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TO: Sean P. O'Shea (CN=Sean P. O'Shea/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Laura J. Lewis (CN=Laura J. Lewis/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

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

TO: Rebecca L. Walldorff (CN=Rebecca L. Walldorff/OU=WHO/O=EOP @ EOP [WHO])
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TO: Heather M. Riley (CN=Heather M. Riley/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jonathan M. Prince (CN=Jonathan M. Prince/OU=WHO/O=EOP @ EOP [WHO])
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TO: Clara J. Shin (CN=Clara J. Shin/OU=WHO/O=EOP @ EOP [WHO])
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TO: Roger V. Salazar (CN=Roger V. Salazar/OU=WHO/O=EOP @ EOP [WHO])
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TO: Sarah E. Gegenheimer (CN=Sarah E. Gegenheimer/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Christopher Ferris (CN=Christopher Ferris/OU=OMB/O=EOP @ EOP [OMB])
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TO: Rochester M. Johnson (CN=Rochester M. Johnson/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: June Shih (CN=June Shih/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jason H. Schechter (CN=Jason H. Schechter/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Alison Muscatine (CN=Alison Muscatine/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Steven J. Naplan (CN=Steven J. Naplan/OU=NSC/O=EOP @ EOP [NSC])
READ:UNKNOWN

TO: Kevin S. Moran (CN=Kevin S. Moran/OU=WHO/O=EOP @ EOP [WHO])
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TO: Paul K. Engskov (CN=Paul K. Engskov/OU=WHO/O=EOP @ EOP [WHO])
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TO: Michael Waldman (CN=Michael Waldman/OU=WHO/O=EOP @ EOP [WHO])
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TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP @ EOP [WHO])
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TO: Melissa M. Murray (CN=Melissa M. Murray/OU=WHO/O=EOP @ EOP [WHO])
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TO: Patricia M. Ewing (CN=Patricia M. Ewing/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: William A. Halter (CN=William A. Halter/OU=OMB/O=EOP @ EOP [OMB])
READ:UNKNOWN

TO: Lisa J. Levin (CN=Lisa J. Levin/OU=WHO/O=EOP @ EOP [WHO])
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TO: Amy Weiss (CN=Amy Weiss/OU=WHO/O=EOP @ EOP [WHO])
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TO: Ruby Shamir (CN=Ruby Shamir/OU=WHO/O=EOP @ EOP [WHO])
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TO: Mark D. Neschis (CN=Mark D. Neschis/OU=WHO/O=EOP @ EOP [WHO])
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TO: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [OPD])
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TO: Jeffrey M. Smith (CN=Jeffrey M. Smith/OU=OSTP/O=EOP @ EOP [OSTP])
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TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [OPD])
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TO: gamble-bennett (gamble-bennett @ dol.gov @ inet [UNKNOWN])
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TO: Dag Vega (CN=Dag Vega/OU=WHO/O=EOP @ EOP [WHO])
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TO: Chandler G. Spaulding (CN=Chandler G. Spaulding/OU=WHO/O=EOP @ EOP [WHO])
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TO: Robin M. Roland (CN=Robin M. Roland/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Melissa G. Green (CN=Melissa G. Green/OU=OPD/O=EOP @ EOP [OPD])
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TO: Paul E. Begala (CN=Paul E. Begala/OU=WHO/O=EOP @ EOP [WHO])
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TO: Toby C. Graff (CN=Toby C. Graff/OU=WHO/O=EOP @ EOP [WHO])
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TO: Michael A. Hammer (CN=Michael A. Hammer/OU=NSC/O=EOP @ EOP [NSC])
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TO: Victoria L. Valentine (CN=Victoria L. Valentine/OU=WHO/O=EOP @ EOP [WHO])
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TO: Tracy Pakulniewicz (CN=Tracy Pakulniewicz/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jon P. Jennings (CN=Jon P. Jennings/OU=WHO/O=EOP @ EOP [WHO])
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TO: Alejandro G. Cabrera (CN=Alejandro G. Cabrera/O=OVP @ OVP [UNKNOWN])
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TO: Guy Smith (CN=Guy Smith/OU=WHO/O=EOP @ EOP [WHO])
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TO: Justin Coleman (CN=Justin Coleman/OU=WHO/O=EOP @ EOP [WHO])
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TO: Steve Ricchetti (CN=Steve Ricchetti/OU=WHO/O=EOP @ EOP [WHO])
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TO: Susanna B. McGuire (CN=Susanna B. McGuire/OU=WHO/O=EOP @ EOP [WHO])
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TO: Julie B. Goldberg (CN=Julie B. Goldberg/OU=WHO/O=EOP @ EOP [WHO])
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TO: Rachael E. Sullivan (CN=Rachael E. Sullivan/O=OVP @ OVP [UNKNOWN])
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TO: Jeffrey A. Shesol (CN=Jeffrey A. Shesol/OU=WHO/O=EOP @ EOP [WHO])
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TO: Mark A. Kitchens (CN=Mark A. Kitchens/OU=WHO/O=EOP @ EOP [WHO])
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TO: Gordon Li (CN=Gordon Li/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Daniel J. Gunia (CN=Daniel J. Gunia/OU=OA/O=EOP @ EOP [OA])
READ:UNKNOWN

TO: Julie E. Mason (CN=Julie E. Mason/OU=WHO/O=EOP @ EOP [WHO])
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TO: Laura D. Schwartz (CN=Laura D. Schwartz/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP @ EOP [OPD])
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TO: Anne M. Edwards (CN=Anne M. Edwards/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jonathan E. Smith (CN=Jonathan E. Smith/OU=WHO/O=EOP @ EOP [WHO])
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TO: Sara M. Latham (CN=Sara M. Latham/OU=WHO/O=EOP @ EOP [WHO])
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TO: Eli G. Attie (CN=Eli G. Attie/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [OPD])
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TO: David S. Beaubaire (CN=David S. Beaubaire/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Nanda Chitre (CN=Nanda Chitre/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Matthew I. Fraidin (CN=Matthew I. Fraidin/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Jennifer Ferguson (CN=Jennifer Ferguson/OU=OMB/O=EOP @ EOP [OMB])
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TO: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])
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TO: Lowell A. Weiss (CN=Lowell A. Weiss/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Julianne B. Corbett (CN=Julianne B. Corbett/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Elizabeth R. Newman (CN=Elizabeth R. Newman/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Jordan Tamagni (CN=Jordan Tamagni/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Megan C. Moloney (CN=Megan C. Moloney/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Brenda M. Anders (CN=Brenda M. Anders/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Dominique L. Cano (CN=Dominique L. Cano/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Maya Seiden (CN=Maya Seiden/OU=WHO/O=EOP @ EOP [WHO])
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TO: Leslie Bernstein (CN=Leslie Bernstein/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Anthony R. Bernal (CN=Anthony R. Bernal/O=OVP @ OVP [UNKNOWN])
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TO: Jennifer M. Palmieri (CN=Jennifer M. Palmieri/OU=WHO/O=EOP @ EOP [WHO])
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TEXT:
Moneyline News Hour with Lou Dobbs
Aired February 17, 1999 - 6:30 p.m. ET

President's Attorneys Will Not Ask Judge Wright to
Remove Herself; Selling of Technology Stocks Sends Dow
Industrials and Nasdaq Tumbling

ANNOUNCER: From CNN's New York headquarters, the

MONEYLINE

NEWS HOUR WITH LOU DOBBS.

LOU DOBBS, HOST: Good evening.

If 1999 is to be the year the powerhouse economy falters, there is no sign of it yet -- at least in one key sector, the housing market, which is simply booming.

Builders last month broke ground on new homes at a breakneck pace, the highest level, in fact, in 12 years, barreling past any expectations.

As Charles Molineaux now reports, January's boom may signal strong economic growth throughout the year.

(BEGIN VIDEOTAPE)

CHARLES MOLINEAUX, CNN CORRESPONDENT (voice-over): Even January's blast of normal wintry weather couldn't keep home construction from blowing past the forecasts. Economists say continued strength in housing is yet another sign the outlook for the overall economy remains strong.

GARY THAYER, A.G. EDWARDS: Housing tends to lead the economy by about a year. The strength in housing we're seeing today suggests that the economy should continue to enjoy sustainable growth throughout this year.

MOLINEAUX: Most of the surge came in the South where housing starts jumped more than 22 percent. The number of ground-breakings rose slightly in the West but fell more than 25 percent in the Midwest which was slammed by snowstorms. Building also dipped in the Northeast. Nationwide, construction of single-family homes hit its strongest level in 15 years as the job market remains strong and consumers enjoyed low mortgage rates, in part because of problems overseas.

GARY LEAHY, PRIMARK DECISION ECONOMICS: Investors seeking safety have tended to buy U.S. assets. That's helped Treasuries. If more people buy Treasuries, rates fall, and that helps the housing market. So

anybody that's wanted to buy a house in the last year
and a half, anybody
that's wanted to refinance a mortgage, in some ironic
sense, can be thankful
that there was this mess in Asia. MOLINEAUX: And there's
no sign the
building boom will slow down. Housing permits, a key
sign of future
construction, were issued at their fastest rate in
almost 13 years.

(on camera): Most economists do still expect some kind
of slowdown in the
U.S. economy later this year but also say the robust
housing numbers suggest
that, if one does occur, it won't be severe.

Charles Molineaux, CNN Financial News, New York.

(END VIDEOTAPE)

DOBBS: That strong housing report, however, did not fuel
a rally on Wall
Street. In fact, the Dow sunk 101 points, closing at
9,191, on deep concerns
about the future of technology stocks. Not surprisingly,
investors hit the
tech-heavy Nasdaq even harder, which fell 64 points,
losing almost 3 percent,
tonight at 2,248. The root of all these concerns, the
troubling report on revenue
growth at Dell Computer. Dell stock today tumbled
7-3/16. We'll have
complete coverage of today's market action later here on
the MONEYLINE
NEWS HOUR.

American Airlines today put a price tag on its 10-day
pilot sick-out. The
airlines told a federal court in Texas today that it
lost nearly \$60 million and at
least \$150 million in overall revenue. The pilots' union
claimed the figures to be
inflated. The judge put off any fine against the union
for another two months,
however. Negotiations continued today in the labor
dispute, and while the two
sides are said to be moving closer to agreement, the
airline stressed it won't
give in to all the union's demands.

(BEGIN VIDEO CLIP)

CHRIS CHIAMES, AMERICA AIRLINES SPOKESMAN: You've got to

recognize, if we were to simply give in to the demands of APA on this case,
we've got other labor groups who would see that as a way to exert influence over the company, and we can't manage the company where we're just giving in to demands of labor unions every time we turn around.

(END VIDEO CLIP)

DOBBS: American isn't the only airline facing labor troubles. Eight of the nation's 10 major airlines are in the midst of contract negotiations, and tensions could flare at the smaller commuter airlines.

As Fred Katayama reports, this might not be a pleasant year for passengers.

(BEGIN VIDEOTAPE)

FRED KATAYAMA, CNN CORRESPONDENT (voice-over): This could be the year of flying discontentedly for airline workers and travelers. The American pilots' sick-out that forced thousands of flight cancellations could provoke unionized employees at other airlines to act militantly.

JOHN PINCAVAGE, WARBURG DILLON READ: It's going to embolden the unions at some of these other airlines to use a similar tactic, and they may use it in a more refined form, but they clearly have every opportunity to disrupt operations at an airline, and I think you're going to see more of that.

KATAYAMA: Signs of militancy are already on the rise. Last year, flight attendants at TWA staged a sick-out, and mechanics at Northwest staged a work slowdown. And now confrontation is brewing at America West. Its flight attendants are bracing for a possible strike after turning down arbitration last week. The issues that America West and the other major airlines face range from job security to pay. In addition to American, pilots are in the midst of negotiations at Delta. Flight attendants are in contract talks at Alaska and five other airlines. Mechanics are negotiating or about to enter talks at Alaska,

Northwest, TWA, and U.S. Airways, and they have bargaining power because, like pilots, these federally-licensed workers are not easily replaced.

GEORGE HOPKINS, WESTERN ILLINOIS UNIVERSITY: Now good times have returned, and this is the first cycle of contracts coming up in the airline industry, which are wholly within this time when the airlines have been quite profitable, and so naturally these employees expect to share in the largess.

(END VIDEOTAPE)

KATAYAMA: The focus is on the big airlines now, but experts say tensions could flare at computer airlines. As these smaller airlines grow larger, pilots who earn as little as \$25,000 a year are getting militant. Two years ago, pilots for Skyway Airlines (ph), a Midwest carrier, struck for less than two hours. They got their contract.

Lou.

DOBBS: Militancy, at least in that case, working.

KATAYAMA: That's right.

DOBBS: Fred, thanks.

Well, labor unrest at TWA helped drive down the airline's fourth- quarter earnings, down almost 40 percent. As a result, the airline plans to cut 1,000 jobs, or almost 5 percent of its work force. TWA hasn't been profitable since 1988.

Paula
Coming up next on the MONEYLINE NEWS HOUR, the ghost of Jones. The impeachment trial is ended. The contempt may have only just begun. Plus, Hillary's ambition. Can the Clintons afford it?

(COMMERCIAL BREAK)

DOBBS: His political crisis may be over, but President Clinton's legal troubles are clearly not. Tonight, word of the decision by the

president's legal team
apparently throwing him at the mercy of Judge Susan
Webber Wright.

Wolf Blitzer is live at the White House and has the
latest for us.

Wolf.

WOLF BLITZER, CNN CORRESPONDENT: Lou, CNN has learned
that

President Clinton's private attorneys have decided they
will not ask the federal
judge who oversaw his deposition in the Paula Jones
sexual-harassment
lawsuit to remove herself from the case.

Judge Susan Webber Wright had given that option to the
president's attorneys
and to the Jones attorneys only yesterday, saying that
there could potentially
be a conflict because last month House Republican
Manager Asa Hutchinson
did ask her to testify about the deposition in the
Senate trial. Judge Wright
declined but did allow her law clerk to provide a sworn
affidavit. Because of
that potential conflict, she asked both sides if they
still want her to continue on
and oversee this case.

The case, of course, has been settled by \$850,000 that
the president provided
to Paula Jones, but, still, there is this lingering
matter of whether or not Mr.
Clinton should be held in contempt of court because of
his misleading
testimony during that January 17th, 1998, deposition.
Even Mr. Clinton's own
lawyers have said that he did not provide the whole
truth during that
deposition.

Now the White House lawyers, the president's private
attorneys have decided
to allow Judge Wright to oversee this matter of a
contempt citation potentially
because, at this point, they assume she will be
responsible and fair and they're
worried about the unknown more than they're worried
about her.

Lou.

DOBBS: That she would be responsible and fair, but also for them to ask her to step aside from this case would have had terrific political overtones, would it not?

BLITZER: It would have been a huge uproar, something that the president is anxiously trying to avoid now as he tries to regain his political footing.

DOBBS: Wolf Blitzer, thank you very much. Wolf Blitzer reporting from the White House.

If President Clinton is fined for contempt of court, it would merely add to the enormous legal expenses the Clintons have incurred during years of scandal, surely a factor for Mrs. Clinton as she weighs a race for the Senate that would be incredibly expensive.

Bill Dorman has the details on the cost of the race and the family's financial resources. Bill Dorman with the story.

(BEGIN VIDEOTAPE) BILL DORMAN, CNN CORRESPONDENT (voice-over): Hillary Clinton is an old pro when it comes to raising money, at least for other people. According to the first lady's office, she took part in 55 fund-raising events in the last 54 days of the 1998 campaign, including seven for New York's newest senator, Charles Schumer. According to Federal Election documents, Schumer spent \$16-1/2 million to win his seat. Loser Al D'Amato spent \$24 million. That makes Hillary's fund-raising ability for herself into a critical issue.

SHEILA KRUMHOLZ, CENTER FOR RESPONSIVE POLITICS: That's not proven, that she will be able to raise money for herself as well as she's done for others, because she has no legislative track record that she can point to and say, "Look what I've done for your industry, for your company, for your community."

DORMAN: She also has no vast personal fortune. The Clintons' tax filings show an income of roughly \$570,000 in 1997, including

royalties from her book
which they gave to charity. Supporters of the first lady
say a personal fortune
is not a prerequisite for a Senate run.

ELLEN MALCOM, PRESIDENT, EMILY'S LIST: I don't think
there's any
connection with her personal finances and her political
support that she's going
to tap into when she -- if she decides to run for the Se
nate. I think that a lot of
people are very excited about her Senate race and will
respond with their
contributions.

DORMAN: The first lady also faces what could be called
family obligations:
legal bills. According to the president's legal expense
trust, the Clintons have
already spent more than \$2 million on attorneys and
still face nearly \$4 million
in further legal bills, and that openly covers the
period up to this past August.

(on camera): Next week, we'll hear updated figures on
the president's legal
bills, which some estimate could top \$10 million by the
time he leaves office
and which could complicate the future career plans of
his wife.

Bill Dorman, CNN Financial News, Washington.

(END VIDEOTAPE)

DOBBS: The question remains can Hillary Clinton, who
doesn't live in New
York and who never did, run in New York? The MONEYLINE
Briefing
Book shows that the state is a carpetbagger's delight.
The first lady -- or
anyone else for that matter -- need only have purchased
or rented a residence
somewhere in New York by election day. If Mrs. Clinton
did wait until
November 7th, 2000, an unlikely prospect, she qualifies
for the race but could
not vote in it. New York requires voters to reside in
the state for at least 30
days before an election to qualify. Mrs. Clinton would
not be New York's first
well-known carpetbagger. Bobby Kennedy captured a Senate
seat in 1964
after establishing residence just months previous.

And there will be one more vacant seat in the Senate in the Northeast.

Senator Frank Lautenberg of New Jersey today said he would not run for reelection because he did not want to spend the next two years fund-raising.

New Jersey Governor Christie Whitman, often mentioned as a possible

Republican candidate for the Senate, today insisted that Lautenberg's decision would have no bearing on her own.

Around the world tonight, Israeli diplomatic missions worldwide are on alert for possible attacks by Kurds who believe Israel played a part in the arrest of their leader, Abdullah Ocalan. In Berlin today, Israeli security guards shot and killed three Kurdish protesters who forced their way into the Israeli consulate.

Prime Minister Benjamin Netanyahu says they fired in self defense and reiterated Israel had no role in Ocalan's arrest. The Kurdish rebel leader was captured yesterday at the Greek embassy in Kenya. Today, Turkish

authorities released videotape of Ocalan following his capture. It shows him blindfolded and handcuffed to his seat on the aircraft.

The Kurdish violence prompted the State Department to issue a global travel warning to Americans.

The statement urged Americans to take special security precautions while traveling or living abroad.

Saturday is the deadline for both sides of the Kosovo conflict to sign a peace deal. NATO sources say the United States is pushing for almost immediate air strikes if Yugoslav President Slobodan Milosevic blocks a peace deal.

Jamie McIntyre is live at the Pentagon and has the latest for us.

Jamie.

JAMIE MCINTYRE, CNN CORRESPONDENT: Well, that's right, Lou.

NATO sources tell CNN that the United States is pushing for almost immediate air strikes if Yugoslav President Milosevic

stands in the way of a
peace agreement with ethnic Albanian separatists in
Kosovo by this Saturday
deadline.

To underscore the threat, Pentagon sources say the U.S.
is preparing to move
a dozen F-117 Stealth fighters to Italy as soon as this
week, and sources say
the U.S. also has six B-52 bombers with air launch
cruise missiles on
heightened alert at their base at Barksdale (ph),
Louisiana. That's in addition to
some 220 planes NATO already has standing by in Europe
and on the U.S.
aircraft carrier Enterprise in the Mediterranean Sea.

The United States wants Mr. Milosevic to know that NATO
is serious.

(BEGIN VIDEO CLIP)

JAMES FOLEY, STATE DEPARTMENT SPOKESMAN: The deadline on
Saturday is a real deadline in that time is of the
essence, and President
Milosevic has just a few days to see the light, to see
that it's in his country's
interest as well as in the interest of the people of
Kosovo to not only agree to
the peace -- to the political settlements but to agree
to a peace implementation
force.

