the Times story, Mr. Clinton was asked if he had been misled. The President did not respond directly.

Pres. BILL CLINTON: The most important thing now is to recognize that for quite a long while, the security at the labs was not adequate, that we have much more to do, perhaps, and we asked somebody to look into it.

SAM DONALDSON: (on camera) On the contentious issue of human rights, the President said in the past year China has actually taken steps backwards, to which Premier Zhu protested that while there is more to improve, that was unfair. Zhu must also have found unfair the Clinton administration's refusal to give final endorsement to China to become a member of the World Trade Organization.

All in all, Peter, both men kept smiling. But the strong and, in some cases, dangerous disagreements were there for everyone to see.

PETER JENNINGS: Thank you, Sam. Sam Donaldson at the White House on the Chinese premier's visit.

One other note from overseas about the U.S. in action today. U.S. airplanes were very active over Iraq today. They bombed an anti-ship missile battery in southern Iraq. The Pentagon said there was no provocation, but the missile site posed a threat to U.S. naval operations in the area, which would be in the Persian Gulf.

When we come back -- the phone companies cutting prices publicly and raising them quietly.

(Commercial Break)

On The Money

PETER JENNINGS: "On The Money" tonight -- telephone prices. Is it our imagination, or are there ever more ads out there these days for cheaper

and cheaper telephone service? We recently reported here that AT&T was introducing a revolutionary one rate for long-distance, cellular and Internet service.

Now we can report that AT&T is doing something not so revolutionary. It intends to make every customer pay a \$3 monthly minimum. Sure, it's not so much for some, but any increase is tough on others. Here is ABC's Betsy Stark.

BETSY STARK, ABC News: (voice-over) The new monthly minimum will affect 10 million customers. It's just the latest in a string of rate hikes from AT&T that consumer advocates say hit the customers who can least afford them.

GENE KIMMELMAN, Consumer Union: This is an enormous burden on people of modest means, people who don't need the phone a lot but don't have a lot of money to throw away.

BETSY STARK: (voice-over) Prices have gone up on more than a dozen services. For example, use an operator to make a collect call, and the fee is now \$4.95, up from \$4.50. Ask an operator to break in on a call, the fee is now \$9.95, up from \$6.75. All while AT&T has rolled out discount packages for heavy users.

AT&T SPOKESMAN (TV Commercial): Now, all the ways you want to communicate in one network.

ROBERT SELF, Telecommunications Consultant: We call it "waterbed pricing." And that comes from the fact that if you go over to a waterbed and press down in one spot, it goes up some place else.

BETSY STARK: (voice-over) AT&T has promised to waive the \$3 minimum for customers who claim they cannot afford it.

(on camera) But the company also insists the new charge is fair. Its main competitor, MCI, imposed a similar charge months ago. Betsy Stark, ABC News, New York.

PETER JENNINGS: Waterbed pricing. Remember that one.

Still "On The Money" tonight -- Wall Street.

(voice-over) The Dow Jones Industrial Average was up more than 112 points to close at 10,197. On the NASDAQ, stocks were up just under 29 points.

Graphics: Dow Jones 15-day Trend

Change: Up 112.39

Close: 10,197.70

Volume: 838,927,960

NASDAQ 15-day Trend

Change: Up 28.96

Close: 2573.39

Volume: 1,147,271,802

(voice-over) The Japanese stock market is having a better year, up 22 percent so far. Foreign investors apparently believe that the Japanese banking crisis may be coming to an end.

(on camera) The price of a chief executive officer is still going up. The Wall Street Journal reports that the average compensation.

(voice-over) for a CEO in the 300 biggest U.S. companies is more than \$2.5 million.

And the number of young people who own homes is increasing. The Census Bureau says 36 percent of people between the ages of 25 and 29 are now home owners. Interest rates are lower. Younger people are making more.

(on camera) In a moment, paying for the air war. "A Closer Look" at how the NATO mission could put a serious dent in the federal budget.

(Commercial Break)

A Closer Look

PETER JENNINGS: We are going to take "A Closer Look" at another aspect of the air war against the Serbs. Tonight, how much it is costing. Here is one example. After 16 days, the United States has used more than 60 air-launched Cruise missiles against a variety of targets in Yugoslavia. And if you add the 90 that have been fired at Iraq this year, that leaves fewer than 90 air-launched Cruise missiles left in the U.S. arsenal. Period.

And the number of sea-launched Cruise missiles is dwindling pretty rapidly, too, which is a very expensive problem. Here's ABC's John Cochran.

JOHN COCHRAN, ABC News: (voice-over) The real costs are the prospect of human casualties. But the nation also faces a huge tab for these weapons of war in dollars and cents. Every one of the Cruise missiles that hits or misses its target costs \$1 million. And the stock is running so low that the Pentagon has asked for another \$51 million to convert missiles armed with nuclear warheads into missiles with standard high explosives.

STEVEN KOSIAK, Center for Strategic & Budgetary Assessments: If we continue at the current pace of operations, you could get up to costs approaching \$1 billion or even \$1.5 billion by the end of the month.

JOHN COCHRAN: (voice-over) No one knows when the campaign will end. And no one will say how the eventual bill will be paid. President Clinton could try to pay for it out of the Pentagon's budget, but that would mean cutting other military spending at a time when almost everyone agrees the Pentagon needs more; not less.

So the President will ask Congress for emergency appropriations to come out of the budget surplus, which was supposed to be used for Social Security.

ROBERT REISCHAUER, Former Director, Congressional Budget Office: Any emergency spending for Kosovo inevitably would eat into that Social Security surplus.

JOHN COCHRAN: (voice-over) The alternative is to cut into other spending programs, like money for medical research.

TEACHER: Good. So you could compare the two shaded areas?