(END VIDEO CLIP)

MCINTYRE: NATO Secretary-General Javier Solana could
order the strikes
without further consultations with the 16 NATO nations
if he's persuaded that
Milosevic is the roadblock to peace. Pentagon sources
say the U.S. is
prepared to launch a limited attack of some 80 cruise
missiles from four U.S.
warships in the Adriatic, but NATO planners say such an
attack would have
to be carefully calibrated so that it doesn't drive
Yugoslavia away from the
peace table or, on the hand, prompt Kosovo Albanians to
make a quick grab
for independence.

Lou.

DOBBS: A fine balancing act, Jamie. Thank you very much.

Jamie McIntyre
reporting live from the Pentagon.

When the MONEYLINE NEWS HOUR continues, our coverage of
the Y2K
computer bug. Tonight, fear, greed, and futures, of all
things.

(COMMERCIAL BREAK)

DOBBS: Around the nation tonight, if you don't eat
tomatoes, you probably
should. This week's "Journal of the National Cancer
Institute" reports
convincing evidence that a diet of fresh and processed to
matoes can lower the
risk of cancer, with the most compelling impact on
prostate, lung, and stomach
cancers.

In North Carolina, the Marine pilot charged with the
deaths of 20 people in last
year's cable-car accident in Italy is expected to take
the stand next week in
his court martial. Captain Richard Ashby is accused of
flying his jet too low
and too fast when it cut through the gondola cable.

Day two at the murder trial of an alleged white
supremacist in Jasper, Texas.
John William King is accused of beating and dragging a
black man to his death
last year. Today, King's former girlfriend took the
stand and linked him to the
crime scene. If convicted, the 24-year-old man could
receive the death
penalty.

In our countdown to Y2K and the possible computer
nightmare that could
ensue in 316 days, we turn to Chicago's futures pits
where they have
nicknamed the problem the Millennium Butterfly, and
they're betting that Y2K
fears will send people scrambling for cash on the eve of
the millennium.

Ceci Rodgers has the story from Chicago.

(BEGIN VIDEOTAPE)

2000
CECI RODGERS, CNN CORRESPONDENT (voice-over): The year
computer problem. The mere mention of it instills fear.

JAMES ANNABLE, ECONOMIST, BANK ONE: Y2K is like a meteor
out
there, you know, that we know is out there, and we're
not sure whether it's
going to hit the earth.

RODGERS: But in the low-technology, open-outcry trading
pits of Chicago,
they're betting the Y2K fixes may be too little too
late.

(on camera): Here, where futures are traded on
short-term interest rates in a
huge but little-known market called euro dollars,
traders are speculating on
Y2K. Their bet: The bug will bring the financial system
to its knees as 1999
draws to a close.

(voice-over): How so?

JIM BIANCO, BIANCO RESEARCH: If a hundred million
households go
running to their ATM machines in the last half of
December to take out a
couple of hundred dollars to buy groceries just in case
there's a glitch, it will
cause a problem in the money markets.

RODGERS: Banks will be scrambling in the overnight
market for money to
make sure they have enough cash on hand to cover the
withdrawals. That, in
turn, could send short-term interest rates soaring, perh
aps only for a few days,
but the impact would be felt. Already some futures
contracts traded at the
Chicago Merc have fallen as traders bet on an expected
spike in interest
rates.

PETER YASTROW, VICE PRESIDENT, CANTOR FITZGERALD:
Maybe the chances are very small, but they're real, and
people are scared of
it.

RODGERS: Individuals wouldn't be the only ones hoarding
funds for a
possible Y2K rainy day.

PAUL KASRIEL, ECONOMIST, NORTHERN TRUST: We could see
corporations building up their inventories towards the
end of 1999 through fear

that they won't be able to get goods in. They'll borrow to do that, and that will put upward pressure on interest rates as well.

RODGERS: The Federal Reserve says the banking system will be ready for any Y2K liquidity crunch.

ANNABLE: It really is a question of how will the public respond to this. If everybody wants to convert all their deposits into cash, there's going to be a big demand for cash during that period. It is unnecessary.

RODGERS: Still, the Fed plans to have an extra \$50 billion on hand just in case.

Ceci Rodgers, CNN Financial News, Chicago.

(END VIDEOTAPE)

big DOBBS: Up next on the MONEYLINE NEWS HOUR, meet the new fish in South Florida baseball.

(COMMERCIAL BREAK)

DOBBS: In the business of sports, we'd like to introduce you tonight to a multimillionaire you've probably never heard of. That's because John Henry has spent much of his career staying out of the media's glare. No longer. John Henry is the new owner of the Florida Marlins, an expansion-baseball team that won and then quickly lost the trust of its fans.

John Zarrella reports on the new owner in town.

(BEGIN VIDEOTAPE)

JOHN ZARRELLA, CNN CORRESPONDENT (voice-over): You won't find the multimillionaire owner of a professional sports team breaking bread with grade school kids very often.

UNIDENTIFIED STUDENT: Are you one of the players?

JOHN HENRY, MARLINS OWNER: No, I'm the owner. Sorry.

ZARRELLA: But John Henry who recently purchased the floundering Florida

Marlins baseball franchise is not typical. He won't reveal his worth, he gives anonymously to charities, and he's shy.

HENRY: I have avoided the media in my 20 years on Wall Street. You've never seen me on MONEYLINE. You've never seen me on "Wall Street Week." I've done everything I can to maintain a low profile and have privacy in my life.

ZARRELLA: After spending \$150 million for the team, Henry says he had to step forward, going so far as opening the team's financial books to the public.

After winning a World Series, the team was gutted and put up for sale. Henry, who made his millions as a commodities trader on Wall Street, says he decided to step up to the plate and bid for the team simply because it was the right thing to do.

HENRY: I've been an investor most of my adult life, and you -- when you make an investment, you're always more interested in the future than the past.

ZARRELLA: In the present, Henry says, he's having a lot of fun.

UNIDENTIFIED STUDENT: How does it feel to coach a team?

HENRY: Well, actually, I was a first-base coach in a charity game the other night, and I felt a little foolish because I didn't know what I was doing. I'm just a rookie. I just bought the team.

ZARRELLA: And the headaches to go with it.

John Zarrella, CNN, Miami.

(END VIDEOTAPE)

DOBBS: Coming up next on MONEYLINE, a sharp drop for Wall Street as technology stocks tumble yet again. We'll have a full report, and I'll be talking with two influential strategists about where a nervous market from here. Anxious investors today punished Dell Computer shares.

We'll tell you what

Michael Dell plans to do about that. Plus, J. Peterman's desperate search for a buyer. This time not even Jerry Seinfeld can help.

(COMMERCIAL BREAK) DOBBS: Another punishing session for stocks on

Wall Street. The Dow Jones industrials tumbled 101 points, losing 1 percent, erasing an earlier 68-point gain. And the Nasdaq lost nearly 3 percent. The

culprit -- another sharp sell-off in technology stocks. Dell shares, today, fell 7

3/16 and accounted for 12 percent of today's loss for the Nasdaq composite index.

Rhonda Schaffler reports.

(BEGIN VIDEOTAPE)

RHONDA SCHAFFLER, CNN CORRESPONDENT (voice-over): The day started off pretty bleak. Traders ditched technology stocks right at the opening

bell, disappointed revenue growth at Dell and Hewlett-Packard. The Dow

industrials held on to modest gains through most of the trading day, only to hit

a wall of selling in the last hour, prompting one trader to say, we're coming

unglued. The Dow Jones industrial average spiraled 101 points on the day, a

loss of just over one percent. Much of that selling on the Big Board and

Nasdaq was concentrated in technology issues.

JOHN MANLEY, SALOMAN SMITH BARNEY: What drove the S&P in the first month of the year was technology. We looked at the sectors, there

are 12 sectors, two of them are technology related, those two sectors

outperformed the other 10, were under-performers. So it's been all technology

on the way up, and they're sort of giving it back a bit here, right now.

SCHAFFLER: Lucent's two-for-one stock split failed to spark investor

interest, as Big Board tech issues added to the selling pressure. And that

pressure was even more intense on the Nasdaq. The composite sliding just

under 65 points, a near three percent decline, one market watcher says the

selling may not be over.

PETER CANELO, MORGAN STANLEY DEAN WITTER: You broke a very important shelf of support on the Nasdaq, and you're beginning to see an inability of the market to rally. In the past week we've rallied strongly a number of times, and each time the market has unable to hold a rally. And that suggests to me that we have to go lower.

SCHAFFLER: A range of technology companies from Dell to Sun Microsystems to Prodigy fell sharply.

(on camera): Today's slide was enough to leave the Dow industrials flat on the year, the S&P 500 is now down slightly, and the Nasdaq composite, which surged better than 14 percent in January, has given most of that back. It's up only 2.5 percent since the start of 1999.

Rhonda Schaffler, CNN Financial News, New York.

(END VIDEOTAPE)

DOBBS: Dell stock, today, the most actively traded by far on the Nasdaq; a whopping 112 million shares. That is the third-largest volume ever traded on a Nasdaq stock, and almost six times Dell's average daily volume of 18.5 million shares. Dell's sharp decline, today, caps a two-week-long slump for what is one of Wall Street's best-performing stocks. The sell-off has erased more than \$30 billion of Dell's market value since the stock hit an all-time high two weeks ago.

Bruce Francis has our report.

(BEGIN VIDEOTAPE)

BRUCE FRANCIS, CNN CORRESPONDENT (voice-over): For Michael Dell, Hell hath no fury like a market scorned. Dell has seen his personal fortune whither by \$4.2 billion in three trading sessions, a paper loss 14 times the revenue shortfall that caused the disappointment. But when the market gets tough on Dell, Dell gets tough on prices, hinting

in an interview with CNN

Financial News that more aggressive price cutting is a weapon that the company might use to recharge growth, instead of focusing on profit margins.

MICHAEL DELL, CHAIRMAN & CEO, DELL COMPUTERS: If we'd taken our margins down, we might have had a little bit more growth, and that is certainly the sort of outlook we see going forward. But certainly, you can expect that Dell will be very aggressive in pursuit of growth and share.

FRANCIS: That might not be that easy. Last year at this time, overbuilding at Compaq forced an industry wide fire sale that, in turn, decimated profits for just about everyone but Dell. But this year, Dell's rivals have fixed those problems, according to analyst Dan Niles, whose warning last Friday helped knock 12 percent off Dell's stock in one day.

DAN NILES, BANCOSTON ROBERTSON STEPHENS: I think you're going to see them priced more competitively. I think you're going to see IBM, and Compaq, and HP, now that they've solved a lot of their issues, price much more competitively, to make, you know, to keep share on their side. And, so I think it's going to be a much more tough environment for Dell to compete in going forward.

FRANCIS: While Niles doesn't recommend buying Dell until it falls about another 12 percent, Internet message boards on Yahoo! and Motley Fool had plenty of investors saying that they were eager to pick up Dell at prices far below the recent peak. That enthusiasm was fueled by encouragement from some analysts.

ART RUSSEL, TECHNOLOGY ANALYST, EDWARD JONES: We have a buy rating on Dell shares, and if you're investing in the long term, you take advantage of these pullbacks to add to your positions.

(END VIDEOTAPE)

FRANCIS: The bottom line: It's going to be hard to fix Dell, since most

analysts agree with Dell himself, that the business is far from broken. It's just that rivals are getting better, and some trends, like rapidly falling prices for computer parts, are no longer on Dell's side -- Lou.

DOBBS: And this against Intel's report that PC demand remains strong. How does one square all this up?

FRANCIS: You see Compaq and other rivals doing better. Last year, they were really not going well...

DOBBS: And moving into Dell's space?

FRANCIS: Exactly, and moving into Dell's space. The industry, as a whole, seems to be doing better. Dell's still growing, just not quite as fast.

DOBBS: OK, Bruce, thank you.

We'll have much more on today's technology rout, later here in
MONEYLINE.

And in Washington today, at the Microsoft antitrust trial: Compaq coming to Microsoft's defense. A Compaq executive said Microsoft threatened to cancel the PC maker's Windows license, but not because of fear of competition from Netscape.

Steve Young reports.

(BEGIN VIDEOTAPE)

STEVE YOUNG, CNN CORRESPONDENT (voice-over): Compaq executive John Rose told the court Microsoft was within its rights when it threatened to pull Compaq's Windows license in May 1996. The government says Microsoft made that ultimate threat because Compaq put Netscape's web browser on the Windows desktop of Compaq's consumer PCs.

Rose said Compaq agreed verbally to keep icons for Microsoft's web browser and Microsoft Network on the Compaq desktop, just a few weeks before Compaq signed a written contract with America Online to

feature AOL. Rose
said Microsoft threatened his company, not because it
installed the Netscape
icon, but because it deleted the Microsoft icons as part
of the AOL
agreement.

Government lawyer David Boies attacked Rose's testimony
as revisionist
history. He showed e-mails indicating many key Compaq
executives didn't
know about the verbal deal, even though several of them
were involved in both
negotiations. Rose said the conflict occurred because of
"bad communication"
inside Compaq. Earlier, Microsoft executive Brad Chase
charged that AOL,
which is buying Netscape, has delayed dropping
Microsoft's web browser to
bolster the government's case.

Chase said, based on a recent Netscape filing with the
government, he
expects AOL will switch back to Netscape, giving it
nearly 70 percent of the
browser market, leaving Microsoft with the rest.

DAVID BOIES, LEAD GOVERNMENT ATTORNEY: What it does say
is
that AOL may make Netscape a stronger competitor, and if
that is true, that's
good. WILLIAM NEUKOM, MICROSOFT GENERAL COUNSEL: What
we've got is a battle royal on the technology of giving
users access to the
Internet, so they can get content, and they can do
commerce out there, and
communicate out there.

(END VIDEOTAPE)

YOUNG: The government says Microsoft is just trying to
change the subject.
It says the case is still about how Microsoft uses the
monopoly power of
Windows to keep other companies from competing on the
merits of their
technology.

Lou.

DOBBS: Steve, thank you. Steve Young reporting tonight
from Washington.

Coming up next here on MONEYLINE: plunging technology,

nervous

investors. I'll be talking with two leading market strategists about Wall Street's uncertain future. They will tell us, with certainty, what it's all about.

(COMMERCIAL BREAK)

DOBBS: In tonight's MONEYLINE Focus: Technology stocks. Today's big losses knocked the Nasdaq composite into a correction. Tonight, it is down 10 percent from the record high set just 11 sessions ago. Joining me now to talk about this technology retreat: from Boston, Ned Riley of BancBoston, and here in our studios in New York, Brian Finnerty of C.E. Unterberg Towbin. Gentlemen, good to have you here.

NED RILEY, BANCOSTON: Good evening, Lou.

BRIAN FINNERTY, C.E. UNTERBERG TOWBIN: Hi, Lou.

DOBBS: Let me begin with you, if I may, Ned. Is this correction something that you see bottoming out quickly in terms of the Nasdaq, or are we in the midst of the something?

RILEY: I think we're in the midst of the something. It's been a long time coming. But clearly, with the technology leadership contributing in a lot of the performance in 1998 -- excuse me -- I think we've got a way to go in this one yet. There's a domino effect that I think will eventually hit the rest of them.

DOBBS: A domino effect. That has ominous overtones.

RILEY: When you look at what Mr. Dell had said about undercutting the market and doing some price-cutting, I think you've got to look at more trouble ahead.

DOBBS: Brian.

BRIAN FINNERTY, C.E. UNTERBERG TOWBIN: Well, Lou, I think when you get breaks in great companies, like you had in Dell, and you seem to have had -- Micron and Intel, per se, it's usually a good

time to buying them for the
long run. We may be in the midst of the something. We
may have a little more
to go. I think the 10 percent pullback in the Nasdaq is
probably pretty much
the most of what you're going to see.

DOBBS: Now you called it a pullback, Brian. I
constructed it as a correction
following a somewhat more conventional, traditional
definition. Would you
agree that this is a correction?

FINNERTY: Well, I guess 10 percent is certainly a
correction. When we had
that 20 percent one last summer and into the Fall, it
got pretty scary and if
we're only halfway through this one, then it's going to
get a lot more scary. I
don't think that's going to be the case. I think you're
going to see some bottoms
in here because, Lou, one thing I've been noticing: it
seems to me the money is
not really leaving the market. It's sort of rolling
around, that group rotation
thing, and searching for new places to make money and in
my mind here, the
name of the game is still earnings and it's still
growth. I think the money will
have to come back to that momentum, growth earnings
which is the large-cap
tech stocks.

DOBBS: Ned, your view?

RILEY: Well I think part of that is right, but it's a
question of growth at what
price. These stocks are still selling at between 55 and
70 times earnings.
Clearly, this has been a pyramidal leadership type
environment where -- I call
them the magnificent seven -- the seven big technology
companies have
contributed over a third of the performance. I have to
say going back to
October lows, we've seen these stocks still appreciate
at 50 or 100 percent,
and even though we've had a pullback, it's not a major
pullback, considering
the kind of move we've had since the October lows.

DOBBS: Yes, Brian.

FINNERTY: And on top of that, to actually agree with Ned

to a certain

extent, the small caps, the Russell 2000 is down seven-plus percent for this year after a miserable under-performance for the last two years. So again, the advance has been narrow and the magnificent seven is a good term. So again that's true, but I do think the money will come back here because of the liquidity.

DOBBS: The liquidity -- and you would advise investors to be in here buying, Brian?

FINNERTY: I would in here, yes.

DOBBS: Ned, how about you?

RILEY: I think there's still more risk. Clearly, we saw some broadening of leadership today which encouraged me. Financial stocks did receive some of the moneys. But this has been a money flow into two or three groups. It's been health care, technology and Internet. We've asked so few to carry so many so far for a long period of time. I'd like to see them digest a little bit further.

DOBBS: Ned Riley, Brian Finnerty, thank you both, gentlemen for being with us here on MONEYLINE.

FINNERTY: Thank you, Lou.

RILEY: Thanks.

DOBBS: Coming up next on MONEYLINE, the greatest transformation in the history of Heinz, unless you happen to be a Heinz employee. A food company remakes itself, next.

(COMMERCIAL BREAK)

DOBBS: Three major hurdles cleared today by the \$48 billion merger of AT&T and TCI. The FCC approved the deal, as did shareholders of both companies. It took Wall Street months to warm up to this deal.

And as Katharine Barrett reports, it may take even longer for investors to see a payoff.

(BEGIN VIDEOTAPE)

C. MICHAEL ARMSTRONG, CHAIRMAN & CEO, AT&T: The merger proposal has carried.

(APPLAUSE)

KATHARINE BARRETT, CNN CORRESPONDENT (voice-over): With that, AT&T and TCI's goal of bringing soup-to-nuts communications services, through one line into American homes, is a nano-step closer to reality. The two companies want to bring one brand of telephone calling, Internet access, and entertainment to consumers ahead of the competition.

UNIDENTIFIED MALE: AT&T does have plans in place to be able to offer that combined test package in 10 test markets by the end of this year. Then they plan to have most of the other markets rolled out by the end of 2000.

BARRETT: AT&T still must spend two billion dollars this year alone to up-grade TCI's cable system to handle the kind of high-tech data and voice traffic it envisions. Some think it will cost much more.

BRUCE ROBERTS, DRESDNER KLEINWORT BESNO: It's going to take a least three to four years for AT&T to take that cable network and make it as robust and reliable as people want it to be. I mean most people today, if you ask them, would they want to have local telephone service over the cable line, given the experience they've had with cable outages are probably going to say no. Think about that challenge. The telephone network -- there's no issue about that. People know when they pick up their phones more or less they're going to get a dial tone.

BARRETT: AT&T stock sagged after the TCI merger was announced in late June, but since September, telephone has rung up gains of almost 70 percent. But Roberts calls AT&T stock a risky bet at this price.

Instead, he favors regional Bell competitors like Bell Atlantic, Ameritech and GTE.

(END VIDEOTAPE)

BARRETT: Some consumer groups are concerned about TCI's lock on cable lines into one out of three U.S. households. Add that to AT&T's partnership with CNN's parent, Time Warner, and you have what one analyst calls a "competitive gorilla." But federal regulators approved this deal today because of what they call its "competitive benefits to consumers," especially in local phone service. Still the Consumer Federation of America calls that "wishful thinking" -- Lou.

DOBBS: And it's a done deal.

BARRETT: All but.

DOBBS: All right. Katherine, thanks.

Topping tonight's "MONEYLINE Movers": the stock that's replacing TCI on the S&P 500 index, AmSouth. Shares of the Alabama-based bank climbed 3-13/16. Medtronic, the third most active stock on the big board today losing six dollars a share. The medical devices maker warned Wall Street third-quarter earnings will fall short of expectations. The company blames weak revenues at its heart division. And Public Service company of North Carolina, the biggest point gainer on the big board today, jumping 6-11/16. Scana, an electric, gas utility, is buying the company for nearly \$700 million in cash and stock.

A rare glimpse today inside the portfolio of Warren Buffett. The Nebraska billionaire, known for discovering undervalued companies, says he owns a seven percent of Great Lakes Chemical. The company makes specialty chemicals; has a market cap of more than two billion dollars. Buffett also holds an eight percent stake in TCA cable, which operates cable systems in

the west and Midwest. Its market cap, just under two billion. Shares of Great

Lakes surged 4-5/8; TCA Cable up 6-3/8 -- profitable look inside the portfolio of Warren Buffett today.

H.J. Heinz calls today's restructuring the greatest transformation in its history.

The maker of some of the most popular food brands in the world is closing

several of its factories, laying off up to 10 percent of its work force. The stock today up only slightly.

Peter Viles has the report.

(BEGIN VIDEOTAPE)

PETER VILES, CNN CORRESPONDENT (voice-over): The company that

made Weight Watchers a national brand is going on a serious diet. H.J. Heinz

plans to close 15 to 20 factories, lay off up to 4,000 workers worldwide, and sell off the Weight Watcher classroom program.

Wall Street barely blinked because a brutal business climate has made

cost-cutting the norm in the food business. BILL MAGUIRE, WASSERSTEIN PERELLA SECURITIES: It forces companies large and

small, even companies \$9 billion in sales size, like Heinz, to continue

restructuring programs. I don't know of a company in the food industry that

isn't currently participating in a restructuring story of one kind or another.

VILES: Quaker Oats, General Mills, Kellogg and Campbell Soup have all

restructured or cut jobs in the past year. The problems are industry-wide:

Investors expect double-digit profit growth, but overseas expansion has stalled

and the domestic industry is mature, which means weak revenue growth. And

powerful retail outlets and picky consumers have kept prices low.

Heinz hopes to save \$200 million a year and use it to rebuild an advertising

budget that was cut back sharply in the early '90s.

WILLIAM LEACH, DONALDSON LUFKIN & JENRETTE: The legacy of

Heinz's previous CEO, Tony O'Reilly (ph), was one to
some extent of
reducing marketing spending. If you look at the last
decade, when you look at
domestic media spending, Heinz pretty much decimated
their budget. Famous
campaigns they had like Charlie the Tuna and Morris the
Cat basically just
disappeared.

VILES: The company didn't say whether those campaigns
will be back, but it
did hint that it may soon be singing the praises of
ketchup on eggs and even
ketchup on potato chips.

Peter Viles, CNN Financial News, New York.

(END VIDEOTAPE)

Coming up next on MONEYLINE, J. Peterman, Seinfeld
satirized him, but
there is nothing funny about the problems now facing the
catalog retailer. That
story is next.

(COMMERCIAL BREAK)

DOBBS: Finally tonight, the company made famous on a
sitcom has nothing to
laugh about tonight. A bankruptcy judge has given the
upscale retailer J.

Peterman, made famous on the "Seinfeld" show, less than
a week to find a
buyer or liquidate.

Tony Guida has more.

(BEGIN VIDEOTAPE)

TONY GUIDA, CNN CORRESPONDENT (voice-over): John
Peterman is
in trouble because his financial reality doesn't match
his marketing dreams.

JULIA LOUIS-DREYFUS, ACTRESS, "SEINFELD": You mean?

JOHN O'HURLEY, ACTOR, "SEINFELD": Yes, I'm J. Peterman.

GUIDA: The "Seinfeld" show's J. Peterman, eccentric and
irrational, probably
didn't know enough to come in out of the rain. The real
J. Peterman walked
right into a business storm he could not weather.

Peterman's catalog sales collapsed, dropping from about \$67 million in 1997 to around 35 million last year. At the same time, he began an ambitious and expensive expansion into retailing with sales projections that were, according to two sources with access to the numbers, outlandish.

RICK GALLAGHER, PUBLISHER, "STORES" MAGAZINE: One of the things that happened with J. Peterman is that they took themselves too seriously. Maybe they watched too many "Seinfeld" episodes. They got a lot of multimillion-dollar advertising, expanded too fast. And the problem is their merchandise was always quirky, always high-priced.

GUIDA: According to the sources, Peterman's projection for sales in his New York store were more than \$1,100 a square foot. For San Francisco, the projection was even higher -- \$500 a square foot is considered excellent in the retail business.

Peterman confirmed his catalog sales were -- quote -- "soft," but he blamed his company's peril on his principal lender. Peterman said his banker panicked and cut its line of credit.

Despite all this, Peterman is unwilling to surrender, which is consistent with his reputation as a maverick. He spoke of it in an interview two years ago with CNN Financial News.

JOHN PETERMAN, CO-FOUNDER, THE J. PETERMAN CO.: I don't listen a great deal to experts because they always have all the reasons why you can't do things.

GUIDA (on camera): Peterman faces next Tuesday's deadline still optimistic.

"We're in the bottom of the 9th inning, trailing by six runs," he told me, "but sometimes you win those games."

Tony Guida, CNN Financial News, New York.

(END VIDEOTAPE)

DOBBS: Well, that's the bottom line for tonight. We

thank you for being with
us.

Be sure to start your business day tomorrow morning with
"BUSINESS

DAY." Tomorrow's guest the chief financial officer of
Intimate Brands, the
company behind Victoria's Secret. That's 6:00 Eastern,
right here on CNN.

Good-night from New York. "CROSSFIRE" is coming up next.

END

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:19-FEB-1999 10:43:07.00

SUBJECT: FOX Special Report, February 18, 1999

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TO: Alison Muscatine (CN=Alison Muscatine/OU=WHO/O=EOP @ EOP [WHO])
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TO: Steven J. Naplan (CN=Steven J. Naplan/OU=NSC/O=EOP @ EOP [NSC])
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TO: Barry J. Toiv (CN=Barry J. Toiv/OU=WHO/O=EOP @ EOP [WHO])
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TO: Melissa M. Murray (CN=Melissa M. Murray/OU=WHO/O=EOP @ EOP [WHO])
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TO: Patricia M. Ewing (CN=Patricia M. Ewing/O=OVP @ OVP [UNKNOWN])
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TO: William A. Halter (CN=William A. Halter/OU=OMB/O=EOP @ EOP [OMB])
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TO: Ruby Shamir (CN=Ruby Shamir/OU=WHO/O=EOP @ EOP [WHO])
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TO: Mark D. Neschis (CN=Mark D. Neschis/OU=WHO/O=EOP @ EOP [WHO])
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TO: Thurgood Marshall Jr (CN=Thurgood Marshall Jr/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jonathan A. Kaplan (CN=Jonathan A. Kaplan/OU=OPD/O=EOP @ EOP [OPD])
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TO: Jeffrey M. Smith (CN=Jeffrey M. Smith/OU=OSTP/O=EOP @ EOP [OSTP])
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TO: Julia M. Payne (CN=Julia M. Payne/OU=WHO/O=EOP @ EOP [WHO])
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TO: Beverly J. Barnes (CN=Beverly J. Barnes/OU=WHO/O=EOP [WHO])
READ:UNKNOWN

TO: Jake Siewert (CN=Jake Siewert/OU=OPD/O=EOP @ EOP [UNKNOWN])
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TO: gamble-bennett (gamble-bennett @ dol.gov @ inet [UNKNOWN])
READ:UNKNOWN

TO: Dag Vega (CN=Dag Vega/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TO: Chandler G. Spaulding (CN=Chandler G. Spaulding/OU=WHO/O=EOP @ EOP [WHO])
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TO: Robin M. Roland (CN=Robin M. Roland/OU=WHO/O=EOP @ EOP [WHO])
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TO: Toby C. Graff (CN=Toby C. Graff/OU=WHO/O=EOP @ EOP [WHO])
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TO: Alejandro G. Cabrera (CN=Alejandro G. Cabrera/O=OVP @ OVP [UNKNOWN])
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TO: Joshua S. Gottheimer (CN=Joshua S. Gottheimer/OU=WHO/O=EOP @ EOP [WHO])
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TO: Guy Smith (CN=Guy Smith/OU=WHO/O=EOP @ EOP [WHO])
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TO: Melissa J. Prober (CN=Melissa J. Prober/OU=WHO/O=EOP @ EOP [WHO])
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TO: Gordon Li (CN=Gordon Li/OU=WHO/O=EOP @ EOP [WHO])
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TO: Daniel J. Gunia (CN=Daniel J. Gunia/OU=OA/O=EOP @ EOP [OA])
READ:UNKNOWN

TO: Julie E. Mason (CN=Julie E. Mason/OU=WHO/O=EOP @ EOP [WHO])
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TO: Laura D. Schwartz (CN=Laura D. Schwartz/OU=WHO/O=EOP @ EOP [WHO])
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TO: Peter A. Weissman (CN=Peter A. Weissman/OU=OPD/O=EOP @ EOP [OPD])
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TO: Nanda Chitre (CN=Nanda Chitre/OU=WHO/O=EOP @ EOP [WHO])
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TO: Matthew I. Fraidin (CN=Matthew I. Fraidin/O=OVP @ OVP [UNKNOWN])
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TO: Jennifer Ferguson (CN=Jennifer Ferguson/OU=OMB/O=EOP @ EOP [OMB])
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TO: Jonathan Orszag (CN=Jonathan Orszag/OU=OPD/O=EOP @ EOP [OPD])
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TO: Lowell A. Weiss (CN=Lowell A. Weiss/OU=WHO/O=EOP @ EOP [WHO])
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TO: Julianne B. Corbett (CN=Julianne B. Corbett/OU=WHO/O=EOP @ EOP [WHO])
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TO: Elizabeth R. Newman (CN=Elizabeth R. Newman/OU=WHO/O=EOP @ EOP [WHO])
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TO: Jordan Tamagni (CN=Jordan Tamagni/OU=WHO/O=EOP @ EOP [WHO])
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TO: Dominique L. Cano (CN=Dominique L. Cano/OU=WHO/O=EOP @ EOP [WHO])
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TO: Anthony R. Bernal (CN=Anthony R. Bernal/O=OVP @ OVP [UNKNOWN])
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TEXT:
FOX SPECIAL REPORT WITH BRIT HUME
Aired on February 18, 1999

SNOW: As the Kosovo peace talks stumble along toward a Saturday deadline, pressure is building for the parties to settle -- or else. Once again, the U.S. is promising swift NATO action against the Serbs, a vow that could place American and other pilots in harm's way. For the latest on the situation, here's our senior White House correspondent, Jim Angle.

Jim?

(BEGIN VIDEOTAPE)

JIM ANGLE, FOX NEWS (voice-over): With the Saturday deadline fast approaching, Serbian leaders are still resisting a Western peace plan for Kosovo, but they try to sound upbeat anyway.

REPORTER: Are you fairly optimistic?

UNIDENTIFIED SERBIAN OFFICIAL: Of course. (INAUDIBLE) always do.

ANGLE: The Clinton administration and NATO say Serbs will either agree or face NATO air strikes. And Secretary of State Madeleine Albright says she personally warned Serbian leader Slobodan Milosevic.

MADELEINE ALBRIGHT, SECRETARY OF STATE: He should understand that if air strikes occur, they will be -- he will be hit hard, and he will be deprived of the things that he values.

ANGLE: The Clinton administration is now sending an additional 51 warplanes to an attack force in Europe, including F-117 stealth fighters, bringing the total to 260 American aircraft, a little reminder to Mr. Milosevic.

ALBRIGHT: I think he understands that this is a key moment in terms of the future of the former republic of Yugoslavia.

ANGLE: The fighting in the region between ethnic Albanian guerrillas and Serbian forces has destroyed villages and killed innocent civilians, some in massacres documented by international observers. At talks in Rambouillet, France, Western negotiators are pressing for two things: self-rule for Kosovo and a NATO peacekeeping force to stop the bloodshed. The Clinton administration has said it would send some 4,000 American troops to participate in this peacekeeping force, similar to the one now in Bosnia.

But Russia is vigorously opposed to that idea, and Russian president Boris Yeltsin complained about the threat of force during a meeting with two European leaders at the Kremlin.

BORIS YELTSIN, RUSSIAN PRESIDENT (through interpreter): I gave Clinton my opinion on the phone and in writing that we won't allow that to happen. We won't let Kosovo be touched.

ANGLE: Kremlin officials first said that call was made Wednesday, but later changed it to "recently."

(END VIDEOTAPE)

But American officials say there was no recent phone call, that the two men haven't had a phone conversation since before New Year's, and no conversation in detail about Kosovo since last fall. In fact, officials say, Yeltsin and President Clinton haven't had any communication at all since the funeral of King Hussein some 10 days ago. Nevertheless, they say they do understand Yeltsin's long-standing position and opposition against the use of force. Nevertheless, officials here say NATO will do what it has to do to end the bloodshed in Kosovo.

Tony?

SNOW: OK, Jim. So we agree to disagree with Boris Yeltsin. Is there any strategy for trying to calm him down?

ANGLE: Well, you know, what's odd about this, Tony, is that the Russian government and other Russian officials have been pressuring the Serbs to come to an agreement. They have indicated that they would even participate in a peacekeeping force, which the Serb forces, of course, are vigorously against. So it's odd that Yeltsin would take this position.

The funny thing about it is that no one can really figure out what he was thinking. He did talk to the secretary of state a couple of weeks

ago and could have confused that, I suppose, with a conversation with the president. But as experts look at this, they're wondering what was in Yeltsin's mind, and figure there was one of two things. Either he thinks he talked to the president, or he knows he didn't and just decided to say it and say "What the heck. Maybe no one will say anything." Either way, one expert said today, it is not a good commentary on Boris Yeltsin's state of mind.

SNOW: OK, Jim.

ANGLE: Tony?

SNOW: Jim, thank you.

As you saw earlier in Wendell Goler's report from New Hampshire, the largest newspaper in the Granite State, the "Manchester Union Leader," was about as friendly with the president as Boris Yeltsin was. It greeted Mr. Clinton with the headline, "Mr. President, you're a disgrace!" Not exactly the warmest welcome for the "Comeback Kid," but neither was the language in a front-page editorial by publisher Nacky Loeb. Quote, "There is no reason to respect a man who's shown so little respect for the people, the office and the country. He is a disgrace. The sooner he leaves New Hampshire, the better."

Joining us now from WMUR-TV in Manchester is the editor-in-chief of the "Union leader," Joe McQuaid.

Mr. McQuaid, welcome.

JOE MCQUAID, "MANCHESTER UNION LEADER": Hi, Tony.

SNOW: So friendly words for the president. Any response from the White House?

MCQUAID: Nothing from the White House. Quite a bit of response from readers and people around the country.

SNOW: And -- come on. You got to tell me what the response was.

MCQUAID: Well, unscientifically measured, we got over 100 phone calls and emails today, got about a dozen cancellations of the paper. And my executive editor estimated that the calls and emails were running about 60-40 favorable to the president and unfavorable to ourselves.

SNOW: That's interesting.

MCQUAID: We...

SNOW: Go ahead.

MCQUAID: No, interesting comments. The ones in favor of the president were really more that you should respect the office. And we tried to point out in the editorial that this is the fellow who hasn't respected the office. And those in favor of us were complimentary for having the courage of our conviction.

SNOW: Well, let's talk about how all this impacts politics in the year 2000. The conventional wisdom is impeachment hurts Republicans. What's your sense?

MCQUAID: You know, I saw your set-up with President Clinton speaking earlier today and how he wished that the political -- I think he used the term "energy" -- that he had felt up here seven years ago could be transmitted to the country. I think the political energy has gone out of the country in large measure because of what Clinton did in Washington and the whole response to it. And I think it's going to be very interesting to see if anybody can relight the fire of the body politic. I think that's his legacy for the year 2000.

SNOW: Carl Cameron hinted earlier in the broadcast that Bill Bradley may have more support in the state, at least among political operatives,

than people would otherwise have expected. Do you think Bradley could surprise people with his showing?

MCQUAID: I'm not sure. I think he could. He's got a couple of names, which escape me at the moment, but they haven't all signed on with Al Gore. Bradley is not a charismatic guy, but maybe they're not looking for charisma this time. Maybe they're looking for candor and somebody who's going to have some convictions and stick to them on both sides of the fence.

SNOW: Joe, we're going to take a break in a minute. We're going to talk to you on the other side of it. But as we get ready to go to the break, I want to get a couple of quick summaries from you. Bob Smith -- how long is he going to last?

MCQUAID: Not long at all. I don't know if he'll make it out of Iowa to come back home to New Hampshire.

SNOW: Really? You think -- people there are not happy with Bob Smith's running?

MCQUAID: They're -- before it was unhappiness that there might be some jeopardy to the primary, and now it's more "What is he doing?" I don't think he's going to have any effect one way or the other on the primary. I think he should -- he should get out and help a candidate with a stronger potential than he.

SNOW: John Kerry.

MCQUAID: The guy next door. I think they get him confused with Bob Kerrey.

SNOW: OK.

MCQUAID: We do. I can't spell his name, Tony.

SNOW: It doesn't have an "E" in it...

MCQUAID: Thank you.

SNOW: ... neither Bob nor Kerry -- I mean John nor Kerry.

MCQUAID: It's like scotch whiskey, right?

SNOW: That's right.

MCQUAID: OK.

SNOW: OK, Joe. Hang on. We're going to take a quick break for some news. After the news, we'll be back with more of the editor of the "Manchester Union Leader," Joe McQuaid.

(18:27)

(COMMERCIAL BREAK)

SNOW: Welcome back to SPECIAL REPORT. I'm Tony Snow, in for Brit Hume.

And I'm joined by Joe McQuaid, editor-in-chief of the "Manchester Union Leader," the largest and most influential newspaper in the state of New Hampshire.

Joe, your newspaper's especially influential when it comes to the GOP. You mentioned before the break you think that the sort of pop has gone out of American politics. You see anybody in the Republican field early on who could reinvigorate it?

MCQUAID: We're not making any endorsements, so don't take this the wrong way. I think John McCain is going to be packaged and have the image of somebody -- even though he's, in fact, a Washington insider, but I think he's going to be packaged as somebody who is a little rough around the edges and goes against the grain. He's got Warren Rudman working for him, who's a pretty savvy operator up here, and I think he'll be interesting, and so will Forbes.

SNOW: Forbes will spend a lot of money. George Bush, the president, never did all that well in New Hampshire. He won, but Pat Buchanan got 38

percent of the vote in 1992. The question, George W. Bush, one of the few mentioned contenders who hasn't been to the state -- do you see any excitement in the Granite State for him?

MCQUAID: I haven't seen any operational level in the Granite State for him, which is kind of surprising, if he's, in fact, going to get into the race. But I guess he's had a couple of people down to Texas to talk about politics, and he's had this channel 9, a TV station, down there. I'm not sure what his strategy is going to be. There was some concern early on that if Bob Smith had some traction, that Bush might even bypass -- horrors -- New Hampshire and say that that's going to the favorite son. But Smith has done so poorly in the poll that I don't think that's going to be a problem.

Can George Bush, the younger, catch fire up here? Perhaps. Mrs. Dole was up here last week, you know, and was, I thought, dreadfully dull in a speech to a huge crowd, surprisingly dull for her.

SNOW: Well, let's talk about the issues that you think are going to be necessary to not only generate excitement but maybe even get a Republican to win the presidency in the year 2000. What do they need to do? What do they need to talk about?

MCQUAID: Well, they have to have a pretty clear, coherent message and stick to a couple of basic themes, which I think have to include, from our perspective, at least, the moral ones. I think there's certainly been a moral vacuum in Washington these days, and somebody's got to have the courage to speak out on that, and they've got to not only talk the talk, but really say how they're going to cut back on government. We've been trying since, what, the '80s with Reagan and the Education Department and the National Endowment of the Arts, with no success. So if they're going to get conservatives, they're going to have to do that.

SNOW: Joe, when you look at these candidates, do you ever despair at how many of them seem to have pre-packaged messages? In all the time that you've been looking at these, has it ever been any worse in terms of politicians not taking any chances?