JOHN COCHRAN: (voice-over) Or the new schoolrooms that President Clinton wants to build. And what about the tax cuts that the Republicans want to start handing out next year? That could be the one of the first casualties of this war.

STEPHEN MOORE, Cato Institute: I think a lot of the money that's going to go into fighting a war in Kosovo is going to come out of the tax cuts that Republicans have promised.

JOHN COCHRAN: (voice-over) And the budgetary pressures will only get worse if the President decides to expand to a ground war. Costs could jump another \$5 billion this year. And when peace eventually comes, stationing American troops in Kosovo as peacekeepers could easily cost another \$3 billion a year.

One of the lessons of the Vietnam War was that it may not be possible to have guns and butter. When the United States tried to have both, it began three decades of deficit spending.

(on camera) Kosovo is hardly Vietnam. But it still must be paid for, and it will put new pressure on Washington's politicians to decide what the nation can and cannot afford. John Cochran, ABC News, Washington.

PETER JENNINGS: You can find a full list of the military hardware being used against Serbia and how much it costs on our Web site, abcnews.com.

When we come back this evening -- who chopped down the cherry trees? A suspect with a tail.

(Commercial Break)

Who Chopped Down The Cherry Trees?

PETER JENNINGS: Finally this evening, something is eating Washington. This is surely the most beautiful time of year in Washington, D.C., and someone doesn't care enough for the cherry trees, or maybe cares too much. Here's ABC's Barry Serafin.

BARRY SERAFIN, ABC News: (voice-over) It is Washington's most spectacular natural show, thousands of cherry trees in blossom around the city's Tidal Basin. But for the past week, a voracious vandal has been at work here. Four cherry trees have been killed so far, along with five cedars. Four other cherry trees have been mortally wounded. The National Park Service has a good description of the suspect.

JULIA LONG, National Park Service: Well, he's about 2 1/2 feet to 3 feet long, and he weighs 30 to 40 pounds, very short and hairy.

BARRY SERAFIN: (voice-over) In fact, the culprit was spotted this morning.

UNIDENTIFIED WOMAN: There's the beaver that's been eating the cherry trees.

BARRY SERAFIN: (voice-over) Caught red-handed, carrying a mouthful of twigs. And the Park Service now says a second beaver has been seen.

(on camera) Now that there are two suspects, there is talk of conspiracy. It was probably inevitable here in Washington, but some people are already calling this Beavergate.

(voice-over) The four badly chewed trees are now covered by protective wire mesh. They have become an instant tourist attraction.

FEMALE TOURIST: Look right here. See?

LITTLE GIRL: Why is this here?

FEMALE TOURIST: It's so he can't munch on it anymore.

BARRY SERAFIN: (voice-over) The Park Service has called in consultants to advise them on how to capture the beavers and move them to a new home, but that will not be easy. For now, the furry suspects are still at large, surrounded by a banquet of trees. Barry Serafin, ABC News, Washington.

PETER JENNINGS: Not easy to get rid of the beaver.

A brief review of our top story.

(voice-over) The former president of Cyprus, Spyros Kyprianou, said he plans to meet the Serb leader in Belgrade tomorrow. And he is still hoping to win the release of the captured U.S. soldiers, perhaps during the Orthodox Easter weekend, which is coming up.

The Pentagon says the NATO air strikes will go on without interruption. In fact, we heard just a short while ago reports of large explosions in downtown Belgrade again tonight.

(on camera) That is our report on World News Tonight. I hope you'll join me later for another edition of "The Century." Tonight, "Coming Apart." Franklin Roosevelt's efforts to lift the nation of the Depression and the anxieties of the Cold War played out in Hollywood.

I'm Peter Jennings. Have a good evening. Hope we'll see you tomorrow. Good night.

END

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: matloff@cs.ucdavis.edu@INET@LNGTWY (matloff@cs.ucdavis.edu@INET@LNGTWY [UNKNOWN])

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SUBJECT: comments on McLaughlin show

TO: Gene B. Sperling@eop (Gene B. Sperling@eop [OPD])
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TO: Thomas A. Kalil@eop (Thomas A. Kalil@eop [OPD])
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READ:UNKNOWN

TEXT:

To: H-1B/age discrimination mailing list

First, for those of you who may not know who the participants are,
here is a roster:

Tony Blankley: TV talk-show host; has had the ITAA's Harris Miller as
as a guest several times.

Eleanor Clift: Writer for Newsweek, very pro-immigration.

Frank Sharry: E.D. of the National Immigrant Forum, a pro-immigration
lobbying group.

Dan Stein: E.D. of the Federation for American Immigration Reform.

As is common, the discussion centers around salary exploitation of the
H-1Bs. As I have said many times, I consider this to be a side issue
(though certainly a valid one); the main issue is that the H-1Bs just
aren't needed in the first place, and their presence is a major factor
in the age discrimination which is rampant in the industry. Dan Stein
did mention that latter point a couple of times, but it didn't seem to
get picked up.

Also disappointing is that once again we see people saying that
"training is the answer"---which it isn't. Employers are not willing to
hire older programmers who have retrained in, say, the Java programming
language; they insist on actual work experience.

Norm

THE MCLAUGHLIN GROUP

HOST: JOHN MCLAUGHLIN

JOINED BY: TONY BLANKLEY, ELEANOR CLIFT,

FRANK SHARRY AND DAN STEIN

TAPED FRIDAY, JULY 30, 1999

AIRE THE WEEKEND OF SEPTEMBER 4-5, 1999

TRANSCRIPT BY: FEDERAL NEWS SERVICE

ANNOUNCER: GE is proud to support the McLaughlin Group: "From aircraft engines to appliances, GE, we bring good things to life."

MR. MCLAUGHLIN: Issue one: U.S. labor, the economy and immigration.

One hundred years ago, a flood of immigrants gave the United States the labor force needed to fuel the Industrial Revolution. That resulted in America becoming the world's economic superpower. Now we are on the dawn of a new century, a new millennium and an online economy, e-commerce as it's called.

So on this Labor Day weekend, we ask whether immigrants help or hinder the e-commerce economy? In other words, do we need a new labor force to fuel the Internet revolution?

The answer is apparently yes; case in point, the U.S. government visa program called H1-B. This program permits nonresident aliens with computer skills to work in the U.S. for up to six years. H1-B visas are so popular that Congress last year nearly doubled the annual quota, from 65,000 to 115,000. And the new quota was filled by June of this year, prompting calls for yet another increase. The increase will gradually decline back to 65,000 over the next three years, it is said. But in the interim, it will let in almost half a million new workers.

U.S. business likes H1-B visas. It says that unless America imports high-skilled foreigners, America won't stay competitive in the 21st century Internet-driven global marketplace.

But the H1-B Visa Program has its critics too, who argue, one, U.S. workers are plentiful. The cybereconomy can find plenty of workers right here in the U.S. say the critics. But the new robber barons of the Information Age don't want to pay the salaries and the benefits that skilled Americans command.

Two, the program is rife with fraud. Nearly half of all application for H1-B visas contained phony information; government studies show this. So "nonskilled" aliens get visas intended for high-skilled aliens.

Three, the program is economic warfare against underdeveloped countries. When the U.S. imports workers with high-tech computer skills, those workers are unable to modernize their own countries and

to challenge U.S. high-tech companies.

Question: Is the H1-B visa program a cheap labor boondoggle for business, Dan Stein?

MR. STEIN: Absolutely, John. We're talking about a program that is riven with fraud and abuse. We're talking low wages, flat wages for programmers; American workers, men over the age of 55, being driven out of the industry, age discrimination. These companies don't want to provide long-term career opportunities for folks in these industries. They say, "Give me two years, and you're gone."

MR. MCLAUGHLIN: Eleanor?

MS. CLIFT: Well, I think throughout the history of immigration, there's always tension between the capitalist values and what's good for society.

I agree up to a point; I would like to have some American-born workers train for these jobs. But we also traditionally pay immigrants less, whether they're restaurant workers or whether they're computer programmers. And it's a way for people around the world to get a leg up in this society. And I'm for that, too.

MR. MCLAUGHLIN: A boondoggle for business, Tony?

MR. BLANKLEY: Well, yes, but a useful one for the country as well. I mean, it's always the case that when you've increased the supply of labor, you reduce the price per unit, as it were.

But overall, the argument that in the past immigrants have been unskilled -- now they've got highly skilled people who can add more than their fair share to the country. And it seems to me that collectively, for the country, it's a good deal. Individually, for workers in that industry, they're not making as much money as they otherwise would.

MR. MCLAUGHLIN: Frank Sharry?

MR. SHARRY: This is a no-brainer. You have the fastest growing companies in America that are driving the new economy with an insatiable demand for highly skilled workers. They're hiring Americans, they're hiring international personnel, and if you overregulate this program or tie it up in red tape, you're going to force these companies to slow down production and stop the growth. Let's have these workers come in, create jobs for Americans, rather than go back and work in their home countries for our competitors.

MR. MCLAUGHLIN: Why don't we import high-skill workers in the auto industry? Or highly skilled doctors?

MR. : Well, or what about --

MR. MCLAUGHLIN: Or highly skilled media and publisher personnel?

MR. : And lawyers, yeah.

MR. MCLAUGHLIN: And lawyers. (Laughter.)

MR. STEIN (?): Yeah, right. You never hear the immigration lawyers say, "We need more immigration lawyers."

MR. MCLAUGHLIN: Can you imagine the outcry if we were to extend this to other sectors of the American work force?

MS. CLIFT: Well, and it's not essential in other sectors.

MR. SHARRY (?): Exactly.

MS. CLIFT: I mean, a Rupert Murdoch comes here on his own, and auto workers -- apparently, we've got plenty of our own.

MR. MCLAUGHLIN: Well, what's the essentiality here? Why are we not training, particularly, minority kids up to the level of being able to do IT?

MR. STEIN (?): Amen.

MR. MCLAUGHLIN: We're talking about information technology.

MR. STEIN (?): They're totally not in the industry --

MR. MCLAUGHLIN: We're not talking about entrepreneurial technology.

MR. STEIN (?): Right.

MR. BLANKLEY: But there are already -- this is in the radio all the time; it's filled with ads for people to come in to be trained. There's room for a lot of training. But right they also happen to need a lot of people due to the Y2K problems, which -- where we're going to India and Ireland to get that work done offshore.

MS. CLIFT: It's also --

MR. BLANKLEY: As far as the lawyers are concerned, of course, we ought to export the lawyers.

MS. CLIFT: It's also a capitalist -- it's a capitalist decision. It's cheaper for a corporation to bring in these laborers, who they pay less than they would pay the native born, than it would be to mount training programs. I think there should be a balance. I'm for some training programs.

MR. STEIN: Look, I care about what's happening to our kids today. In middle school today, they're not getting the math and science. What possible incentive does Bill Gates and those guys have to improve American education if they can just skim off the technical talent from India and China? And India and China are going to say, "Hey, if you

take all of our programmers, what about the other billion of us you're going to take too?" You know, you get the best, you're going to wind up with the rest. It's not the right way to go. Americans are good enough to do jobs in our own country.

MR. MCLAUGHLIN: Is Congress going to extend this H1-B program, do you think, Frank Sharry?

MR. SHARRY: Yeah, they'll have to expand it because the need for labor and the job growth that it creates and the economic growth is going to demand it.

MR. MCLAUGHLIN: Do you agree with that, Dan?

MR. STEIN: We've got a million-plus immigrants coming in. What's in that flow that there aren't enough? I don't think they're going to increase it this year. And I hope they clean up the program.