MCQUAID: There's -- there may be fire in their bellies, but there's not a lot of fire in the body politic. A Reagan comes along once every half century, but despair's not the word. I don't know. Dejected, I think, is the word, that there's no real, great enthusiasm out there...

SNOW: Is it...

MCQUAID: ... for a candidate.

SNOW: Is it conceivable that the "Manchester Union Leader" could endorse "none of the above" in the year 2000?

MCQUAID: I don't think we're going to retire, as Paul Weyrich suggests. I think you've got to stay in there and keep fighting.

Interesting point on the Clinton side tonight, Tony. As late as this afternoon, we had somebody call over to the Democratic Party headquarters to inquire about tickets. And apparently, you could still get all you wanted. So he may be the "Comeback Kid," but I don't know if everybody's coming back to see him tonight.

SNOW: OK. Joe McQuaid, editor-in-chief of the "Manchester Union Leader," thanks for joining us tonight.

MCQUAID: Nice to talk to you.

SNOW: Are term limits...

(18:36)

(COMMERCIAL BREAK)

Political Headlines

SNOW: Could voluntary term limits, a key part of the "Contract with America" in 1994, come back to haunt the GOP? Nine Republican House members have pledged that the 1998 election would be their last, and some now may be having second thoughts as the party fights to hold onto a slim majority in the House of Representatives. FOX NEWS correspondent Julie Kirtz reports.

(BEGIN VIDEOTAPE)

JULIE KIRTZ, FOX NEWS (voice-over): Congressional term limits supporters consider Republican George Nethercutt their poster boy, and this week they put up a billboard in his home state of Washington to make sure he knows it. Nethercutt was elected to Congress by beating the powerful Speaker of the House, Tom Foley. He promised voters he would only serve in Congress for three terms. But with his self-imposed exit date closing in, Nethercutt is reconsidering.

U.S. REPRESENTATIVE GEORGE NETHERCUTT (R-WA): I don't know what my plans are going to be. I've -- I've been here in Chuwila (ph) and I've been called on, people giving me their best advice, and telling me whether they want me to continue to serve or not.

TELEVISION COMMERCIAL: It's time for term limits, time for leaders we can respect.

KIRTZ: A group called U.S. Term Limits announced a \$20 million campaign aimed at making sure Nethercutt, eight other House Republicans and one House Democrat keep their pledges to leave office in 2000.

PAUL JACOB, U.S. TERM LIMITS: Voters, we have found, are very, very interested in whether the motivation for someone to come to Washington is to cash in on a career and be a career politician or to come for a short period of public service, and to serve as a citizen legislator.

KIRTZ: That viewpoint was one of the centerpieces of the GOP "Contract with America," which helped Republicans take control of Congress. But now Republicans are anxious to hold onto their slim six-seat majority in the House. A spokesperson for the National Republican Congressional Committee says, "If we hear even a rumor that a member is not running for reelection, we're on their case. Obviously, it's in our best interest to hold onto Republican incumbents, regardless of whether they took the term limit pledge or not."

Still others say term limits for either party are a mistake.

VIC FINGERHUT, DEMOCRATIC STRATEGIST: I think it is foolish. First of all, I think it's undemocratic. I think people have the right to elect, to reelect and reelect again whoever they want.

KIRTZ (on camera): Only one House Democrat has promised not to run again in 2000, but Republicans could lose up to nine members if they all keep their pledge. Advocates of term limits accuse Republicans of paying lip service to their cause now that it could be used against them.

In Washington, Julie Kirtz, FOX NEWS.

(END VIDEOTAPE)

SNOW: Across the country, prosecutors, defense attorneys and law enforcement officials are taking notice of a recent appeals court ruling from Virginia. A panel of judges declared that some confessions can be used in court even if police didn't read the defendant his or her rights. A likely next stop for this legal hot potato: the U.S. Supreme Court. FOX NEWS correspondent David Shuster has the story.

(BEGIN VIDEOTAPE)

DAVID SHUSTER, FOX NEWS (voice-over): Almost every American and every police officer knows what's going to happen when this purse-snatcher is finally arrested.

LT. JOSEPH COX, U.S. PARK POLICE: You have the right to remain silent. You are not required to say anything to us at any time or to answer any questions. Anything you say can be used against you in court.

SHUSTER: The so-called "Miranda warning" was first established by the Supreme Court 33 years ago, but last week an appeals court in Richmond, Virginia, placed the historic ruling in jeopardy. The panel decided that a man's confession for robbing this First Virginia bank could be used against him even though police had not yet read him his rights. The court relied on an obscure law passed by Congress in the late 1960s.

SHAWN GUNNARSON, WASHINGTON LEGAL FOUNDATION: The 1968 law uses one simple principle: Is it voluntary? And so long as the confession is voluntary, it comes in, regardless of all these other technicalities that have been used.

SHUSTER: Gunnarson and other conservative legal scholars believe the Virginia ruling is long overdue and that criminals should not be able to get a case overturned simply because police waited to tell them their rights. Even a few Supreme Court justices, including Antonin Scalia, have suggested that a Miranda warning is not always necessary.

But over the last 30 year, every administration, from President Johnson to President Clinton, has refused to challenge the Miranda requirement. And now most legal experts predict that police would continue to use it even if the courts scale it back.

STEPHEN SALTZBURG, G.W. UNIVERSITY LAW PROFESSOR: If you don't give Miranda warnings, and you go back to the old ways, then you get into litigation about "What did you really say? What did the suspect know?" you know, "What are the totality of the circumstances?" And I don't think the police are anxious to get back there.

SHUSTER (on camera): The ruling from Virginia will affect five states, but constitutional scholars across the country are taking notice because the issue seems destined for the Supreme Court.

In Washington, David Shuster, FOX NEWS.

(END VIDEOTAPE)

SNOW: We're going to take a quick break now. We'll be back in just a couple of minutes. Our panel of journalists will summarize the latest political news.

(18:44)

(COMMERCIAL BREAK)

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Special Report Roundtable

SNOW: Welcome back. It's pundit time with Jeff Birnbaum, Washington

bureau chief of "Fortune" magazine, Mort Kondracke, executive editor of "Roll Call," and from frosty Manchester, New Hampshire, where she's traveling with the president, Mara Liasson, White House correspondent for National Public Radio. All three are FOX NEWS contributors.

Mara, Joe McQuaid said just a couple of minutes ago that there are still tickets available for the president's speech. Do you see any...

MARA LIASSON, NATIONAL PUBLIC RADIO: Oh!

SNOW: ... lagging in the passions for the chief executive?

LIASSON: Well, actually, what I heard from the New Hampshire Democrats -- they said the tickets were selling like hotcakes, so that's -- they're putting a little different spin on it.

No, I would say that the reaction to Mr. Clinton up here has been very mixed. He's met -- he has had a lot of cheering crowds, very warm reception at the health care event he did earlier. But there was this screaming headline in the "Manchester Union Leader" today that says, "Mr. President, you're a disgrace," and then the headline on the editorial was, "Don't come back, kid." And there were, you know, the usual protest signs, "Liar," "Jail to the chief."

But this is a place where President Clinton really invented himself as "The Comeback Kid." He has a lot of affection for New Hampshire. Certainly, New Hampshire Democrats have a tremendous amount of affection for him. They feel they have a personal stake in his presidency, and they are -- they will be celebrating tonight. They might be gloating, even if the president won't.

SNOW: What exactly can he do for Al Gore on a trip like this?

LIASSON: Well, I think that he can just keep all those warm feelings stoked up. I mean, Al Gore is already in pretty good shape in New Hampshire right now, and Bill Clinton can do everything he can to help Al Gore to make sure that the web of contacts and the network that helped him in '92 and then again in '96 -- although he didn't need much help then -- is there for the vice president.

SNOW: OK. Now to demonstrate our global reach, I want to get a quick travel report from Jeff Birnbaum, who earlier today was in Austin, Texas, visiting Governor George W. Bush. He's going to run, isn't he.

JEFF BIRNBAUM, "FORTUNE" MAGAZINE: I would not bet against his running. In fact, I would bet that he would run, quite clearly. He...

SNOW: So how do you think this is going to work out? Give us a sense of what you think the timing will be.

BIRNBAUM: Well, no one's saying anything officially, and so this is mostly a guess on my part, but I...

SNOW: OK, winks and nods, and unofficially, what do you know?

BIRNBAUM: My guess is that sometime before April, he'll give a very firm "maybe" to running, which would be to announce an exploratory committee to run for president, and then soon thereafter, maybe by the end of the 140-day session that the Texas legislature goes through, maybe May, probably before June, we'll know for sure that he's running.

SNOW: Now, Joe McQuaid said that they don't have any kind of ground operation in New Hampshire. When you were talking to the governor, people around him today, are they trying to put together the people who can organize states like New Hampshire and Iowa, or are they actually going to stay hands-off until May?

BIRNBAUM: My guess is that once they give a "maybe," they're going to start working very diligently on the ground. They're working in all sorts of other ways, that's for sure.

I can report to you that the financial support for Governor Bush, well before he even gives his "maybe," is very, very strong. He has all sorts of networks of money people that are more than willing to help him. He is a graduate of Harvard Business School, for example. The alumni society there, I believe, has some cash to give. His brother is the governor of Florida, a pretty big and big-giving state. His father was president. There are big remnants of his financial network that are still in existence.

And we shouldn't forget two other things. One is that the governor is the governor of Texas, where there is known to be a few dollars lying around. And he also was a general manager and owner of a baseball team, and the baseball owners like him a lot, and they are not only rich themselves, but know a lot of wealthy people to give some money...

SNOW: And finally...

BIRNBAUM: ... so there'll be some money.

SNOW: ... he's a graduate of Harvard Business School. OK, now I'm going to let Mort get a word in edgewise. He talked about an exploratory committee. Have you ever known anybody to form an exploratory committee and say, "Ah, never mind"?

MORT KONDRACKE, "ROLL CALL": Yeah, now, let me see. Did Pat Schroeder -- she did get out. I mean, the question with George W. Bush is can he translate the charm, the passion, the clear capability -- I mean, he really has done things to reform the Texas educational system in quite a profound way. Can he translate that into a national message? I mean, that -- if he can, and he doesn't stumble, and there's nothing to stumble over, then my guess is that the nomination is his, and we're -- then we'll talk about who gets the number two spot.

SNOW: Mara, when you're visiting up there, is there any buzz going on about the Republicans?

LIASSON: Well, there's a lot of buzz in Democratic circles about how happy Democrats are about their position vis-a-vis the Republicans in the year 2000. I mean, Democrats up here really smell -- I don't know if "revenge" would be the word, but they think they're in great shape to take the House back. Of course, the Senate is a different matter. We've got one Democrat after another retiring, and that makes the situation much more difficult for them there. But there's a lot of buzz about how good they feel about their situation post-impeachment.

SNOW: Mort, very good question there. What do you make of the retirement in the last few days of two more Democratic senators?

KONDRACKE: Well, Senator Bryan of Nevada said essentially the same thing, or gave off the same message that Senator Lautenberg gave yesterday, that the ordeal of raising all this money and slogging through is just not worth it, and he wants to go on and find another life. I mean, in his case, he's 61, not 75, but still he found it more than he was willing to stomach to do it all over again. But it -- it -- I think it -- it almost scotches any hope that the -- that the Democrats had of getting the Senate back, which means that you're going to have some sort of divided government the next time around. I mean, if the Republicans...

SNOW: Unless you get a Republican president (INAUDIBLE)

KONDRACKE: Well, and the Republicans somehow hold onto the House, which is very dicey. If -- if -- conceivably, if the country is confident enough in George W. Bush, he could -- he could get at least a two-year shot at total control of the government, just to see how it goes, because we've had divided government now ever since, you know, 1994, and it's

beginning to get a little old. I mean, we may -- we may not like the gridlock that comes this year...

SNOW: We've actually had it since 1986.

BIRNBAUM: One of the interesting things...

LIASSON: Well, we had those two brief years for Clinton.

KONDRACKE: We had two years.

BIRNBAUM: Right. But one of the interesting things about George W. Bush -- and I'm not sure that we need to -- we should elect him yet. We -- but -- is that he has worked very, very closely with the Democrats in the Texas legislature. And one of the things that he will run on, looking for a message, is an end to partisanship, and he really has the credentials to run on that. Whether you could actually do that in the national scene someplace other than Texas, which may be anomalous -- but it certainly is an appealing message, and he really does state it persuasively. He is a very charming and persuasive man.

SNOW: But this gets us to the issue of political passions. I want to go back to Mara. We talked earlier in the broadcast about the fact that the AFL-CIO now says it's going to raise \$26 million. It seems right now that Democratic activists are far more enthusiastic about what they're doing than Republican activists. Is that what you're seeing in your travels?

LIASSON: Well, I think that's -- I think that's true. I mean, one of the many peculiar phenomena of the impeachment proceeding is that the Democrats have ended up very unified, very optimistic, really united behind whoever the candidate's going to be, and it sure looks like it's going to be Al Gore. And the Republicans are having this incredible soul-searching, you know, internal fight about what they stand for and what they should do about the rubble of impeachment. And I think the Democrats are in pretty good shape.

However, you know, you see these retirements in the Senate, and you have to wonder. When someone says, "I just don't want to raise the money," that's a little bit like saying, "I want to spend more time with my family." I mean, it's one of those suspect excuses in Washington. You know, you wonder, number one, do they not think they can be a majority again soon in the Senate, or they really don't think they have a chance to win. And I think you get back to that problem that the Democrats' bench nationally is very shallow.

KONDRACKE: You know, one other interesting point on this -- on the House. They face a kind of a retirement crisis. You had a report on George Nethercutt, who's term-limited and is trying to -- may try to wriggle out of that. But you've also got a lot of committee chairmen. I mean, when the Republicans took control of the House, they term-limited all their committee chairmen to six years. Those six years are up in the year 2000. If you're not going to be chairman of a committee, it ain't much fun being in -- being a back-bencher again.

SNOW: OK, I'm term-limiting you, Mort. Mort, Jeff, Mara -- thank you. That's it for this panel, but stay tuned. We've got a hot ad to show you next.

(18:56)

(COMMERCIAL BREAK)

SNOW: From time to time, we like to show you witty or inventive political campaign ads. Tonight we're going to give you a change of pace, a regular old TV advertisement drenched with politics. Check out this

rather novel pitch for a high-tech talking device.

(BEGIN VIDEO CLIP - TELEVISION COMMERCIAL)

RICHARD M. NIXON, PRESIDENT OF THE UNITED STATES: People have got to know whether or not their president's a crook. Well, I'm not a crook. I've earned everything I've got.

GEORGE BUSH, PRESIDENT OF THE UNITED STATES: Read my lips! No new taxes!

CLINTON: I did not have sexual relations with that woman, Ms. Lewinsky.

ANNOUNCER: Talk is cheap. With Tracfone, one rate plan gets you nationwide coverage. You control the cost with no add-ons or extras. Get smart. Get Tracfone.

(END VIDEO CLIP)

SNOW: Let me stipulate that in showing this ad, we do not endorse the product or any of the statements made by the featured speakers. Another footnote. The White House asked Top (ph) Telecom to cut out the clip featuring the president. The company said, "What? I think we got a bad cell."

That's it for this edition of SPECIAL REPORT. Come back for our next installment. In the meantime, stay tuned. More news is next.

END

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Evans, Novak, Hunt & Shields
Aired February 21, 1999 - 5:30 p.m. ET

Frank Keating Discusses the Governors' View of the
Republican Party

AL HUNT, CO-HOST: I'm Al Hunt. With the governors making
their annual

visit to Washington, Robert Novak and I will question
the chairman of the
Republican Governors Association.

ROBERT NOVAK, CO-HOST: He is Governor Frank Keating of
Oklahoma.

(BEGIN VIDEOTAPE)

(voice-over): A week after the end of President
Clinton's impeachment trial,
the nation's governors are here for their mid- winter
conference. Governors
consider themselves more conciliatory and less co
nfrontational than their
congressional counterparts.

GOV. HOWARD DEAN (D), VERMONT: If the Congress would
only listen
to us on a bipartisan basis, then the whole country
would be fine. Governors
have to do things that Congress doesn't have to do.
Governors have to govern
from the middle.

NOVAK: Many Republican governors never were enthusiastic
about
impeachment, and were especially eager to change the
subject after last
week's acquittal of President Clinton.

GOV. TOM RIDGE (R), PENNSYLVANIA: And I think we just
need to get
back to the business at the national level. Hopefully in
partnership with
republican governors to respond to those legitimate
concerns of the American
people.

NOVAK: But Frank Keating was one governor who advocated
the
president's impeachment. A former federal prosecutor and
lieutenant to Jack
Kemp at the Department of Housing and Urban Development
during the Bush
administration, he was re-elected to his second term as
governor of Oklahoma
last year.

(END VIDEO CLIP)

NOVAK: Governor Keating, there was a meeting in Miami of
moderate
Republicans, more or less moderate Republicans...

GOV. FRANK KEATING (R-OK), CHAIRMAN, REPUBLICAN GOVERNORS ASSOCIATION: And there are some.

NOVAK: And there are some. And one of your colleagues, Governor Whitman, Christine Whitman of New Jersey, said this quote "The fact is that many Americans right now have an impression of the Republican Party that's mean-spirited, vindictive, and was not attending to the public's business. It's not up to us to argue with these critics right now. It's up to us to figure out how we repair the damage and move on," end quote. Agree with her?

KEATING: Yes, I think she's right. I think -- now that is an incorrect impression in my view. But the reality is that a lot of people think the Republican Party is the party of impeachment, the party of get Clinton, and in the short term that's not good. In the long-term I don't think that's bad, because we are a Paul Bunyan society. We admire an Abraham Lincoln, honest Abe, George Washington did not cut down the cherry tree and lie about it. So I think in the long-term, to stand for integrity and truth is right. But I think Christie's right. Right now people think isn't that the party that just wanted to get Bill Clinton. We have to address that...

NOVAK: So the formula would be then to move to the left, to erase that impression. Is that correct?

KEATING: No, I don't think we should move to the left. I think it's to stand for principle and what you believe in. As you noted in the introduction, I felt all along the president should resign. To defile the oval office, to embarrass the country and himself. I mean, every chief executive of a company, every president of a university, every general or admiral, if I enticed as governor of my state an intern into my office, engaged in oral sex, told my cabinet to go out and lie about it, wag my finger in the face of the people of Oklahoma, I'd be out in a millisecond, civil and criminal actions

aside. So I think that's not
moving to the left. It's saying, OK, we did what the
right thing was, we stood
for principle. But now that is ancient history, let's
move on.

HUNT: Let's talk about what the Republican Party ought
to do though.

Another one of your gubernatorial colleagues, a
Republican also, John
Rowland of Connecticut, said that Republican policies
have alienated women,
union members, immigrants, minorities, the elderly,
teachers, homosexuals, and
environmentalists. Do you agree with that? And do you
want to get most of
those back?

KEATING: Who's left? I think everybody -- if we've
alienated all those
people we've got a problem. But look what the Republican
Party...

HUNT: You don't agree with Governor Rowland?

KEATING: No, and John is a very bright guy and he's a
friend. But let's be
realistic. It was the Republican Party that advocated
tax cuts to leave money
in the pockets of the people who earned it. The R
epublican Party advocated
not containment but to finish the Cold War, and we won.
The Republican
Party advocated -- and the president twice vetoed --
welfare reform, insisting
that people take responsibility for themselves. All
those are things -- good
things.

HUNT: Do you think he's making this up? You don't think
the Republican
Party has alienated any of these people?

KEATING: Well, maybe it came out of an especially
raucous town meeting. I
don't know. But I think...

NOVAK: That was the Miami conference.

HUNT: It was the same conference. Well, let me ask you
this then.

KEATING: No I don't think that. I think we have not
alienated. I think that's a

perception problem about impeachment. But the Republican Party stands for individual responsibility, individual opportunity, the right -- as opposed to a group -- of an individual to make something of his life. That's good. That's the way the average American thinks. That's the right thing to think.

HUNT: One group that you haven't alienated is the leaders of the religious right.

HUNT: Do you think there's a perception problem for people like Jerry Falwell, Pat Robertson, Jim Dobson -- have too much influence in the Republican Party?

KEATING: Well, Jerry Falwell, Dobson and Pat Robertson have not been in my state. But in my state of the state message, embraced by the Democratic legislative leadership, I said we had too many divorces involving children and that we needed to cut them in half by the year 2010. We have too many out-of-wedlock births. That is a long-term challenge. Kids who are born out of wedlock are abused, frequently neglected, frequently drop out of school, frequently drug abusers. That's bad.

We need to cut the number of out-of-wedlock births. Current addictions -- alcohol addiction, those are moral issues that are certainly religious issues. I would assume Dobson and those people believe in that agenda, but that's the right agenda from the civic public policy standpoint, to advance and I'm happy to do it.

And the Democrats in my state think it's the right thing to do.

NOVAK: But this week Governor Paul Weyrich, who has been an active pioneer on the right wing of the Republican Party as a political activist, wrote a remarkable letter in which he said the political battle has been lost and we'd better go, you'd better go back to the fighting the cultural war which you

mention.

Let's -- he explained this on CNN this week. Let's take a look at what Mr. Weyrich said.

(BEGIN VIDEO CLIP)

PAUL WEYRICH, FREE CONGRESS ASSOCIATION: I don't think we can achieve what we ought to achieve through the political process. I think we ought to open a different front. I think we have to do things that separate us from the culture and the society and allow us to fight and continue to maintain our principles in an increasingly hostile society.

(END VIDEO CLIP) NOVAK: Do you think that the political war is lost and you better fight the cultural war?

KEATING: No, as a matter of fact, I think we won it. Why do you think Bill Clinton moved to the right...

NOVAK: Won what, the political war?

KEATING: Many of the political wars. The fact is we had welfare reform, and we have dramatically in my state for example, reduced the welfare caseload by 58 percent. Talk to Wisconsin or talk to Michigan voters about the dramatic drop in welfare caseloads in their state. We have cut taxes. We have resisted the nationalization of 17 percent of the economy when the Clinton health care bill went down.

The Republicans were in charge of the House and Senate. Certainly not every battle has been won, not every war is over. I mean I'll take one step forward, two back, three, four, one back. This is a long process of trying to make the country a better place. And I think Paul is wrong.

NOVAK: But what Paul Weyrich is saying is that you look at the attitude of the American people toward President Clinton, saying yes, I think he lied; I think he obstructed justice, but that doesn't matter if he can provide these services that they want out of the government. That's

why he thinks they've
lost the political conflict.

KEATING: Well, ask people what they think of him as an
individual. That is a

-- that's a bad chapter in American history, a tawdry
chapter that I think will

not be repeated. In the year 2000, both parties will
nominate righteous people.

We are not going to repeat that mistake. I think that's
winning a culture war.

I mean obviously, we can disagree around the edges.

Maybe we can even

disagree with the fundamentals, but I think Paul is
making a mistake if he

thinks that we have not made enormous progress. We have.

Now by the same token, it's important for us to
concentrate on the churches

and the synagogues, to concentrate on families, to do a
better job of raising

children, a better job at providing the support and the
love and nourishment

that families need.

After the Oklahoma City tragedy, I noted after several
youngsters were

murdered, children that were very high visibility abuse
case, happen to show

the world how good people behave following an unantici-
pated tragedy, and yet

at the same time tolerate this kind of viciousness and
violence.

Well, that issues has been joined. I think that's a
moral issue. It's a cultural

war, if you wish, that's properly fought. I think Paul
is frustrated. There are a

lot of explanations why President Clinton was not
convicted. But remember he

was impeached, and that is a blot on his record for all
history.

HUNT: Well, let's keep with that. You have said,
including on this program a

few minutes ago, that you think after some short term
hits, that impeachment

would be a plus for Republican over the long run.

According -- do you think that candidates, Republican
candidates for 2000

should raise the issue of impeachment?

KEATING: President Clinton is a former president in 2000, for all intents and purposes...

HUNT: No, but do you think...

KEATING: No, no...

HUNT: You don't?

KEATING: No. I mean, I think people know that this was bad. It was bad for the country. It was bad for the...

HUNT: But you don't think it's something Republicans ought to raise?

KEATING: No, but it's standing for principle in the past. People are not going to have to explain standing for principle in the past.

KEATING: I think the Democrats are going to have to explain not standing for principle.

HUNT: Well, you also said the Democrats will be known as the party of marital infidelity because of this. Do you think that...

KEATING: Well, I didn't say that. But I'd say that...

HUNT: That was a direct quote, I think. That's what the Democrats have been. Do you think...

KEATING: Not about --- but, Al, what I am saying is that, as far as the democrats are concerned it was disappointing to me as a citizen, that there were none of them that crossed the line in the senate and voted against this kind of conduct. Even Robert Byrd admitted the president lied under oath and obstructed justice and yet we're not going to vote to remove. That's puzzling and troubling to me.

HUNT: I am going to ask you this question. Do you think the issue of marital fidelity ought to be a legitimate issue for Republican presidential in the year 2000?

KEATING: Yes.

HUNT: You do. Should it be a litmus test?

KEATING: No. It certainly is an issue. But there is simply no way...

HUNT: Do you think that every candidate ought to say whether they have been -- whether they've engaged in marital fidelity or not? KEATING: Well, they're going to be asked that question. They better be able to answer in the affirmative.

HUNT: You think we ought to answer it?

KEATING: Yes.

HUNT: Well, all right.

On that note we will be back to talk with Governor Keating about the Republican agenda, or if there is one.

(COMMERCIAL BREAK)

NOVAK: Governor Frank Keating, the last time I saw you was at the Republican governors' meeting in New Orleans right after the election. And the Republican governors were very upset that there was not an agenda by the congressional Republicans in this previous campaign.

Now I'm not asking you about the governors' agenda, not the governors' agenda, but do you think in the four months since then there has been any sign of a congressional Republican agenda that's coherent.

KEATING: Well, remember there has been a real problem finding leadership.

Not in the Senate particularly, Trent Lott is firmly in charge and I think does a very fine job as leader. But in the House, we've gone through one and a half speakers, and now we have a new speaker. I think to have someone as wholesome as the new speaker, representing middle America, that's a good start. And I think the agenda will develop.

But the fact is, reducing taxes, reducing the size of government, fixing Social

Security, providing the assurance that every citizen has access to medical care, improving the quality of education, and yes, a strong national defense.

That's a pretty good agenda now to pick and choose the various portions.

NOVAK: But what you're telling me is in the four months since the election --

there's been plenty of time, really. There's been no agenda announced by the congressional Republican Party. That's what I interpret you to say.

KEATING: Well, no, I mean, I think that there have been bits and pieces of it.

Has there been a press conference, an opportunity for the leadership...

NOVAK: Like the Contract with America?

KEATING: Yes, Contract for America. No, but remember the entire country

has been focused on impeachment. The impeachment process, the trial process, the House managers are the most famous people. The House managers are probably better known than the new speaker. So, I mean, that is

to be expected. Now that that's over, for the Republican Party to be in the game and in the game significantly, we need to address at the congressional level those things that matter most to the American people and don't be afraid and don't run from Bill Clinton.

He is a wounded president. He certainly is a factor. The presidency is

important in this whole process. But the Republicans should stand on the mountaintop, blow the bugle, and charge, advance the agenda that they believe in and don't apologize or anything.

HUNT: Governor, with all due respect, that agenda that you cited just a moment ago is something that probably 95 percent of politicians in this town can embrace.

KEATING: That's why Weyrich is wrong. See, that's our agenda and the Democrats accept it.

HUNT: I would like to be more -- that's also the Democrats agenda. I would like you to tell us what should be the priority of these Republican leaders in Congress. Should it be preserving Social Security? Should it be tax cuts? Should it be more money for education? Should it be paying down the national debt? Or should it be defense? You can't have all. Which are two or three more important priorities?

KEATING: I think, obviously, saving Social Security is extremely important. To the average person that's very important. But also the average person would like to have some of his money back. I don't think that those are two inconsistent things to do. You can save Social Security and you can get an opportunity for people to enjoy and spend and save their own money.

This issue of what's going on in Kosovo, the issue of foreign policy, the presence...

HUNT: But those two are more important than paying down the debt or...

KEATING: Well, I mean, all of them are factors. And I just think what's very important -- and I'm sure it's going on, I'm not in the Congress, but I'm sure it's going on -- the leadership needs to come together and advance a Republican growth and opportunity agenda in spite of the president. The party should never be reactive....

HUNT: All right, on tax cuts...

KEATING: ... The party should be offensive. And do the things that the American public wants.

HUNT: On this growth agenda, let's talk about tax cuts. Would you prefer to see across the board tax cut or would you like to see a more targeted tax cut towards things like the marriage penalty?

KEATING: In my state, and the state of thirty Republican

governors other
than I, even with overwhelmingly Democrat legislatures,
we present what we
think is the right thing to do. In my case broad based
tax cuts. I'm not going to
get all of it. If we present a broad based tax cut that
balances the budget but
also addresses Social Security, and all we get is
elimination of the marriage
penalty, that's something we didn't have last week.

So, I would advance an aggressive agenda of growth and
if we have to
compromise at the end and get something that otherwise
we would not have
gotten because we have a Democratic president who can
veto it, and a
Democratic Congress that's almost a majority. Then let's
do that. But don't sit
on your hands.

NOVAK: Governor Keating, you are an anti-abortion
Catholic. Do you think
that abortion should be somewhere out there on the
Republican agenda? You
didn't mention it.

KEATING: Well, I mean, obviously, it is a matter of
enormous personal
struggle and conscience. I think the president said it
right. He hasn't done a
whole lot to do anything about it. But to say that ab
ortion can be safe and rare.

KEATING: Abortion is apparently safe but it isn't very
rare and to veto the
partial birth abortion ban which, in my opinion is just
saying yes to infanticide.
That's wrong.

We can find a consensus here to discourage abortion. In
my state for
example, we can discourage abortion by advancing agendas
for example,
parental notification, or waiting periods, or that
abortions have to be in medical
facilities. That isn't embracing abortion. It's saying,
look the Constitution, as
interpreted by the Supreme Court says we're to have
abortions so let's make
them safe and rare.

And this president has not done that.

NOVAK: So you would like for the Republican majority in Congress, to include on its agenda, the kind of things you just mentioned against partial birth abortions, waiting periods, other restrictions on abortion.

KEATING: Well, I think the waiting periods and the parental consent, those things can be handled most appropriately at the state level and they are.

Even...

NOVAK: But the partial -- but the partial birth abortion...

Even states that are moderate if not liberal on social issues. The partial birth abortion ban is think is appropriate. And this isn't throwing a gauntlet down in front of the president. This is doing what's right. And to limit abortion, make it safe and rare, as the president has said, I think is good public policy. It's not the only issue. It's perhaps not even one of the top three or four issues. But to people who care very, very deeply about human rights, and we all should, it is important.

HUNT: Governor, one of the first issues that will confront the Congress, is the question of the so-called patients' bill of rights, HMO reform. Last year your party blocked a bill on the issue of whether patients should be able to sue HMOs. What would you like to see the Congress do this year as far as HMO reform?

KEATING: Well, I had a personal experience, my own life -- our daughter is a young woman with a congenital heart defect and her gatekeeper would not let her go to a cardiologist in her job. I think that was wrong. I had to call all the way up the ladder to get somebody to let her have access to a heart specialist.

If there is gross negligence, gross negligence, and it's a risk of life and health, I think there should be an opportunity to sue. Now does

that mean that there is
an opportunity for a compromise? Yes.

To say that under no circumstances ever, ever should
there be an opportunity
to access the courts, I think is going too far. But
obviously Democrats have
staked out a pro-trial lawyer position. The Republicans
have staked out -- we
don't have to see the trial lawyer's position...

HUNT: But you'd would like to see your party move a
little bit?

KEATING: Yes. I think there will have to be some sort of
compromise. In our
state for example, we limited punitive damages in civil
lawsuits to double
actual damages, and we said the only way you could break
the cap is if there
was such gross negligence and a death occurred that the
cap should be
broken.

Something like that...

HUNT: Governor, we have about 30 seconds left. Let me
ask you a question
about Ken Starr, the independent counsel. I would for
you to comment -- you
are a former prosecutor -- I would like you to comment
on what you think of
his competence, and specifically the fact that he as the
chief prosecutor never
met his star witness Monica Lewinsky.

Did you ever not meet your star witness?

KEATING: I -- I didn't know that. But let me say this,
Ken Starr is a person
of enormous good will and decency and honor and
intelligence. I like Ken
Starr. But the independent counsel law should never have
been passed. It's a
bad law. To say that I'm going to make you my subject,
and I was a former
U.S. attorney, former FBI agent, supervised all the
federal prosecutions at one
time when I was the associate attorney general under
Ronald Reagan. But I'm
going make you my target, and I'm going to put 15 FBI
agents on you and 15
IRS agents and 15 Secret Service agents, I will get you
eventually. That's not

prosecution.

HUNT: All right. We will be back with "The Big Question"
for Governor
Frank Keating.

(COMMERCIAL BREAK)

HUNT: Governor, "The Big Question": With character and
foreign policy in
the forefront, we suspect you're not going to tell us
who you're going to
endorse in the year 2000, but which of the Republican c
andidates do you think
is most qualified to lead the country in those areas?

KEATING: Well, I will tell who I'm going to endorse in
the year 2000 is
George Bush. He and I are very good friends and I
consider him a
wonderful...

HUNT: So you think on foreign policy and character he's
the best.

KEATING: Well, yes, I mean, we have a lot of very good
people running. But
George has been elected and re-elected the governor of a
country. Texas is a
country. He's done an excellent job as governor. He's
been able to appeal to a
cross-section of the people. He is a very, very good
governor. Very effective.
Matter of fact, sometimes I've asked him how do you do
it. In my state I'm
always vetoing bills, having a real struggle. And he's
successful in terms of tax
cuts and changing education for the better, making
schools tougher.

So George is a good guy. I think we have a lot of good
people. The
Democrats will too. I think the vice president clearly
is the leader. He is
certainly more skillful and knowledgable in foreign
policy, but you can catch up
quickly.

NOVAK: Governor, since you've been so forthcoming in
telling who you're
endorsing for president, tell me about the running mate.
Do you believe that
Elizabeth Dole, first woman on a Republican national
ticket, would be a good

running mate?

KEATING: I think she'd be a very good running mate. I think a lot of people would be very good running mates. Elizabeth Dole is very bright, very knowledgeable, has a lot of national and international experience. But fortunately we have a lot of good people. And that's why when everyone is wringing their hands and their crying about the Republican Party, remember we have the House and Senate and 31 governors representing two thirds of the American people. We do speak to the American public. And well.

NOVAK: Governor Frank Keating, thank you very much.

KEATING: Thanks, Bob.

NOVAK: Al Hunt and I will be back with a comment after these messages.

(COMMERCIAL BREAK)

HUNT: Bob, you know Frank Keating is a smart politician and he says he's going to be with George W. Bush in the year 2000. George W. is the flavor of the month. But he also said, well he may not know as much about foreign policy, but he can learn. It would be interesting to see that on the job learning curve.

NOVAK: You know Christie Whitman of New Jersey is a liberal Republican. Frank Keating is a very conservative Republican. So I was very interested, he agreed with her on the public image of the Republican Party as mean-spirited and vindictive. I was surprised he did agree with her and he said it needs changing. HUNT: Well, Bob, he also said that impeachment will be a plus for Republicans in the long run. But don't talk about it in the year 2000.

NOVAK: You know, back in New Orleans after the election, Frank Keating was out there with the other governors saying to the Republican leaders, you've got to have an agenda, you've got to have an

agenda. What he told us
on this program today was, there's still no Republican
agenda and he put it off
on the delay on naming a speaker. I'm not sure that's
accurate. I'm Robert
Novak.

HUNT: I'm Al Hunt.

NOVAK: Today in one half hour on "RELIABLE SOURCES" is
the media
going too far in speculating about Hillary Clinton's
possible senate run? And 30
minutes from now at noon Eastern on "LATE EDITION WITH W
OLF
BLITZER" a special interview with House Budget Chairman
and White
House hopeful, John Kasich.

HUNT: For now. thanks for watching.

END

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TEXT:
CBS FACE THE NATION
Aired on JUNE 13, 1999

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JOHN HARWOOD, POLITICAL EDITOR, THE WALL STREET
JOURNAL
GEN. WESLEY CLARK, NATO SUPREME ALLIED COMMANDER
FRANK KEATING, OKLAHOMA GOVERNOR

BORGER: Today on FACE THE NATION, NATO troops enter Kosovo, but
Russians occupy the airport. George W. Bush invades Iowa, and a debate on
gun control.

As thousands of NATO troops with armored vehicles moved into Kosovo
today, Russian troops took control of the Pristina airport. What's going
on? We'll ask NATO Supreme Allied Commander General Wesley Clark.

How did George W. Bush, the Republican front-runner in campaign 2000,

fare in his first trip to Iowa? We'll ask John Harwood, political editor of "The Wall Street Journal;" and Governor Frank Keating, Republican of Oklahoma.

Then we'll turn to the controversial issue before the House next week: gun control. We'll have a debate between Republican Congressman Asa Hutchinson of Arkansas and Carolyn McCarthy, Democrat of New York.

But first, the problems in Kosovo on FACE THE NATION.

ANNOUNCER: FACE THE NATION with chief Washington correspondent Bob Schieffer. And now, from Washington, substituting for Bob Schieffer, CBS NEWS Special Correspondent, Gloria Borger.

BORGER: And joining us now from Skopje, Macedonia, General Wesley Clark. Thank you for being with us, General Clark. Over the weekend, as you know, about 200 Russian troops left Bosnia and moved in to occupy the airport at Pristina, which is supposed to be NATO headquarters, and they are still there. Can you update us on this situation?

CLARK: Well, they are still there. We're in the area with a sizable number of troops. This is and has been a political issue, first and foremost. There's no desire to have any confrontation, and we're doing everything we can, in fact, to avoid such an unfortunate event. Instead, we're going to resolve this through political means. And that's really about all there is, except to say that we really had no plans at this point to make any substantial use of that facility anyway, so our move in is not affected. We're continuing to move right in. We've got several thousand troops inside Kosovo right now, and in fact, we're ahead of schedule in terms of our deployment.

BORGER: When you say this is a political issue, what do you mean by that?

CLARK: Well, what I mean is this is not the kind of issue that military commanders on the ground or that troops are going to be able to resolve. This has to do with much broader issues, and it has to be resolved by the authorities who deal in those issues.

BORGER: Do you consider this a dangerous situation at all?

CLARK: No, I don't, because we don't have a confrontation here. What we have is a set of political dialogue that's been going on in various bilateral and multilateral fora for several weeks about the mission and the shape and the nature of the force that will be in Kosovo to implement this agreement. And this is just one more part of that dialogue.

BORGER: As a military commander, can you figure out what their mission was?

CLARK: Well, they were to be an advance party in the event that Russian troops were flowed into the airfield.

BORGER: And what happened then? And so why won't they leave?

CLARK: Well, the Russian troops, the Russian troops haven't flowed, and there are probably a number of reasons for that. And really, we're not going to be able to explain all of that at the military level. That's part of why this is a political issue, because you're dealing with the actions and the intent of some very high level people in that capital, and really they have to account for what happened. All we know is we have a very small number of Russian troops there. They're not impacting on our move. We have several thousand troops inside Kosovo already. The movement in is going well. The Serb withdrawal is going well, and we'll leave that issue at the airport to be resolved by the political authorities, because that's the nature of the issue.

BORGER: So you are saying to us that you cannot go into the airport,

right?

CLARK: I'm just telling you that at this point, it's really sort of a non-military issue. It's a political issue. There's plenty of forces, we're moving into the area, and it needs to be resolved at the political level.

BORGER: Do you believe that it is possible that the Russians were trying to stake claim to a piece of land in Kosovo?

CLARK: Well, I'm not going to speculate on what all of their motives might have been. In any event like this, there are bound to be a lot of perceptions about what's going on, and it would depend on who you talk to. So I couldn't begin to speculate on that. What

I do know is that they are there. We're also there. If their mission was to be an advance guard or an enabling force or some kind of a quartering party, it certainly hasn't worked out that way. We're continuing our mission in Bosnia. That hasn't been affected by the fact that they pulled these 200 troops out of there. And so I think it's a sort of a bizarre incident at this point.

BORGER: What happens if they don't retreat, though, General? Would you take them on?

CLARK: Well, I think this issue is going to have to be worked out and resolved at the political level. As I said, this is a political issue.