MR. MCLAUGHLIN: What do you think, Tony?

MR. BLANKLEY: As long as economic times are good, I think they're likely to increase it. If economic times turn harsh, then I think the Congress, responding to the fears of the public, would not increase it.

MR. MCLAUGHLIN: Isn't high-tech critical to our American economy? Dan?

MR. STEIN: High tech's critical, but that doesn't mean you need to be bringing in programmers. These jobs -- we're throwing out American workers, the American men over the age of 55 thrown out of the industry, and wages are going down for American workers.

MS. CLIFT: The point is that --

MR. MCLAUGHLIN: I point out my earlier incisive distinction between information technology and entrepreneurial computer technology. These people coming in are information technology workers.

MR. STEIN: Right.

MS. CLIFT: Yeah, but --

MR. MCLAUGHLIN: We ought to be able to find in the United States American workers who can be trained to do what they do.

MS. CLIFT: But John, you're going to have to have the government get involved because these corporations are not going to do it out of the goodness of their hearts. They make decisions based on cost-benefit. It's cheaper for them to import. If you want education improved, you want programs put in place, you're going to have to have the federal government get involved.

MR. MCLAUGHLIN: Well, the question is, should public policy accommodate the boondoggle of the business community of America?

Question. Exit. Multiple choice. Should the H1-B visa program, A, be scrapped; B, be reformed; or C, kept as it is?

Dan Stein?

MR. STEIN: Scrap it or clean it up.

MR. MCLAUGHLIN: Eleanor?

MS. CLIFT: A combination of B and C.

MR. MCLAUGHLIN: Tony?

MR. BLANKLEY: Eleanor, you got it exactly right. B plus. It's right between B and C. A little reform, but pretty much keep it.

MS. CLIFT: Right.

MR. SHARRY: Increase it, and educate and train our own.

MR. MCLAUGHLIN: Scrap it, and train up the American work force, particularly minority kids, to assume these information technology jobs.

When we come back, is it time for a moratorium on immigration? Yes or no?

(Announcements.)

MR. MCLAUGHLIN: Issue two: Immigration -- the cost-benefit impact.

PRESIDENT BILL CLINTON: (From videotape.) New immigrants are good for America. They are building our new economy. Consider this, on average, immigrants pay \$1,800 more in taxes every year than they cost our system in benefits.

MR. MCLAUGHLIN: The president is quoting the most comprehensive study ever conducted of the economic impact of immigration. The National Academy of Sciences, NAS, released the study in 1997. NAS's broad conclusion: Immigration benefits the U.S. economy overall and has little negative effect on the income and job opportunities of most native-born Americans. Why?

Lifetime contributions. Immigrants and their children pay more in taxes than what they receive in benefits -- \$80,000 more.

No effect on jobs or income. Little evidence to show that American jobs and wages are hurt by immigration.

Young offsets old. Immigrants are generally young with large families of support for America's numerous retirees.

But there are, of course, immigration negatives:

Little education. Thirty-five percent of the foreign-born population age 25 and over have not graduated from high school.

Jobless, on welfare. The newest immigrants have a higher unemployment rate than natives; 6 percent on welfare, compared to 3 percent of the native born.

Poor. One-third of the new immigrants live in poverty, earning, on average, \$8,000 annually.

Question: Can we trust studies like the NAS report?

Frank Sharry?

MR. SHARRY: This is the study to end all studies. It even had economists that are unsympathetic to immigrants on its panel, and it came to a conclusion that punctures the myth and replaces it with facts. Immigrants contribute to economic growth -- a trillion dollars in net income over the last decade; pay more in taxes than they use in services. It's a net plus for immigrants and for the American economy.

MR. MCLAUGHLIN: Is it not true that the NAS study overgeneralizes and it discusses net, that is country-wide, neglecting those sectors of the economy where immigration specifically renders those communities in a lower status by reason of that immigration?

MR. SHARRY: Well, yeah, I think the study -- really what it shows is that immigration is about redistribution. About 50 percent -- immigrants are 50 percent more likely to be on welfare than natives. And, in effect, when Alan Greenspan and the Wall Street crowd says we need immigration to hold down wages for all Americans, what he's saying is we're redistributing income through employers. And the immigrants themselves take it out of the pockets of middle-class taxpayers to pay for the benefit for the army of marching poor that we are importing into the country through immigration.

MS. CLIFT: When new immigrants come over, granted they may use more services. They have bigger families, and they are unskilled. But over a lifetime, they contribute.

And you know, I grew up in Jackson Heights, Queens. My parents were immigrants. It was a different mix then; it was Europeans, basically.

I recently visited there, and it's lots of Latin cultures. And that is a thriving community every bit as much as it was in the '40s and the '50s, when there was a different mix. So --

MR. STEIN: Why don't you move there if you like it so much? (Cross talk.)

MR. SHARRY (?): Wait. Wait.

MS. CLIFT: I happen to live in Washington. But I'd be pleased to live

in Jackson Heights, Queens.

MR. MCLAUGHLIN: Tony, let me break in here. By the way, nice threads there. And I like that tufting on the top of your head. (Laughter.) It creates almost a perfect ovoid.

MR. BLANKLEY: Oh, lovely. (Laughs.) Better than a circle, I suppose. (Laughter.)

MR. MCLAUGHLIN: The question is on California, okay?

In the next 20 years, the population is expected to grow by 18 million. And that is exclusively from immigrants because there's practically zero population growth, I believe, almost country-wide, except for the million a year.

Now, that population means it puts pressure on land development and environment, and that's why the Sierra Club has had a membership referendum of their own group, to determine whether immigration should be curbed as a policy position of Sierra next year.

What do you think of that, especially in relation to the NAS study?

MR. BLANKLEY: Well, look. first of all, I think these economic analyses are basically beside the point. They are ambiguous. You can say that they cost a little bit or they make a little bit. I think these are really covers for the larger question of whether we see a cultural value or a cultural detriment to immigration. And that's what this debate is really about.

MR. MCLAUGHLIN: All right. On that very point of cultural value, you know that immigrants, unfortunately, constitute the bulk of the membership of criminal gangs. That's true in California, too. So that is a cost to society.

MR. BLANKLEY: Well, wait. I am immigrant. I came from England. I have not been in criminal bands recently.

MR. MCLAUGHLIN: Well, you are also from Los Angeles, so you know what I am talking about when I am --

MS. CLIFT: Except for this one. (Laughs.) (Laughter.) Right.

MR. MCLAUGHLIN: -- talking about gangs, do you not?

MR. STEIN: You're not a typical immigrant, either. I mean --

MR. MCLAUGHLIN: No; look at the way he is dressed. (Laughter.)

MR. STEIN: -- immigration is bringing about the "Brazilianization" of America; Balkanized, haves and have-nots. We are having a two-tier society with wages flat for most Americans who are working for a living.

Why is it inflationary for the guy who pushes a broom 10 cents more an hour but not for Bill Gates --

MR. SHARRY (?): Could you get back to facts.

MR. STEIN: -- who has got billions and billions of dollars?

MR. SHARRY (?): Could you give the facts?

MR. MCLAUGHLIN: Yeah, I haven't heard about assimilation. No one is talking about assimilation.

MR. SHARRY: Well, we were talking about the National Academy of Science's study. After 30 years of relatively generous immigration, the slam-the-borders crowd has consistently said it's going to hurt the economy and drain the budget. And now we have low unemployment, balanced budgets, a roaring economy, unprecedented prosperity and --

MR. STEIN: (Inaudible.)

MR. SHARRY: -- and studies that show that immigrants are a part of our --

MR. MCLAUGHLIN: Instead of this aging study, 1997, read Lawrence Harrison, the Harvard scholar, who says we are importing an underclass, and the combination of multiculturalism and immigration is such a strong negative factor that it will inhibit assimilation --

MS. CLIFT: Excuse me --

MR. MCLAUGHLIN: -- and the key to all of this is assimilation.

MS. CLIFT: Excuse me. Have you read the list of valedictorians in a lot of public high schools? Many of them have come over here not speaking English and have achieved enormously.

MR. STEIN: You and I need to visit some federal prisons together.

MR. MCLAUGHLIN: Yeah.

MS. CLIFT: In the District of Columbia, the Bell?? Multicultural high school, four out of five kids are foreign born, and they excel.

MR. MCLAUGHLIN: Eleanor, do you remember Barbara Jordan --

MR. STEIN: That's beside the point.

MS. CLIFT: It's not beside the point. They're contributing to society.

MR. STEIN: It is beside the point. You cannot justify building our population to half a billion -- the editor of Hispanic Magazine said the other day, "We shall overwhelm." You call that assimilation? I call that colonization.

MS. CLIFT: I call that a cheekist (?) attempt at power.

MR. MCLAUGHLIN: Is it time for a moratorium on immigration? Yes or no?

Dan Stein?

MR. STEIN: Give us a 50-year breather to absorb and assimilate --

MR. MCLAUGHLIN: How many years?

MR. STEIN: Fifty years -- to absorb and assimilate the waves that have come.

MR. MCLAUGHLIN: Eleanor?

MS. CLIFT: There are caps in place. That's enough.

MR. BLANKLEY: If the American leadership is not prepared to be in favor of assimilation -- which it's not -- then I think we have to begin to think about some slowing down of immigration because you have to --

MR. MCLAUGHLIN: Frank, yes or no?

MR. SHARRY: No. Immigration should be more orderly and more generous.

MR. MCLAUGHLIN: The answer is yes; we need time to reassess where we're going with immigration and to provide time for assimilation.

Issue three: Sleeping Giant. The giant here is a political giant, the vast, mostly untapped, but emerging Hispanic vote. A demographic shift in America is under way and Latinos are the fastest-growing group. Politicians and others are taking note of these demographics:

Bombing population. Nearly half of the foreign born in this country, 13 million, are of Hispanic origin. In total, nearly 29 million Hispanics live in the U.S.

Politically critical states. The state of choice to live in for one-fifth of new immigrants is California. New York, Texas, Florida and New Jersey follow.

Voting on the upswing. Latinos accounted for 5 percent of the national vote in 1998, and they provided the margin of victory in key races, such as the New York Senate race, where Democrat Chuck Schumer narrowly ousted incumbent Republican Al D'Amato. And even though Latinos register overwhelmingly as Democrats, they vote independently, as they demonstrated with their strong support at the polls for Texas Governor and now Republican presidential candidate George W. Bush.

GOV. GEORGE W. BUSH (R-TX): (From videotape.) Bienvenidos at este estado, mis amigos.

MR. MCLAUGHLIN: The power of Hispanic voters even has Vice President

Al Gore speaking a new language.

VICE PRESIDENT AL GORE (D): (From videotape.) Mis amigos segiremos trabajando juntos mano-a-mano para el futuro de nuestras familias y nuestros ninios.

MR. MCLAUGHLIN: Question: So, is the Hispanic vote in fact non-monolithic? I ask you, Frank.

MR. SHARRY: It's up for grabs. They vote their interests. They voted against the Republicans in California, thanks to Pete Wilson, who attacked them. They vote for Judge -- George W. Bush and Jeb Bush in Florida and Texas, for John McCain. This -- these voters are socially conservative, and they want a better America. They just don't want to be picked on. The Republicans (are too tough ?).

MR. MCLAUGHLIN: All right. Is it fair to say that you cannot really generalize about the Hispanic vote? A Puerto Rican may not vote the way a Mexican votes. A Mexican may not vote the way a Costa Rican votes.