BORGER: Could you live with some sort of independent Russian command in Kosovo?

CLARK: Well, what we've said, what we've said on that issue is that we have to follow the terms of the peace agreement that was endorsed by the Serb parliament, and that was in fact presented and received, accepted by Mr. Milosevic. It's enshrined in the UN Security Council resolution. It calls for an effective international security presence, and a unified chain of command. So there is no independent chain of command.

CLARK: And it says no independent chain of command.

BORGER: A unified command under NATO, and the Russians are clearly saying to you this is not something they can live with. You're now in Skopje to try and work this out. What do you see as the solution here?

CLARK: Well, I think, as I said, it's a political issue, not a military issue. I think everyone is very clear on what the military requirements are, and it has to be resolved as a political issue. The solution is not here in Skopje. The solution is wherever this problem originated, Moscow, perhaps. But it's not here. We're continuing with what we're doing, we have a unified chain of command right now. We have General Mike Jackson here. He's doing an absolutely superb job with these troops, and everything is going well.

BORGER: A question now on the Serbian forces. Are they moving out according to schedule?

CLARK: We have about 11,000 that have moved out. We have a substantial proportion of all of his arms. We've seen some of the combat units pulling back and moving out. I don't know if they're going to make the schedule on an hour-by-hour basis. I will tell you yesterday that the Serbs called me to complain that we weren't moving in fast enough. And so there's every indication that they're doing their best to pull out on schedule.

BORGER: So you're satisfied with their withdrawal at this point?

CLARK: Well, thus far I am, and we're watching it very closely. We have a number of means of watching it, but they are complying, so far as we can determine right now.

BORGER: Is there a date certain that you expect their withdrawal to be

complete?

CLARK: Well, we've given them entry in force plus 11 days. That's one week from today. We're at entry and force plus four days today. So we expect them to follow through and comply in full.

BORGER: And when do you expect all the Albanians to be able to return to their homes, General, by the winter?

CLARK: Well, I think that's something that's going to have to be looked at very closely. Clearly, we want to get them back in as soon as it's practicable. On the other hand, first reports coming out from various areas around Orahovac, up the road there toward Pristina, indicate very substantial destruction, not only of individual homes, but of infrastructure. We know there's a lot of demolitions and mine fields in there. There's booby traps, no doubt, that have been placed, and we want to make sure that we've done what we can do to ensure their security before we have a flood of people coming back in, and a number of injuries that could be prevented with a little patience. But I don't have an exact timetable. We are going to have to do an assessment as we get in there on the ground and take a look at this. We are going to do that assessment very quickly, and then we'll be working with the UN high commissioner on refugees, who's really the responsible authority for organizing and developing the return.

BORGER: Thank you very much, General, for being with us. We've got to take a short break here. When we come back, we're going to turn our attention to the political story of the week, and that's George W. Bush's campaign for the White House.

(COMMERCIAL BREAK)

BORGER: George W. Bush went to Iowa yesterday, and he told us that he intended to be the next president, and that he was going to be a compassionate one. Let's listen for a minute to a few of the things he said:

(BEGIN VIDEO CLIP)

GOV. GEORGE BUSH: Is compassion beneath us? Is mercy below us? Should our party be led by someone who boasts of a hard heart? I know Republicans all across America. We're generous of heart. I am confident that Americans view compassion as a noble goal, the calling of a nation, where the strong are just and the weak are valued.

(END VIDEO CLIP)

BORGER: Joining us now from Kennebunkport, Maine, we've got John Harwood of the Wall Street Journal, and from Oklahoma City, Governor Frank Keating. Let's go first to you, John. You were on the scene there with the governor. Can you tell us a little bit about how he was received?

HARWOOD: He was received very well, Gloria. It was a very unusual situation for the beginning of an Iowa presidential campaign. Usually, candidates come out at this stage in small groups, a couple of reporters in people's living rooms. This was a huge media throng, a couple of hundred reporters and photographers, more like a general election campaign. But he gave a good speech in a couple of different Republican fund raisers. People liked the message. You did hear some questions from the crowd about when are we going to hear a little more specifics, but on the whole, the day went very well for him.

BORGER: So you think this message of compassionate conservatism is something that the governor can take with him around country?

HARWOOD: Yes, this is, ever since the Contract with America and the problems with the Republican revolution, the party has had to deal with

the charge from Democrats that they're mean-spirited. This has been a problem with suburban voters, particularly women, and the governor is going right at that problem.

BORGER: Governor Keating, let me turn to you for a moment, because you're one of the two-thirds of Republican governors who have already come out and endorsed George W. Bush's candidacy. Aren't you guys anointing him a little bit too early?

KEATING: It's a good majority, though, Gloria. No, actually, we governors understand what governance is all about and how very successful George Bush has been. Remember, here's a very good man who loves his wife, and his children and his country. He's been a very successful businessman. He's been a very successful governor of a country. It grieves my Oklahoma heart to say that, but Texas is a country. Metropolitan Houston is larger than Oklahoma. Arkansas is about the size of a Dallas suburb, and he's been very, very effective. And I think he will be a very excellent candidate, and I think he will be a superb president.

BORGER: Governor Keating, do I hear a little bit of that character issue popping into what you're telling me? He loves his wife, his family, his country?

KEATING: Well, I think character is a very significant issue. I think the American public wants a president that they can look up to, who will symbolize the good things of the United States, honor and virtue, tenacity, toughness, flint, independence. Midland, Texas, it grieves me to say that, too, but that's George Bush, and I think he'll be very effective as a candidate. And I think the experience he's had with the compassionate conservative message, quite truthfully, that's quintessentially Lincoln, the government should only help those who can't help themselves. Obviously, George is somebody who has thought a lot of about these things. I've had a lot of conversations with him, and I'm very confident that he'll be a very focused and very successful candidate.

BORGER: Is compassionate conservatism now the new theme song of the Republican party, Governor?

KEATING: Well, obviously, all of us in public life, especially those who are governors, appreciate the fact that not everybody is not in the position to take care of himself, the frail elderly, those who are mentally deficient. But there's an element of tough love here, too, Gloria. Taxes need to come down, and George Bush in Texas reduced them. Welfare rolls need to come down, and George Bush in Texas reduced them. And crime, especially violent crime needed to come down and George Bush did that as well. So tough love, compassion, all of it I think is a focused agenda for prosperity, hope and success, and George is the man to do it. I'm very confident that he can.

BORGER: I know you're a big supporter of the governor, but can you tell us a little bit about what you honestly think his vulnerabilities might be at this point?

KEATING: Oh, I think the fact that he's been governor of Texas for five and a half years will be raised as an argument that he doesn't have sufficient government executive experience.

BORGER: As opposed to Al Gore?

KEATING: But as I said, Arkansas, when President Clinton was elected, Arkansas is about the size of a Dallas suburb. No offense to Arkansas, it's a wonderful state, but the reality is that George has been successful in business, he's been very successful in a bipartisan way in government.

Remember, he got 69 percent of the vote -- blacks, Hispanics, minorities -- Democrats and Republicans alike. That's a tremendous plurality for somebody.

BORGER: Governor, foreign policy is obviously an issue. Vice President Al Gore is somebody who's been tested on that issue. Isn't Governor Bush untested in terms of foreign policy? He didn't come out and talk about Kosovo, for example, very quickly.

KEATING: Well, President Clinton was untested in foreign policy as well. There are a lot of presidents -- President Kennedy was untested in foreign policy -- in both parties who did not have extensive foreign policy experience. George Bush has traveled extensively.

KEATING: He has a tremendously gifted group of advisers, George Shultz, Dick Cheney, people who wrote the book on foreign and domestic, and really defense policy. I think he'll handle it very well. What's important is to have the independence of judgment, the toughness, the tenacity, the brightness in order to make decisions like this and others that need to be made in the interests of the United States. I have every confidence George can do it.

BORGER: Well, thank you very much, Governor. Now I'm going to go back to John Harwood in Kennebunkport, Maine, because John, you're there because the governor is in Kennebunkport to celebrate his dad's 75th birthday, I gather. But he's going on to New Hampshire tomorrow, which is, of course, a very conservative state. And there are some questions among Republicans about whether this notion of compassionate conservatism is going to fly in a state like New Hampshire. What do you think?

HARWOOD: Well, he's going to try to make it fly tomorrow. He's going to read to a group of schoolchildren to drive home his education message. He's already a little bit ahead of schedule, last week, put out the word that he's in essence taking the pledge not to raise taxes, which is always an important issue in New Hampshire. So he's put that part of his message out there, too, and I think he'll probably be fine up here.

BORGER: Do you think he's going to get those big crowds in New Hampshire? Is all the hordes of the media going to follow him to New Hampshire, too?

HARWOOD: Most of them are, and I think the fever will break a little bit after this trip. I don't think they're going to sustain this size of a media contingent for the rest of the summer. But there's no going back to a situation when you have a front runner of this kind where you have small crowds. He's going to be watched very closely everywhere he goes, and I'm sure he's going to have pretty substantial crowds.

BORGER: Thank you very much, John. Thank you very much, Governor Keating. We're going to have to take a break. And when we come back, we're going to talk about the coming showdown in Congress over gun control. (COMMERCIAL BREAK)

BORGER: Now we turn from presidential politics to the politics of gun control. Joining us from New York City, Representative Carolyn McCarthy, and with us here in the studio, Representative Asa Hutchinson. Thank you both for being with us. Congressman Hutchinson, there's now a bill pending in the House that includes mandatory background checks at gun shows and also child safety locks. Some House Republicans, as you well know, want to ease up on these restrictions. This past week, House Republican leaders said well, we're not going to force anybody to vote one way or another on this bill. Does this mean that the House is not going to

be able to pass a gun control measure?

HUTCHINSON: Well, I don't believe the bill in its present form will pass the House, nor will the Senate bill in its present form pass the House. But I believe a common sense bill can pass. It will be much broader than what you just outlined. It will touch upon those things, but it will also go to the enforcement aspect, to make sure we have the resources to enforce our current laws in regards to guns. It will deal with the culture of violence. So I think a broader bill will pass. But in those areas that you mentioned, it's going to have to be common sense. You don't want to have to put a 72-hour waiting period for a sale at a gun show whenever the gun show only lasts two days. That's a problem that you have to deal with. It's not common sense. It's going to penalize a lot of citizens. You want to keep the guns out of the hands of criminals, that's a legitimate objective we want to achieve, and I think it's also legitimate that we try to increase or encourage the use of safety devices for parents, for anyone who has guns around young children. Those are legitimate objectives. I hope we can pass a common sense bill that will address that.

BORGER: Congresswoman McCarthy, maybe you can tell me why these two sides seem unable to reach some kind of an agreement here.

MCCARTHY: Well, I think it's a shame because we didn't go through committee, because I think an awful lot of this could have been ironed out. But I certainly agree with my colleague that child safety locks, but with standards, is something that's extremely important. And again, it's a shame that we're having a debate when we talk about how many hours it is for an instant check or whether we go through the Brady bill. But I think it's important, even though it's going to be an inconvenience for some of our gun owners, who basically agree that they don't mind that inconvenience so that the criminals cannot get the guns. And I happen to agree with my colleague also, we have to make sure we have more resources, certainly for our police officers and the ATF so they can do their job. And I hope it's something that we can work on together in the future.

BORGER: Well, if you guys are agreeing so much, what's the issue here then, Congresswoman?

MCCARTHY: Well, I think there are different parts, certainly in Congressman Hyde's bill. He is going for the 72 hours. But most gun shows are on the weekend. That means that the federal, the FBI cannot do a complete check because the courts are closed. Our local police, which have better records on some cases, because the instant check has not been in force that long. So I think we have to work with our local police, they know their customers. I think what people, they're losing the whole thing. Everyone is going back to Littleton, which was a horrible, horrible experience, but we have to see that gun shows, which are over 5,000 a year, are attracting criminals more and more because they know they can come into the gun show, buy the guns and then go out and do the crimes. Those are the people that we have to stop. And unfortunately, that will mean an inconvenience for honest citizens. But they're willing to do that.

BORGER: Congressman Hutchinson, what's wrong with a three day background check, three business days for people who purchase guns at gun shows? So if there's a difference, two days, three days, what's the problem?

HUTCHINSON: Well, the problem is that the gun show starts on a Saturday and a Sunday and it's over with, and some innocent citizen who wants to obtain a gun, say, will come back, they can't get their background check completed in time, it's a confusing day, and so it's over with. And so, in

essence, I think it will shut down gun shows. Now some people would say well, maybe that's a good idea. But a lot of good citizens enjoy those, and it's a means in which we can participate. I think that here you're talking about a definition of gun show is also one of the differences.

HUTCHINSON: In the Senate bill, if it's 50 guns are sold, then it becomes a gun show. Well, we can debate what constitutes a gun show. The fact is that if somebody wants to bypass that, they'll say well, call me at home and we'll carry out the sale later. There's always a means to bypass the sale at the gun show. So we just have to do the best we can to keep it out of hands of the criminals.

BORGER: Congresswoman, are we having sort of a debate of how many angels you can fit on the head of a pin here? Seventy percent of Americans say they are for some form of gun control. If the House of Representatives this coming week doesn't agree on a bill, how do you go home to your constituents? What do you tell them?

MCCARTHY: Well, going home to my constituents, they know that I've been on the forefront of this for years. This is why I came to Congress. I am actually hoping that when we start debating the bill on Wednesday that we can have a good, fair, open debate. No matter what happens on Wednesday, if we don't get anything that's good that's legislatively passed, I certainly will continue to fight to reduce gun violence in this country.

BORGER: Congressman Hutchinson, let me let you have the last word here.

HUTCHINSON: Well, I do believe we can pass a common sense bill, but we've got to understand that it goes to the heart of individuals, there's a problem in America and not just simply access to guns. Criminals are out there. We want to be able to prevent them from having them, but we can't avoid average citizens being able to protect themselves. That's the balance, and I think we can do something good this week.

BORGER: Thank you very much, both of you. I'm sure we will continue this debate in Congress next week. Just a final note now. Bob Schieffer is not here today because he's the proud father of a beautiful new bride. He's going to be back in his chair next Sunday. In the meantime, thank you for watching FACE THE NATION.

END

**Clinton Presidential Records
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Collection: 2019-0146-F

Bucket: OPD

Creation Date: 2000-05-22

Subject: CNN, Late Edition, May 21, 2000

Creator: Gilbert S. Gonzalez CN=Gilbert S.
Gonzalez/OU=WHO/O=EOP [WHO]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: James R. Kvaal (CN=James R. Kvaal/OU=OPD/O=EOP [OPD])

CREATION DATE/TIME:11-DEC-2000 09:43:45.00

SUBJECT: chronicle of higher ed -- clinton legacy

TO: Gene B. Sperling (CN=Gene B. Sperling/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: Amy Mall (CN=Amy Mall/OU=OPD/O=EOP@EOP [OPD])
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TEXT:

The Chronicle of Higher Education
From the issue dated December 15, 2000

The Clinton Legacy in Higher Education
By JEFFREY BRAINARD, STEPHEN BURD, and BEN GOSE
Washington

As Bill Clinton prepared to become president eight years ago, most college officials glowed with excitement. During 12 years of Republican control of the White House, they had endured countless proposed budget cuts and plenty of biting ideological attacks.

At last, they felt, they would have a real "education president." After all, Mr. Clinton was a Rhodes scholar, had pushed far-reaching education reforms as Arkansas's governor, surrounded himself with wonkish friends from academe (and actually read their books), and talked constantly about education. In October of 1992, more than 200 college presidents, administrators, and trustees took the unusual step of endorsing Mr. Clinton in an advertisement published in The Chronicle.

Today, many of those educators are again singing his praises, grateful for new programs, huge infusions of money for student aid and research, and the attention he showered on higher education during the past eight years. But a close look at the Clinton record in the White House reveals a more complicated picture.

Although college lobbyists may be feeling nostalgic for Mr. Clinton a year from now, many of them felt betrayed during his first two years in office. Many of his education achievements came about because of one of his worst political defeats: the Republican takeover of Congress in the 1994 elections. And educators remain divided over some of Mr. Clinton's priorities.

The first two years of Mr. Clinton's tenure in Washington set the stage for his higher-education record in a way none at the time would have predicted. During that time, Mr. Clinton focused on health care (disastrously) and deficit reduction (successfully), and the results weren't good for student aid.

After two years of working with a Democratic Congress, President Clinton had raised the maximum Pell Grant by only \$40, to \$2,340, and had not added any new money to the three campus-based student-aid programs. And while he expressed support for affirmative action, he kept college leaders waiting for more than a year before overturning a Bush-administration ban on minority scholarships.

This is "what we are used to seeing from Reagan and Bush," Julianne Still Thrift, president of Salem College and a strong supporter of Mr. Clinton, complained to *The Chronicle* in 1993. "But a kick in the teeth hurts a lot more from a friend."

When Republicans in Congress, armed with the "Contract With America," swept into power in January 1995, college leaders figured things would only get worse. The Republicans threatened to cut the budgets of the student-aid programs and close down the National Endowments for the Arts and Humanities. In addition, they introduced legislation that would have made college loans more expensive and dismantled federal affirmative-action programs.

But in the end, the G.O.P. victory was a blessing in disguise for higher education: Mr. Clinton was forced to focus his agenda, and turn his rhetoric on education into action. While he agreed with the Republicans on the importance of balancing the budget, he drew the line on cutting education programs, including those important to colleges. And he stood firmly behind affirmative action during the bleakest moments for racial-preference policies.

In 1996, the public sided with the president, sending Mr. Clinton on to a second term and taking seats away from the Republicans in the House of Representatives.

Stung by the election fallout, Republican lawmakers changed their tone. Today, affirmative action faces an uncertain future in the courts, but it has faded as a campaign issue, and no significant legislation has been introduced on the topic since 1998. And instead of fighting Mr. Clinton's proposals on student aid, Republicans now seek to outbid him.

While in office, President Clinton has created a slew of higher-education programs -- including AmeriCorps, direct lending, the Hope and Lifetime Learning tax credits, and GEAR UP -- to try to cement his legacy as a champion of education.

Yet his real legacy, many educators and lobbyists agree, is in reshaping the nature of the debate on higher education in Washington. One need look no further, they say, than the presidential campaign run by Gov. George W. Bush of Texas: Absent were the familiar Republican refrains of shutting

down the Education Department, closing the arts and humanities endowments, and banning racial preferences. Instead, Mr. Bush vowed to put another \$6-billion into Pell Grants and spend more money on historically black colleges.

"President Clinton helped make higher education a bipartisan issue," says Corye Barbour, legislative director for the United States Student Association. "Both parties are clamoring to take credit for helping students pay for college. That is a fundamental change that will make things better for all of us."

Gene B. Sperling, the president's economic adviser, says Mr. Clinton has put a priority on higher education because he knows from his own experience how important it is to obtain a college degree.

"This is a president who was born fatherless, in a small town, with very few role models to push him to go to college," Mr. Sperling says. "And yet, education transformed his possibilities, allowing him to become a Rhodes scholar and ultimately president of the United States."

"With each initiative he has introduced, he has tried to send the signal that college is necessary and can be universal for everyone."

But as President Clinton prepares to depart the White House next month, it would be wrong to suggest that the early jeers have turned to all-out cheers.

On student aid, for example, he takes hits from both the right and the left.

Some fiscal conservatives criticize the tuition tax credits, which provide up to \$1,500 per year, and the president's rhetoric about making two years of college a universal entitlement. Ultimately, all citizens are subsidizing the college-goers -- to the tune of billions of dollars per year.

Moreover, colleges may be swiping some of the benefits of the tax credits from students, by continuing to raise tuition at a rate that exceeds inflation. "The more feed you put in the trough, the fatter the pig gets," says Jay A. Diskey, a former Republican spokesman for the House Committee on Education and the Workforce.

The tax credits are also disliked by liberals in Mr. Clinton's own party. They say the tax credits do little to increase access to college for students from low-income families, which typically do not earn enough to owe taxes. President Clinton should have focused on getting more money for the need-based Pell Grants, they say.

"Under Clinton, there has been a massive expansion of assistance to middle-income students," says Gary Orfield, a professor of education and social policy at Harvard University. "But in terms of helping those with the greatest need, there has been a real failure of leadership."