MR. : Look --

MR. MCLAUGHLIN: In other words, the "Hispanic" designation does injustice to the --

MR. : Right.

MR. MCLAUGHLIN: -- to separate cultural and even political idiosyncrasies of these separate peoples, correct?

MR. STEIN (?): Well, third-generation Hispanics vote Republican because they have the income, the message response. Cubans vote Republican because of the, you know -- but it's not monolithic.

MR. BLANKLEY: You were getting to the fact, however, at the end of your comment, which is that they're no more monolithic in their voting than they are in any other aspect. And so if you're a middle-class Mexican living in Monterey Park in Los Angeles, you probably vote more conservatively.

(Cross talk.)

MR. MCLAUGHLIN: But do you think that the consultants are overestimating the importance of the Hispanic vote in view of the fact that there's a low turnout among Hispanic voters?

MR. STEIN (?): No. I mean --

MS. CLIFT: No. Granted your point that we're overly generalist -- generalizing in labels, the Hispanic vote is going to decide the outcome in Texas, California, Florida, and New York. And that is why you have the candidates talking in Spanish. (Chuckles.)

MR. MCLAUGHLIN: Exit: Who will capture the larger percentage of the Hispanic vote, assuming each win(s) his respective nomination, Republican Bush or Democrat Gore?

MR. SHARRY (?): I think Republican Bush, because, look, I mean, Pete Wilson got more Hispanic votes than Dan Lungren because it's the message immigrants don't vote for more immigration -- (groans from panelists) --

MR. MCLAUGHLIN: Did in fact he get more?

MR. : Yeah, absolutely.

MR. : And Dan Lungren --

MS. CLIFT: Bush is --

MR. MCLAUGHLIN: Quickly!

MR. SHARRY (?): And so your theory is a bunch of baloney.

MS. CLIFT: Bush is stylistically simpatico, but when Hispanics understand what Gore stands for --

MR. MCLAUGHLIN: So what's the answer?

MS. CLIFT: It's up for grabs right now.

MR. BLANKLEY: Yeah, of course it's going to be Bush, because Gore can't speak Spanish. He does it phonetically. (Laughter.)

MR. MCLAUGHLIN: What do you say?

MR. STEIN (?): Bush is leading in the polls, but Bush is going to have to tell the anti-immigrant crowd in Congress to sit down and shut up.

MR. SHARRY (?): That's baloney.

MR. MCLAUGHLIN: So where do you go? Bush?

MR. STEIN (?): So Bush is going to win if does that. If he doesn't, Gore will out-policy him.

MR. MCLAUGHLIN: The answer is Bush.

Issue four: Will you marry me, Dot Com?

The collapse of the Russian economy and the growth of the Internet are giving thrust to a small, but expanding and troubling, immigration problem: mail order brides. As many as 150,000 women from around the world currently advertise themselves as available for marriage to American men. And as many as 6,000 succeed every year. The vast majority of mail order brides come from Southeast Asia and the former Soviet Union, hoping to escape poverty. But far from living the

American dream, these women frequently find themselves living a nightmare. According to a federal government report, American men seek mail order brides with little education so that the men can maintain dominance over their future wives. Those who have used the mail order bride route to find a mate have control in mind more than a loving, enduring relationship.

At some point after the alien bride has had time to adjust to the new environment, to make new friends and to become comfortable with the language, her new independence and his domination are bound to conflict. The result: A, quote-unquote "alarming" rate of domestic abuse, according to the INS. And because the women are afraid of deportation, most do not ask for help.

There is some exploitation in this system, but it is not universal. But the exploitation of mail order brides has led some countries, like Taiwan and the Philippines, to take steps to control or outlaw the practice. Should the United States take similar steps, i.e., the Congress? Dan Stein?

MR. STEIN: This is about exploitation, abuse, about getting green cards, about relatives coming. It's a power relationship. It shouldn't be allowed.

MR. MCLAUGHLIN: What do you say?

MS. CLIFT: In the Philippines where they outlawed it, it simply went underground. I think we need more regulation. Women need to be told what their rights are.

MR. BLANKLEY: Yeah. There's no data that proves that white American men are abusive. I think it should be maintained.

MR. MCLAUGHLIN: What maintained?

MR. BLANKLEY: The importation of brides should be legal.

MR. MCLAUGHLIN: Okay.

MR. SHARRY (?): Congress should fix the law so that abused women can get out of the relationship without being deported.

MR. MCLAUGHLIN: If Congress is pro-family, it ought to stay out of this one. After all, it is between consenting adults.

We'll be right back with predictions.

(Announcements.)

MR. MCLAUGHLIN: Predictions. Dan Stein.

MR. STEIN: Immigrants are going to continue demanding more welfare, so it's going to benefit the Democratic Party.

MR. MCLAUGHLIN: Eleanor.

MS. CLIFT: The anti-immigration poison practiced by Pat Buchanan will not work this time.

MR. MCLAUGHLIN: Tony.

MR. BLANKLEY: Notwithstanding everyone's calm about Y2K, there will be less flights the first week of the New Year than any time historically.

MR. MCLAUGHLIN: Less what?

MR. BLANKLEY: Less people will fly the first week of the new year.

MR. MCLAUGHLIN: Frank.

MR. SHARRY: The strong economy, immigrant political power, bipartisan support, look for an increase in immigration in 2001.

MR. MCLAUGHLIN: A legal increase?

MR. SHARRY: Yup.

MR. MCLAUGHLIN: From a million to what?

MR. SHARRY: Well, it's about 800,000, but you'll see an increase of both, I think, high-skilled and family immigration.

MR. MCLAUGHLIN: Well, I have news for you, Frank. By November 1st, 2001, 26 months from now, Congress will pass a three-year renewable moratorium on immigration.

Happy Labor Day! Bye-bye.

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PBS SEGMENT

MR. MCLAUGHLIN: Issue five: Mother tongue.

MR. : (From videotape.) Most immigrants come to the United States to build a better life. And every immigrant knows that, in order to make the American dream a personal reality, English fluency is a must. There are immigrants who literally lose sleep to master English.

MR. MCLAUGHLIN: If all immigrants know that English is important, why are they not learning to speak English? Nearly half of all immigrants from non-English-speaking countries are still not proficient in English after two years in the U.S.

Why is that important? Because immigrants who do not learn English get left behind economically. "The best predictors of immigrant success, and thus their tax payments, are their skills, their education and their ability to speak English," so observes the Cato Institute, Washington.

In 1997, a California ballot initiative, Proposition 227, put sharp limits on bilingual education in public schools and required English immersion courses for non-English-speaking students.

California's Prop 227 passed handily. But two-thirds of Latino voters voted against it. In Florida, by contrast, bilingualism is considered an economic advantage, and bilingual programs are expanding in Florida schools.

Question: Should English be mandated? And what will America sound like 50 years down the road, like today or like the Tower of Babel? I ask you, Frank Sharry.

MR. SHARRY: No. Immigrants -- you talked about after two years. After 10 years, three-quarters of immigrants speak English well or very well. And over 40 years, only 2 percent don't speak English well. Their kids learn English; it's handled in a generation. In 50 years, English will be, not only the primary and dominant language in this country, but it will continue to be -- more so in the world.

MR. MCLAUGHLIN: The adult illiteracy problem hovers around 24 percent, despite how much resources are thrown at it, which means that it's probably the direct result of immigration. You are aware of that, are you not, Dan Stein?

MR. STEIN: Look, English-language literacy, it's related to poverty.

You know, my heart goes out for Americans trying to get education in California schools: fifteen, 20 years, the best in the nation; today, trying to teach in 400 different languages. Americans aren't getting a good education.

If you'd take a break from immigration, over time the language issue would sort itself out; otherwise, you are --

MS. CLIFT: Bilingualism should be mandated. Every American-born citizen --

MR. MCLAUGHLIN: Why?

MR. STEIN: Why?

MR. MCLAUGHLIN: Why?

MS. CLIFT: -- should learn a foreign language.

MR. MCLAUGHLIN: Why? Why?

(Cross talk.)

MR. STEIN: Like what --

MS. CLIFT: This is such a phony --

MR. STEIN: -- Swahili?

MS. CLIFT: -- this is such -- Swahili would be great thing to learn --
(laughter) -- along with Chinese and Spanish.

MR. MCLAUGHLIN: Multiple --

MR. STEIN: (Inaudible) -- programs.

MR. MCLAUGHLIN: Question: Are multiple --

MS. CLIFT: This is a phony debate.

MR. MCLAUGHLIN: -- languages an advantage in a global economic society, yes or no?

MR. BLANKLEY: It's not a yes or no. It's always useful to speak other languages, but we need to have a dominant American culture --

MS. CLIFT: We do.

MR. BLANKLEY: -- instructed to the immigrants.

MR. STEIN: (Inaudible.)

MR. MCLAUGHLIN: That will come through assimilation; assimilation will bring the language. Let's not mandate it.

MR. STEIN: Right. Bilingual --

MR. MCLAUGHLIN: The answer to my question is that the emphasis on multilanguage proficiency is exaggerated because computers can translate everything soon, just like that.

MR. BLANKLEY: But also, you have got --

(Cross talk.)

MR. MCLAUGHLIN: Maybe in a social sense --

MR. STEIN: But look -- look -- what you're talk --

MR. MCLAUGHLIN: -- it would be valuable.

MR. STEIN: -- if you are talk about bilingual education, bilingual ballots, noncitizen voting, long-term nontransitional bilingual education, you are talking about, over time, the Balkanization of the

Southwest of America.

MS. CLIFT: Oh, come on.

MR. MCLAUGHLIN: What do you mean the "Balkanization" --

(Cross talk.)

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[back to top]

----- End forwarded message -----

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Joseph N. Crisci (CN=Joseph N. Crisci/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:12-SEP-2000 09:28:10.00

SUBJECT: gs 9/13 as of 9/12 9:27am DRAFT

TO: Sarah Rosen Wartell (CN=Sarah Rosen Wartell/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Christopher M. Wanken (CN=Christopher M. Wanken/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Elliott H. Baer (CN=Elliott H. Baer/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Patrick M. Dorton (CN=Patrick M. Dorton/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Hal S. Shapiro (CN=Hal S. Shapiro/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Timothy E. Punke (CN=Timothy E. Punke/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Joseph N. Crisci (CN=Joseph N. Crisci/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: David Tseng (CN=David Tseng/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Sean R. Dobson (CN=Sean R. Dobson/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TEXT:
DRAFT

SPERLING

8:00-8:30

Senior Staff meeting @Roosevelt Room

8:30-8:45

Budget meeting @JDP

8:45-9:45

BRT Breakfast @Ward Room

9:45

DEPART WH

10:00-10:30

Pre-meeting w/ Dems prior to FLSA meeting @H-201

10:30-11:30

Meeting w/ Dems and Repubs re: FLSA @H-230

11:45

ARRIVE WH

11:45-4:00

Phone/Office Time

4:00-5:00

Internal New markets meeting on Charitable Choice @Maria ,s

office

5:00-6:30

Phone/Office Time

6:30-7:30

Evening download @GS

FYI-The CATO Institute book forum @1000 Mass. Ave

POTUS

DOWN UNTIL 10:00

10:05-10:15

Meeting @Oval

10:15-10:25

Briefing @Oval

10:25-11:05

Meeting w/ Northern Ireland First Minister David Trimble

@Oval

11:15-11:40

Videos @TBD

11:45

DEPART WH

1:30-1:40

Briefing @TBD

1:50-2:45

Hate Crimes event @East Room

2:50-3:00

Meeting @Oval

3:00-7:00

Phone/Office Time

EVENING OFF

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Richard M. Samans (CN=Richard M. Samans/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:12-OCT-2000 14:21:28.00