On affirmative action, some educators praise Mr. Clinton for effectively

defending the policy while preventing conservative Republicans from turning it into a wedge issue. But others say the president missed a chance to engage the country in a candid discussion about the differences between racial preferences and other methods of creating diverse campuses, such as outreach to low-income communities.

On science, Mr. Clinton's record is less controversial. He leaves office with strong support from academic scientists, largely because of an unprecedented spurt in financing for the National Institutes of Health in the last two years. Scientists give equal credit to the Republican-controlled Congress, which saw and raised Mr. Clinton's bids for increased spending on science in almost every year of his tenure.

"This has been one of the few areas where it has been possible for genuine bipartisanship in what has really been a horribly polarized time," says Lewis M. Branscomb, a professor emeritus of public policy and corporate management at Harvard, who has specialized in federal science policy.

In education policy, much of the debate during the Clinton administration has been about priorities. Facing a \$300-billion deficit, President Clinton's first budget proposal called for cutting the campus-based student-aid programs by \$200-million and leaving the maximum Pell Grant at its 1992 level of \$2,300. At the same time, the president requested \$7.4-billion over four years for AmeriCorps, a new program that would provide students with grants for college in exchange for one or two years of community service.

Many student-aid administrators and lobbyists complained that the administration was trying to shift money away from the federal need-based aid programs to finance a pet program that would mostly benefit the middle class. Their concerns were allayed when Congress scaled back AmeriCorps. The program's budget has never exceeded \$500-million.

Similar objections to other "legacy programs" have been voiced throughout the Clinton era. In recent years, higher-education lobbyists have been annoyed by GEAR UP, a Clinton program that helps disadvantaged middle-school students prepare for college. Some believe that the hundreds of millions of dollars allocated to GEAR UP would be better spent on the federal TRIO programs, which have been helping disadvantaged students enter and complete college since 1965.

"When this administration has been distracted by its own legacy initiatives, we have had to publicly and noisily remind them to keep up funding for the proven aid programs," says David L. Warren, president of the National Association of Independent Colleges and Universities.

The greatest concern about Mr. Clinton's priorities arose in 1997, when he pushed through his most significant college-related legislation. In a bill to balance the federal budget, the president persuaded Republican Congressional leaders to include about \$35-billion over five years in tuition tax credits.

The tax breaks had been a popular campaign promise during his bid for a second term, but many people viewed the credits merely as pandering to the

middle class.

"There is always the temptation to do something to help the people who vote," says Paul Simon, the former U.S. senator from Illinois who is now director of the Public Policy Institute at Southern Illinois University at Carbondale. "But it is the people who don't vote who often need the most help."

Supporters of the tax credits say the critics are politically naive.

"Politics is the art of the possible," says Sen. Jack Reed, a Democrat from Rhode Island. "The president was trying to find new sources of support for colleges, and with the Republicans controlling Congress, the only way to achieve his goal was through using the tax code."

Mr. Sperling, Mr. Clinton's economic adviser, says that the administration never saw the tax credits as "a silver bullet" but as one component in a larger strategy to make college more affordable. "We felt that we were fighting for higher education on all fronts, and not as a tradeoff between tax credits and Pell Grants."

The United States Student Association was among the vocal critics of the tax credits. But Ms. Barbour, the group's legislative director, believes it would be "unfortunate" to judge the president's higher-education legacy simply on the basis of the tax credits. She especially praises the president for introducing direct lending, which provides loans directly to students through their colleges, eliminating the role of banks and student-loan-guarantee agencies.

In 1993, the Clinton administration persuaded Congress to phase in direct lending -- and phase out the guaranteed-loan program -- as a way to lower costs to the government and to improve the delivery of loans to students. But after the G.O.P. took control of Congress, in 1995, the administration consented to demands from Republican lawmakers to allow the two loan programs to coexist and compete.

The competition has sharply improved services for students and colleges, as banks and guarantee agencies have slashed fees and streamlined loan delivery in the hope of beating out direct lending. "Student loans are much more affordable and a lot less scary now," Ms. Barbour says.

But many college leaders and lobbyists say that the administration's greatest accomplishment has been to remove the federal student-aid programs from the partisan fray by showing Republicans how damaging it is to attack them. The G.O.P. won't soon forget the public furor that erupted in 1995, when House Republicans threatened to cut student aid and raise the cost of loans for students and their parents.

Indeed, in recent months Congressional Republicans have been trying to one-up Democratic lawmakers on the 2001 budget for Pell Grants. As a result, the Clinton administration and Congress have tentatively agreed to increase the maximum Pell Grant by \$500, to \$3,800, the greatest single-year raise the program has ever received.

"The student-aid programs are a lot safer now than they have been for a

long time," says Jack F. Jennings, director of the Center on Education Policy and a former Democratic Congressional aide.

Affirmative action was already on the defensive in 1993, when Mr. Clinton took office. Two years into his term, the floodgates broke. In 1995, the Board of Regents of the University of California voted to eliminate the use of racial preferences in hiring and admissions decisions. A year later, California voters approved Proposition 209, taking the ban statewide.

The policy fared no better in the courts. In 1994, a federal appeals court shot down minority scholarships at the University of Maryland. A year later, another federal appeals court barred the law school at the University of Texas from considering race in admissions. The U.S. Supreme Court declined to hear appeals of either case.

College leaders were stunned, and sought a rousing defense of affirmative action from Mr. Clinton. While the Justice Department weighed in on the court cases with briefs defending affirmative action, Mr. Clinton's own comments were supportive but low key -- an apparent attempt to steer the debate away from the combustible topic of racial preferences. In 1995, he concluded a review of federal affirmative-action programs with a vow to "mend, not end" them.

Advocates of affirmative action don't fault Mr. Clinton for that approach. "If he had taken a strong stance, he probably would have turned even more people off" to affirmative action, says Henry Ponder, the president of the National Association for Equal Opportunity in Higher Education, which represents historically black colleges and universities.

But in 1997, when flagship institutions in Georgia, Michigan, and Washington were all hit with lawsuits over racial preferences, Mr. Clinton turned up the rhetoric. In a speech at the University of California at San Diego, he warned that minority enrollment would plummet without affirmative action. "We will weaken our greatest universities, and it will be more difficult to build the society we need in the 21st century," he said.

As the challenges to affirmative action spread, Mr. Clinton ended most talk of mending affirmative action. A panel that he appointed to study racial issues released a report in 1998 that offered few novel ideas. It recommended, for example, that educators more clearly explain the value of diversity on college campuses. "The decision was made by the White House staff that the report should be incremental rather than dramatic," says Thomas H. Kean, president of Drew University and a member of the panel.

According to Mr. Kean, a former Republican governor of New Jersey, the White House was reluctant to discuss alternatives to affirmative action, given that its future is in the hands of the courts.

"There's nothing President Clinton believes in so strongly as civil rights and affirmative action," Mr. Kean says. "He believes it to the core of his being. I suspect in this area he did everything that he felt that he could."

Even some critics of affirmative action, such as Ward Connerly, a University of California regent, concede that Mr. Clinton was an able advocate of the policy. The president's rhetoric "effectively derailed that train coming down the track that was going to do away with preferences," Mr. Connerly says.

But Mr. Connerly adds that Mr. Clinton's panel on race missed an opportunity to educate people about the differences between racial preferences and what he describes as "legitimate forms of affirmative action," such as outreach.

With little leadership from Mr. Clinton, states in which racial preferences have been banned have had to find alternatives on their own. California, Florida, and Texas have turned to systems that admit some students based solely on their class rank in high school. Mr. Connerly contends that such scaled-down assessments of college preparation are taking a toll on the quality of students entering those states' flagship institutions.

"Some states are trying to find a way out of this morass on their own," Mr. Connerly says. "Other states are blithely waiting for the Supreme Court to provide guidance. In short, we have paralysis, and Clinton has to take some responsibility for that."

When the Clinton administration has tackled the question of race in admissions, controversy has resulted. In 1999, for example, the Education Department's Office for Civil Rights prepared a draft memorandum warning that colleges might be violating federal anti-bias laws by relying heavily on standardized-test scores in admissions decisions. The office cited as evidence that minority students have lower average scores on such tests than do white students. After college officials criticized the guidelines as a federal intrusion into their own policymaking, the Education Department toned down the document.

The head of the civil-rights office, Norma V. Cantu, also has been a key player in the Clinton administration's efforts to ensure that women have equal opportunities in athletics, to conform with a law known as Title IX. The number of female college athletes has surged 46 percent during the Clinton years, to 353,000, but some athletics officials say her strong-arm approach has led many universities to cut men's teams.

"The Department of Education certainly was more active during the Clinton years than during previous administrations in enforcing Title IX," says Doris Dixon, director of federal relations for the National Collegiate Athletic Association.

University scientists were optimistic when Mr. Clinton took office. They hoped that his talk of the links between technological advancement and economic development would translate into bigger budgets for research.

Eight years later, university scientists are largely pleased with his efforts -- but do not uniformly call him their champion.

Throughout Mr. Clinton's tenure, Republican leaders in Congress have approved larger budget increases for the N.I.H. -- the largest single federal source of funds for university research -- than he has requested. Lawmakers gave the agency unprecedented raises of 15 percent each year in 1999 and 2000, after Mr. Clinton had proposed increases of 8 percent and 2 percent.

University officials concede that Mr. Clinton's focus on deficit reduction helped generate the surpluses that made the larger increases possible. Some suspect that gamesmanship was at work in the budget numbers. Under that view, Mr. Clinton deliberately proposed modest increases for the N.I.H., knowing that the Republicans would add more. That practice allowed Mr. Clinton to focus on other priorities in his budget proposals.

"The president has won on the budget by a very sophisticated strategy," says Donna E. Shalala, secretary of health and human services. "All of his budget numbers are proposed with a full understanding that Republicans have to take ownership of some programs, and get credit themselves. You don't look at just the numbers he sent up [to Congress]; you have to look at what we ended up with."

University leaders credit Mr. Clinton with taking other actions that fostered a supportive climate for science. One of his first acts as president, for example, was to lift a ban on the federal financing of research using fetal tissue. And this year, he supported a policy allowing federal research on embryonic stem cells. Both actions were opposed by anti-abortion advocates and some religious leaders.

Scientists also praise Mr. Clinton for the quality of his science appointments -- especially Harold E. Varmus, who served as N.I.H. director from 1993 to 1999. The Nobel laureate brought top talent to work at the agency, and is regarded as one of its most-effective ambassadors to Congress ever.

Others argue that Mr. Clinton showed support for science by sparing it from budget cuts as he sought to eliminate the deficit. But not all scientific disciplines have thrived.

Budgets for federal agencies that support the physical sciences rose only slightly faster than inflation, and more slowly than that of the politically popular N.I.H., although they did keep pace with increases in other civilian programs.

Somewhat belatedly to some researchers, Mr. Clinton this year attempted to restore some parity by proposing a 17-percent budget increase for the National Science Foundation for the 2001 fiscal year. The N.S.F. is the federal agency most dedicated to financing all of the basic sciences. Although the 1990's were hailed as an era of biological advances, many scientists argue that further progress will be speeded by increased financing of the physical sciences. For example, magnetic-resonance imaging was developed with N.S.F. funds.

"History is not going to regard this as a president that advanced the cause of science greatly," says Robert L. Park, director of the Washington

office of the American Physical Society. "There was no trip to the moon, no really grand initiatives." Researchers do praise Mr. Clinton for supporting the human-genome project, but Mr. Park contends that the effort has been so popular and successful that no president would have opposed it.

Scientists have split over Mr. Clinton's handling of two other expensive, "big science" projects: the International Space Station, which the administration has supported, and the Superconducting Supercollider, which the president canceled in 1993. The supercollider was a giant, \$10-billion accelerator in Texas that researchers would have used to study the fundamental nature of matter. Some scientists have called both projects wasteful, while others describe them as essential tools to advance science.

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Some scholars suggest that it has taken time for Mr. Clinton to come to appreciate the importance of basic research.

Early in his administration, Mr. Clinton focused more on support for applied research that could lead to commercially viable products. It was part of his plan to pull the nation out of recession and to close trade deficits with other nations, like Japan, that were seen as having a technological edge.

The administration played down that approach after the recession ended and criticism arose from Congressional Republicans. They argued that private corporations were better suited than government officials to pick and develop commercial spinoffs, and that the federal government should stick to supporting basic research.

More recently, Mr. Clinton has given several speeches ardently backing basic science. "As time went on, he got religion," says Mr. Branscomb, the public-policy professor at Harvard.

With the end of Mr. Clinton's second term near, and the odds increasing that Governor Bush will replace him, it is unclear which of the president's legacy programs will survive.

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agencies to undo the changes they have made to help borrowers.

But even if Mr. Clinton's pet projects flounder, the programs that colleges care about most should continue to thrive. In what will be an almost evenly divided Congress, higher-education programs -- including those that provide student aid and money for research -- could be among the few areas in which Republicans and Democrats see eye to eye. And President Clinton deserves no small measure of credit for that.

"Higher education seems to be an area in which an otherwise divided city can come together," says Stanley O. Ikenberry, president of the American Council on Education. "It wasn't like that in 1995, and it certainly was not like that prior to Mr. Clinton's presidency."

Vincent Kiernan contributed to this article.

HIGHER EDUCATION'S WINNERS AND LOSERS DURING THE CLINTON ADMINISTRATION

Winners

MIDDLE-CLASS STUDENTS. College students and their families received the biggest infusion of federal tuition aid in a generation. The bulk of the aid came in the form of President Clinton's Hope and Lifetime Learning tax credits, which tend to benefit students from middle-class rather than low-income families.

STUDENT BORROWERS. Spurred on by competition from the Clinton administration's direct-loan program, banks and student-loan guarantee agencies were forced to cut their fees and improve their services.

COLLEGE COFFERS. The new tax credits, combined with growth in knowledge-based industries, pushed enrollments -- and tuition revenue -- at many institutions to record levels. The booming stock market, meanwhile, ushered in an era of unprecedented gains in the values of endowments.

COLLEGES WITH LARGE MINORITY ENROLLMENTS. Historically black colleges and colleges with large Hispanic enrollments saw federal programs for their institutions increase substantially in the Clinton administration -- with backing from both the White House and Congress.

BIOMEDICAL RESEARCH. The National Institutes of Health is on track to double its budget in five years, due to a combination of factors, including the political savvy of Harold E. Varmus, who served as director from 1993 to 1999; strong bipartisan support from members of Congress; and expectations that the agency is poised to promote an acceleration of medical discovery.

TECHNOLOGY AND THE INTERNET. Vice President Al Gore was an influential player in the development of the Internet, and the Clinton administration has been a driving force behind Internet 2, a national computer network that can carry even more data than its vaunted predecessor.

FEMALE ATHLETES. The Clinton administration's rigorous enforcement of

Title IX of the Education Amendments of 1972, the law banning gender discrimination at institutions that receive federal funds, was a boon for women's athletics. The number of female college athletes shot up 46 percent from 1992-93 to 1998-99, compared with an 11-percent gain for men.

Losers

AFFIRMATIVE ACTION. Clinton-administration officials strongly backed the use of racial preferences in higher education, but federal courts, state boards, and state referendums led to the most significant rollback of affirmative action in its history.

NON-REVENUE MEN'S TEAMS. Big-money programs like football and basketball thrived, but several universities cut men's teams in sports such as swimming, track, and wrestling to comply with the Office for Civil Rights' interpretation of Title IX.

SOCIAL CONSERVATIVES. Despite repeated efforts by conservative Republicans to eliminate the National Endowments for the Arts and Humanities during much of the Clinton administration, the cultural agencies survived, and their budgets are now growing modestly. And, over the objections of anti-abortion activists, Mr. Clinton approved federal financing for medical research involving fetal tissue and stem cells.

Survivors

CLINTON'S PET PROJECTS. The Clinton administration championed new programs that aimed to promote volunteerism (AmeriCorps), prepare students from low-income families for college (GEAR UP), and improve the graduation rates of disadvantaged college students (College Completion Challenge Grants). College lobbyists worry that the administration's enthusiasm for these "legacy programs" has come at the expense of support for the core student-aid programs. Some of the pet projects may not survive for long once the Clinton administration ends.

NEED-BASED FINANCIAL AID. Although some of the core student-aid programs, like the Pell Grant and College Work-Study Programs, received significant budget increases during the Clinton administration, most student-aid experts agree that the budgets did not grow enough to boost the college-going rates of students from the poorest families.

STUDENT-LOAN INDUSTRY. The creation of direct lending in 1993 threatened to run banks and guarantee agencies out of the federal student-loan program. Seven years later, these entities continue to control two-thirds of student-loan volume. Now, the direct-loan program is facing an uncertain future.

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TEXT:

Gene -- attached is my suggested outline for the Chronicle piece. they would welcome 2500 words and want us to use the space to engage on our strategy and philosophy behind our accomplishments, so we have the opportunity to do something cool here. would welcome your comments.

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cc:
Subject: chronicle of higher ed -- clinton legacy

The Chronicle of Higher Education
From the issue dated December 15, 2000

The Clinton Legacy in Higher Education
By JEFFREY BRAINARD, STEPHEN BURD, and BEN GOSE
Washington

As Bill Clinton prepared to become president eight years ago, most college officials glowed with excitement. During 12 years of Republican control of the White House, they had endured countless proposed budget cuts and plenty of biting ideological attacks.

At last, they felt, they would have a real "education president." After all, Mr. Clinton was a Rhodes scholar, had pushed far-reaching education reforms as Arkansas's governor, surrounded himself with wonkish friends from academe (and actually read their books), and talked constantly about education. In October of 1992, more than 200 college presidents, administrators, and trustees took the unusual step of endorsing Mr. Clinton in an advertisement published in *The Chronicle*.

Today, many of those educators are again singing his praises, grateful for new programs, huge infusions of money for student aid and research, and the attention he showered on higher education during the past eight years. But a close look at the Clinton record in the White House reveals a more complicated picture.

Although college lobbyists may be feeling nostalgic for Mr. Clinton a year from now, many of them felt betrayed during his first two years in office. Many of his education achievements came about because of one of his worst political defeats: the Republican takeover of Congress in the 1994 elections. And educators remain divided over some of Mr. Clinton's priorities.

The first two years of Mr. Clinton's tenure in Washington set the stage for his higher-education record in a way none at the time would have predicted. During that time, Mr. Clinton focused on health care (disastrously) and deficit reduction (successfully), and the results weren't good for student aid.

After two years of working with a Democratic Congress, President Clinton had raised the maximum Pell Grant by only \$40, to \$2,340, and had not added any new money to the three campus-based student-aid programs. And while he expressed support for affirmative action, he kept college leaders waiting for more than a year before overturning a Bush-administration ban on minority scholarships.

This is "what we are used to seeing from Reagan and Bush," Julianne Still Thrift, president of Salem College and a strong supporter of Mr. Clinton, complained to *The Chronicle* in 1993. "But a kick in the teeth hurts a lot more from a friend."

When Republicans in Congress, armed with the "Contract With America," swept into power in January 1995, college leaders figured things would only get worse. The Republicans threatened to cut the budgets of the student-aid programs and close down the National Endowments for the Arts and Humanities. In addition, they introduced legislation that would have made college loans more expensive and dismantled federal affirmative-action programs.

But in the end, the G.O.P. victory was a blessing in disguise for higher education: Mr. Clinton was forced to focus his agenda, and turn his

rhetoric on education into action. While he agreed with the Republicans on the importance of balancing the budget, he drew the line on cutting education programs, including those important to colleges. And he stood firmly behind affirmative action during the bleakest moments for racial-preference policies.

In 1996, the public sided with the president, sending Mr. Clinton on to a second term and taking seats away from the Republicans in the House of Representatives.

Stung by the election fallout, Republican lawmakers changed their tone. Today, affirmative action faces an uncertain future in the courts, but it has faded as a campaign issue, and no significant legislation has been introduced on the topic since 1998. And instead of fighting Mr. Clinton's proposals on student aid, Republicans now seek to outbid him.

While in office, President Clinton has created a slew of higher-education programs -- including AmeriCorps, direct lending, the Hope and Lifetime Learning tax credits, and GEAR UP -- to try to cement his legacy as a champion of education.

Yet his real legacy, many educators and lobbyists agree, is in reshaping the nature of the debate on higher education in Washington. One need look no further, they say, than the presidential campaign run by Gov. George W. Bush of Texas: Absent were the familiar Republican refrains of shutting down the Education Department, closing the arts and humanities endowments, and banning racial preferences. Instead, Mr. Bush vowed to put another \$6-billion into Pell Grants and spend more money on historically black colleges.

"President Clinton helped make higher education a bipartisan issue," says Corye Barbour, legislative director for the United States Student Association. "Both parties are clamoring to take credit for helping students pay for college. That is a fundamental change that will make things better for all of us."

Gene B. Sperling, the president's economic adviser, says Mr. Clinton has put a priority on higher education because he knows from his own experience how important it is to obtain a college degree.

"This is a president who was born fatherless, in a small town, with very few role models to push him to go to college," Mr. Sperling says. "And yet, education transformed his possibilities, allowing him to become a Rhodes scholar and ultimately president of the United States."

"With each initiative he has introduced, he has tried to send the signal that college is necessary and can be universal for everyone."

But as President Clinton prepares to depart the White House next month, it would be wrong to suggest that the early jeers have turned to all-out cheers.

On student aid, for example, he takes hits from both the right and the left.

Some fiscal conservatives criticize the tuition tax credits, which provide up to \$1,500 per year, and the president's rhetoric about making two years of college a universal entitlement. Ultimately, all citizens are subsidizing the college-goers -- to the tune of billions of dollars per year.

Moreover, colleges may be swiping some of the benefits of the tax credits from students, by continuing to raise tuition at a rate that exceeds inflation. "The more feed you put in the trough, the fatter the pig gets," says Jay A. Diskey, a former Republican spokesman for the House Committee on Education and the Workforce.

The tax credits are also disliked by liberals in Mr. Clinton's own party. They say the tax credits do little to increase access to college for students from low-income families, which typically do not earn enough to owe taxes. President Clinton should have focused on getting more money for the need-based Pell Grants, they say.

"Under Clinton, there has been a massive expansion of assistance to middle-income students," says Gary Orfield, a professor of education and social policy at Harvard University. "But in terms of helping those with the greatest need, there has been a real failure of leadership."

On affirmative action, some educators praise Mr. Clinton for effectively defending the policy while preventing conservative Republicans from turning it into a wedge issue. But others say the president missed a chance to engage the country in a candid discussion about the differences between racial preferences and other methods of creating diverse campuses, such as outreach to low-income communities.

On science, Mr. Clinton's record is less controversial. He leaves office with strong support from academic scientists, largely because of an unprecedented spurt in financing for the National Institutes of Health in the last two years. Scientists give equal credit to the Republican-controlled Congress, which saw and raised Mr. Clinton's bids for increased spending on science in almost every year of his tenure.

"This has been one of the few areas where it has been possible for genuine bipartisanship in what has really been a horribly polarized time," says Lewis M. Branscomb, a professor emeritus of public policy and corporate management at Harvard, who has specialized in federal science policy.

In education policy, much of the debate during the Clinton administration has been about priorities. Facing a \$300-billion deficit, President Clinton's first budget proposal called for cutting the campus-based student-aid programs by \$200-million and leaving the maximum Pell Grant at its 1992 level of \$2,300. At the same time, the president requested \$7.4-billion over four years for AmeriCorps, a new program that would provide students with grants for college in exchange for one or two years of community service.

Many student-aid administrators and lobbyists complained that the administration was trying to shift money away from the federal need-based

aid programs to finance a pet program that would mostly benefit the middle class. Their concerns were allayed when Congress scaled back AmeriCorps. The program's budget has never exceeded \$500-million.

Similar objections to other "legacy programs" have been voiced throughout the Clinton era. In recent years, higher-education lobbyists have been annoyed by GEAR UP, a Clinton program that helps disadvantaged middle-school students prepare for college. Some believe that the hundreds of millions of dollars allocated to GEAR UP would be better spent on the federal TRIO programs, which have been helping disadvantaged students enter and complete college since 1965.

"When this administration has been distracted by its own legacy initiatives, we have had to publicly and noisily remind them to keep up funding for the proven aid programs," says David L. Warren, president of the National Association of Independent Colleges and Universities.

The greatest concern about Mr. Clinton's priorities arose in 1997, when he pushed through his most significant college-related legislation. In a bill to balance the federal budget, the president persuaded Republican Congressional leaders to include about \$35-billion over five years in tuition tax credits.

The tax breaks had been a popular campaign promise during his bid for a second term, but many people viewed the credits merely as pandering to the middle class.

"There is always the temptation to do something to help the people who vote," says Paul Simon, the former U.S. senator from Illinois who is now director of the Public Policy Institute at Southern Illinois University at Carbondale. "But it is the people who don't vote who often need the most help."

Supporters of the tax credits say the critics are politically naive. "Politics is the art of the possible," says Sen. Jack Reed, a Democrat from Rhode Island. "The president was trying to find new sources of support for colleges, and with the Republicans controlling Congress, the only way to achieve his goal was through using the tax code."

Mr. Sperling, Mr. Clinton's economic adviser, says that the administration never saw the tax credits as "a silver bullet" but as one component in a larger strategy to make college more affordable. "We felt that we were fighting for higher education on all fronts, and not as a tradeoff between tax credits and Pell Grants."

The United States Student Association was among the vocal critics of the tax credits. But Ms. Barbour, the group's legislative director, believes it would be "unfortunate" to judge the president's higher-education legacy simply on the basis of the tax credits. She especially praises the president for introducing direct lending, which provides loans directly to students through their colleges, eliminating the role of banks and student-loan-guarantee agencies.

In 1993, the Clinton administration persuaded Congress to phase in direct

lending -- and phase out the guaranteed-loan program -- as a way to lower costs to the government and to improve the delivery of loans to students. But after the G.O.P. took control of Congress, in 1995, the administration consented to demands from Republican lawmakers to allow the two loan programs to coexist and compete.

The competition has sharply improved services for students and colleges, as banks and guarantee agencies have slashed fees and streamlined loan delivery in the hope of beating out direct lending. "Student loans are much more affordable and a lot less scary now," Ms. Barbour says.

But many college leaders and lobbyists say that the administration's greatest accomplishment has been to remove the federal student-aid programs from the partisan fray by showing Republicans how damaging it is to attack them. The G.O.P. won't soon forget the public furor that erupted in 1995, when House Republicans threatened to cut student aid and raise the cost of loans for students and their parents.

Indeed, in recent months Congressional Republicans have been trying to one-up Democratic lawmakers on the 2001 budget for Pell Grants. As a result, the Clinton administration and Congress have tentatively agreed to increase the maximum Pell Grant by \$500, to \$3,800, the greatest single-year raise the program has ever received.

"The student-aid programs are a lot safer now than they have been for a long time," says Jack F. Jennings, director of the Center on Education Policy and a former Democratic Congressional aide.

Affirmative action was already on the defensive in 1993, when Mr. Clinton took office. Two years into his term, the floodgates broke. In 1995, the Board of Regents of the University of California voted to eliminate the use of racial preferences in hiring and admissions decisions. A year later, California voters approved Proposition 209, taking the ban statewide.

The policy fared no better in the courts. In 1994, a federal appeals court shot down minority scholarships at the University of Maryland. A year later, another federal appeals court barred the law school at the University of Texas from considering race in admissions. The U.S. Supreme Court declined to hear appeals of either case.

College leaders were stunned, and sought a rousing defense of affirmative action from Mr. Clinton. While the Justice Department weighed in on the court cases with briefs defending affirmative action, Mr. Clinton's own comments were supportive but low key -- an apparent attempt to steer the debate away from the combustible topic of racial preferences. In 1995, he concluded a review of federal affirmative-action programs with a vow to "mend, not end" them.

Advocates of affirmative action don't fault Mr. Clinton for that approach. "If he had taken a strong stance, he probably would have turned even more people off" to affirmative action, says Henry Ponder, the president of the National Association for Equal Opportunity in Higher Education, which represents historically black colleges and universities.

But in 1997, when flagship institutions in Georgia, Michigan, and Washington were all hit with lawsuits over racial preferences, Mr. Clinton turned up the rhetoric. In a speech at the University of California at San Diego, he warned that minority enrollment would plummet without affirmative action. "We will weaken our greatest universities, and it will be more difficult to build the society we need in the 21st century," he said.

As the challenges to affirmative action spread, Mr. Clinton ended most talk of mending affirmative action. A panel that he appointed to study racial issues released a report in 1998 that offered few novel ideas. It recommended, for example, that educators more clearly explain the value of diversity on college campuses. "The decision was made by the White House staff that the report should be incremental rather than dramatic," says Thomas H. Kean, president of Drew University and a member of the panel.

According to Mr. Kean, a former Republican governor of New Jersey, the White House was reluctant to discuss alternatives to affirmative action, given that its future is in the hands of the courts.

"There's nothing President Clinton believes in so strongly as civil rights and affirmative action," Mr. Kean says. "He believes it to the core of his being. I suspect in this area he did everything that he felt that he could."

Even some critics of affirmative action, such as Ward Connerly, a University of California regent, concede that Mr. Clinton was an able advocate of the policy. The president's rhetoric "effectively derailed that train coming down the track that was going to do away with preferences," Mr. Connerly says.

But Mr. Connerly adds that Mr. Clinton's panel on race missed an opportunity to educate people about the differences between racial preferences and what he describes as "legitimate forms of affirmative action," such as outreach.

With little leadership from Mr. Clinton, states in which racial preferences have been banned have had to find alternatives on their own. California, Florida, and Texas have turned to systems that admit some students based solely on their class rank in high school. Mr. Connerly contends that such scaled-down assessments of college preparation are taking a toll on the quality of students entering those states' flagship institutions.

"Some states are trying to find a way out of this morass on their own," Mr. Connerly says. "Other states are blithely waiting for the Supreme Court to provide guidance. In short, we have paralysis, and Clinton has to take some responsibility for that."

When the Clinton administration has tackled the question of race in admissions, controversy has resulted. In 1999, for example, the Education Department's Office for Civil Rights prepared a draft memorandum warning that colleges might be violating federal anti-bias laws by relying heavily

on standardized-test scores in admissions decisions. The office cited as evidence that minority students have lower average scores on such tests than do white students. After college officials criticized the guidelines as a federal intrusion into their own policymaking, the Education Department toned down the document.

The head of the civil-rights office, Norma V. Cantu, also has been a key player in the Clinton administration's efforts to ensure that women have equal opportunities in athletics, to conform with a law known as Title IX. The number of female college athletes has surged 46 percent during the Clinton years, to 353,000, but some athletics officials say her strong-arm approach has led many universities to cut men's teams.

"The Department of Education certainly was more active during the Clinton years than during previous administrations in enforcing Title IX," says Doris Dixon, director of federal relations for the National Collegiate Athletic Association.

University scientists were optimistic when Mr. Clinton took office. They hoped that his talk of the links between technological advancement and economic development would translate into bigger budgets for research.

Eight years later, university scientists are largely pleased with his efforts -- but do not uniformly call him their champion.

Throughout Mr. Clinton's tenure, Republican leaders in Congress have approved larger budget increases for the N.I.H. -- the largest single federal source of funds for university research -- than he has requested. Lawmakers gave the agency unprecedented raises of 15 percent each year in 1999 and 2000, after Mr. Clinton had proposed increases of 8 percent and 2 percent.

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STUDENT BORROWERS. Spurred on by competition from the Clinton administration's direct-loan program, banks and student-loan guarantee agencies were forced to cut their fees and improve their services.

COLLEGE COFFERS. The new tax credits, combined with growth in knowledge-based industries, pushed enrollments -- and tuition revenue -- at many institutions to record levels. The booming stock market, meanwhile, ushered in an era of unprecedented gains in the values of endowments.

COLLEGES WITH LARGE MINORITY ENROLLMENTS. Historically black colleges and colleges with large Hispanic enrollments saw federal programs for their institutions increase substantially in the Clinton administration -- with backing from both the White House and Congress.

BIOMEDICAL RESEARCH. The National Institutes of Health is on track to double its budget in five years, due to a combination of factors, including the political savvy of Harold E. Varmus, who served as director from 1993 to 1999; strong bipartisan support from members of Congress; and expectations that the agency is poised to promote an acceleration of medical discovery.

TECHNOLOGY AND THE INTERNET. Vice President Al Gore was an influential player in the development of the Internet, and the Clinton administration has been a driving force behind Internet 2, a national computer network that can carry even more data than its vaunted predecessor.

FEMALE ATHLETES. The Clinton administration's rigorous enforcement of Title IX of the Education Amendments of 1972, the law banning gender discrimination at institutions that receive federal funds, was a boon for women's athletics. The number of female college athletes shot up 46 percent from 1992-93 to 1998-99, compared with an 11-percent gain for men.

Losers

AFFIRMATIVE ACTION. Clinton-administration officials strongly backed the use of racial preferences in higher education, but federal courts, state boards, and state referendums led to the most significant rollback of affirmative action in its history.

NON-REVENUE MEN'S TEAMS. Big-money programs like football and basketball thrived, but several universities cut men's teams in sports such as swimming, track, and wrestling to comply with the Office for Civil Rights' interpretation of Title IX.

SOCIAL CONSERVATIVES. Despite repeated efforts by conservative Republicans to eliminate the National Endowments for the Arts and Humanities during much of the Clinton administration, the cultural agencies survived, and their budgets are now growing modestly. And, over the objections of anti-abortion activists, Mr. Clinton approved federal financing for medical research involving fetal tissue and stem cells.

Survivors

CLINTON'S PET PROJECTS. The Clinton administration championed new programs that aimed to promote volunteerism (AmeriCorps), prepare students from low-income families for college (GEAR UP), and improve the graduation

rates of disadvantaged college students (College Completion Challenge Grants). College lobbyists worry that the administration's enthusiasm for these "legacy programs" has come at the expense of support for the core student-aid programs. Some of the pet projects may not survive for long once the Clinton administration ends.

NEED-BASED FINANCIAL AID. Although some of the core student-aid programs, like the Pell Grant and College Work-Study Programs, received significant budget increases during the Clinton administration, most student-aid experts agree that the budgets did not grow enough to boost the college-going rates of students from the poorest families.

STUDENT-LOAN INDUSTRY. The creation of direct lending in 1993 threatened to run banks and guarantee agencies out of the federal student-loan program. Seven years later, these entities continue to control two-thirds of student-loan volume. Now, the direct-loan program is facing an uncertain future.

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===== ATTACHMENT 1 =====
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Outline: Chronicle of Higher Education Piece

The Chronicle says we have up to 2,500 words, so we have space to do something interesting. They stress that they are not interested in a rote recitation of our programs or anything repetitive of their article, but the philosophy and strategy behind our choices and a roadmap for the future.

I. President Clinton Prioritized Education

- Higher education was a major component of President Clinton's economic plan and a top priority for his Administration.
- He has overseen the largest expansion in federal support for higher education since the G.I. Bill. Considers higher education one of his most important accomplishments. Has created a new bipartisan consensus on higher education.
- He understands the power of education to create opportunities. Credits student aid with allowing him to earn his college and law degrees and become president.

II. The Clinton-Gore Philosophy on Higher Education (What We Did and Why)

A. More than Doubling Student Aid

- **Hope Scholarships and the Lifetime Learning Tax Credit**
 - Landmark accomplishment. Now provide \$7.5 billion a year in tax relief for higher education to 10 million families, more than Pell was in 1993 (\$6.5 billion)—and when Lifetime Learning phases-in in 2003, will be \$9.1 billion.
 - Tax relief was inevitable in 1997; President Clinton seized the opportunity to target it to meet middle class families' needs.
 - Critics say it is a windfall for colleges, but because they are not dollar-for-dollar reimbursements, they discourage cost-shifting.
 - Critics say doesn't expand opportunity for low-income students but: (1) 50% of the benefit goes to families with AGI under \$50,000 and (2) middle-class families are also struggling with rising tuition and student loan debts.
- **Accompanied by Record Investments in Pell**
 - Max grant from \$2,300 to \$3,750—an increase of \$2.3 billion per year.
 - Pell is accurately labeled the foundation of student aid. Proud that there is now a bipartisan consensus and the parties try to outbid each other.
 - Also fought for one million work-study jobs.

B. New Paths to College.

- **Financial aid alone is not enough.** Research shows that disadvantaged students need higher expectations early on, stronger academic preparation, a strong adult presence that encourages education.
- In this era of dispute over affirmative action, this is a solution we should all come together behind.
- **GEAR UP.** Based on Eugene Lang and Project GRAD. Combine best of research and experience. Early results are promising.

- **TRIO.**
- **AmeriCorps.**

C. Student Loan Reform

- **Began with the Direct Student Loan Program.**
 - The Direct Loan system applies free-market principles effectively: It raises capital less expensively through U.S. Treasury bond sales and delivers and services loans through competitively awarded, performance-based contracts with private firms. It has helped more than 5 million students pay for college since it was founded in 1994.
 - Over 1,200 schools chose to leave the guaranteed loan program and join Direct Lending during its first three years. Direct lending offers one set of procedures, fast and reliable delivery of funds, less paperwork, electronic loan processing, and a customer service emphasis.
 - A sliding scale allows graduates to adjust their monthly repayments depending on their income, as well as other flexible repayment options, help them to undertake public service careers without fear of being unable to repay their loans.
 - Direct student loans are much less expensive than guaranteed loans under current interest rate projections. This year, for example, every \$100 in guaranteed student loans will cost taxpayers \$15.22. But every \$100 in direct loans will actually “earn” taxpayers \$2.70, because interest and fees paid by students are higher than federal costs.
 - If all student loans were direct loans, taxpayers would save about \$6 billion next year alone—enough to increase the \$9 billion Pell grant program by two-thirds.
- **The Direct Loan program created competition and federal savings, two tools to improve the program for students, schools, and taxpayers.**
 - **Lower interest rates and fees.** Students now save \$1,300 in interest and fees over the life of a typical \$10,000 student loan, compared to the cost of that loan in 1993. Partly as a result of direct loan legislation that mandated interest rate changes in 1993 and 1998. Also, competition between the programs has lowered costs for students.
 - **Improved service.** A 1999 independent assessment by Macro International concluded, “Virtually no one disputes that the operation of an alternative loan program has produced a competition that inspired innovation and service—to the benefit of all borrowers and schools.”
 - **Created a political dynamic that allowed us to trim lender subsidies.** Federal subsidies for banks and guaranty agencies have also been pared down, saving taxpayers an additional \$2 billion.
 - **Fewer loan defaults.** The cohort default rate has fallen from 22.4 percent to 6.9 percent. The decrease has saved taxpayers \$7 billion so far. Collections on defaulted loans have quadrupled, from \$1 billion to \$4 billion, under this Administration, saving \$7 billion so far.

III. Looking Forward (Maybe these should be worked into the relevant parts of section II instead of being on its own?)

- **Sustain commitment to appropriations, especially Pell, GEAR UP, and TRIO.**
- **Higher education should be on the agenda again for tax cuts.** College Opportunity Tax Cut, Sen. Schumer.
- **Focus on college completion.** Too many students borrow and then drop out. Better academic preparation is part of the answer, but also need to provide support services, scholarship aid, welcoming environments for minorities. (Need to figure how to handle TRIO on this subject.)
- **Continue student loan reform.**
 - **Lawsuit.** The Bush Education Department should aggressively defend itself against the lender lawsuit, which would raise costs to students in the direct loan program, undermine competition and thereby threaten borrower discounts in the guaranteed loan program, remove a tool that fights defaults, and raise federal costs. This lawsuit is an attempt by special interests – lenders and their associations – to increase their profits by making student loans more expensive for students and their families. The fee reduction and repayment incentives are entirely consistent with the Department's legal authority.
 - **Guaranteed loan subsidies.** Market mechanisms study group, coming out of the 1998 reauthorization, may point the way to more efficiently setting student loan interest rates.
 - **2003 Bug.** The student loan interest rate is scheduled to change in 2003, saving students (and costing lenders) billions. Should seek to use this opportunity reduce costs to students and make lender subsidies more reasonable.

Maybe:

- **Experiment with Front-Loading Pell.** (Bush has proposed. Unproven but probably worth testing. However this idea is very unpopular with the community and congressional Dems.)
- **Revamp Needs Analysis Formula.** (Current formula is 100 questions, which is unnecessarily burdensome to say the least. Some scholars (and I) think its lack of transparency probably discourages low-income families from applying because it's confusing and difficult, particularly if they are unsure whether they are going to college – ironically the families who student aid is trying to reach.)