SUBJECT: International Basic Education Funding Update

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Amy Mall (CN=Amy Mall/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TO: Christopher M. Wanken (CN=Christopher M. Wanken/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

CC: Sylvia M. Vellino (CN=Sylvia M. Vellino/OU=OPD/O=EOP@EOP [OPD])

READ:UNKNOWN

TEXT:

----- Forwarded by Richard M. Samans/OPD/EOP on
10/12/2000 02:20 PM -----

Seth Amgott <samgott@oxfamamerica.org>

10/12/2000 02:33:42 PM

Please respond to "samgott@oxfamamerica.org" <samgott@oxfamamerica.org>

Record Type: Record

To: Richard M. Samans/OPD/EOP@EOP

cc:

Subject: Education Funding

Rick,

The NEA is sending letters to the Labor-HHS Approps chairs and rankers supporting the full \$55 million request, and I am getting the AFT on the case as well.

This is the approps cycle where you folks get all you ask for, we're trying to help make the most of it.

Seth

Seth Amgott

Washington Spokesman

Oxfam

Voice: 202/783-7304

Fax: 202/783-5547

don't know if you saw the WSJ this morning:

October 12, 2000
Review & Outlook

Forgiving Their Debtors

Perched atop the grievances of anti-globalization forces dedicated to wrecking cities from Seattle to Prague this past year is the debt burden of the world's poorest countries. Indeed, no less than Pope John Paul II has urged debt forgiveness on behalf of poor nations. In fact, there is little political opposition anymore to writing off the debt of the world's poorest countries.

Forgiving debtors, if not their economic trespasses, is now supported by the multilateral lending institutions and the U.S Treasury, motivated by a chance to clean up the books and recapitalize. Even adversaries of the multilaterals in Congress think it's time, seeing forgiveness as an opportunity to force reform of lending practices. There is even a legislative vehicle for it all -- the Clinton Administration's Heavily Indebted Poor Countries initiative, or HIPC.

Now that everyone's on the side of the angels, someone probably should play devil's advocate and ask: Will any of this get the developing world to the promised land?

As designed, the Clinton HIPC initiative contains neither adequate funding nor serious reform. Instead a kind of pay-as-you-go scheme will drag on more than 20 years while the same volume of unreformed lending that buried poor countries under this debt will continue. The HIPC initiative proposes to grant partial debt forgiveness to countries that qualify as measured by various debt ratios and other criteria. Some 32 countries meet the standard, for a total of \$27 billion in recognized losses; another 10 may qualify.

The HIPC legislation is a chance for Members of Congress who actually care about world poverty to get something in return. Any debt write-off that doesn't include radical reform of the international financial institutions -- and

that means an end to turning a blind eye to incompetent leaders ripping off a piece of the action and to letting incompetent bankers financially off the hook -- will renew the cycle of non-performance. Presumably this is something debt-forgiveness advocates don't want to see.

On the day that Uganda qualified for debt forgiveness under the Clinton initiative, the president of that struggling African nation signed a \$32 million lease-purchase agreement for a brand-new Gulf Stream jet. In a letter, Treasury Secretary Lawrence Summers assured Senator Mike Crapo that Uganda got good value for the aircraft and that not a dollar of the U.S. debt relief would go to its payments.

There is indeed a troubling moral hazard in simple debt forgiveness, but we'll put that aside in the interests of continuing this argument toward some positive, good-faith result. The fact is there is already evidence that the plan won't provide poor nations an exit from unsustainable debt. A GAO study of the debt-relief initiative calculates that unpayable poor-nation debt will grow back to current levels in 15 to 20 years if lending volume is unchanged -- a basic tenet of the forgiveness package -- and the countries' growth rates don't reach 8% to 12% annually over the period. Fat chance. With those growth rates, World Bank bureaucrats could retire to their wine cellars.

Nor is it clear from where the actual write-off should come. The Clinton HIPC initiative has an unfunded liability that requires passing huge bills to donor nations for more than 20 years. And this bailout is requested despite the fact that the big multi-lateral lending institutions have adequate loan-loss provisions in their own coffers to pay for all their bad lending decisions, according to Adam Lerrick, senior adviser to the Meltzer Commission, writing in the September IMF/World Bank issue of Euromoney.

If the four biggest international lenders, which make up 70% of the total, wrote off all their HIPC debt, it would amount to approximately one half of their loan-loss provisions and reserves and 5% of their effective capital.

Under the current plan, the forgiven debt is equal to less than 2% of effective capital and less than 17% of the loan-loss provisions and reserves for the four most egregious debt-pushers. It's obvious why they prefer an organized default that will require donor countries to restock their

vaults.

Congress should not accommodate such a request.

According to Ian Vasquez, director of the Project on Global Economic Liberty at the Cato Institute, 97.5% of all long-term HIPC debt is public or publicly guaranteed, making the write-off an implicit acknowledgment of the failure of government planning and development. This is a man-made disaster on the part of the West, its lending institutions and the leadership in the developing world. It must be recognized as such if the plight of the poorest is to change.

The antiglobalization movement's loudest noise at the moment is that corporations are beyond democratic control. But the international lending institutions at the root of the Third World debt problem are very much answerable to public authorities, that is, amenable right now to the democratic process. These activists should feel free to mobilize for the election of political leaders, in the U.S. and in the developing world, who would rationalize these agencies and the economies of their borrowing nations. To do that, they first must recognize the principles of economic liberalism that enable the growth of nations, rich or poor.