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FOX SPECIAL REPORT WITH BRIT HUME
July 17, 2000

Guest: Brian Wilson, Steve Centanni, Carl Cameron, Catherine Herridge

Spec: Politics; Elections; Trials>

THIS IS A RUSH TRANSCRIPT. THIS COPY MAY NOT BE IN ITS FINAL
FORM AND MAY BE UPDATED.

JIM ANGLE, HOST: Up next on SPECIAL REPORT, former
Ken Starr spokesman Charles Bakaly takes the stand in his own contempt
trial.

Two White House e-mail whistleblowers tell it to the
judge.

And Hillary Clinton denies she used an anti-Semitic
slur against a political aide 26 years ago.

(NEWS BREAK)

ANGLE: And welcome to Washington. I'm Jim Angle in
for Brit Hume.

Charles Bakaly, a former spokesman for Ken Starr,
testified in his own behalf in a trial over leaking information to "The
New York Times." Though leaking is a Washington tradition, Bakaly faces
charges of criminal contempt. Even some Clinton supporters call the
charges an outrage, but the judge has so far refused to dismiss them.

Fox News correspondent Brian Wilson has the details.

(BEGIN VIDEOTAPE)

BRIAN WILSON, FOX CORRESPONDENT (voice-over): Did
Charles Bakaly give secret grand jury level information to "The New York
Times"? Bakaly took the stand in his own defense to steadfastly maintain
time and time again that he did not, and he characterized a sworn
statement he gave to the court as accurate.

It all has to do with a "New York Times" article

that set off a firestorm of protest from White House lawyers. It was printed in the midst of the president's impeachment trial and it quoted associates of independent counsel Kenneth Starr as saying that an indictment was possible after the Senate completed its work. The FBI probe quickly focused on Bakaly as the source of that information and in fact, he was ultimately fired by Starr.

Bakaly's problems seemed to revolve around a historical analysis from Starr's office that he gave to "The New York Times" and which "The Times" quoted at length. It was not grand jury information and could have been obtained by anyone in a public library.

Still, Bakaly said he had regrets about that. "It was harmful to morale," he told the court. "In retrospect, I would have done it differently. It was not wise."

Bakaly said he urged FBI agent Donald Buckland (ph) to include the fact he had given "The Times" historical information in his sworn statement, but then Buckland thought it a bad idea. Bakaly testified that Buckland agreed to take it up with the judge privately if it became an issue. He said, "If I have to inform the judge incamera later, I will do that." Bakaly also pointed to article after article where the topic had been discussed publicly.

In fact, Bakaly mentioned a broadcast of the Fox "HANNITY & COLMES" program in December of 1998 that touched on these very topics. The defense team making the case that such information was in the public domain, not from the inner sanctum of the independent counsel's office.

(END VIDEOTAPE)

WILSON: But remember, the issue, the only issue here is whether or not Bakaly lied in his sworn declaration to the court, not if or what he might have leaked to "The New York Times." Many legal analysts have written about the weakness of the government's case here, but it's not going to be decided by a jury--rather, it will be decided by a judge with a decided dislike for the media and media leaks--Jim.

ANGLE: Brian, I gather the defense filed a motion to dismiss all of this last week. Has the judge ruled on that?

WILSON: Well, that was supposed to be the first order of business today when they started at 2:00 Eastern Time. We can only assume that the judge decided that the case could not be dismissed at this point because it went forward, but we don't really know that because we're not allowed, as you know, under this judge's order to talk to any of the lawyers as long as they're on the courthouse property.

ANGLE: OK, thanks very much, Brian Wilson.

And Linda Tripp's lawyers have sent subpoenas to President Clinton, Defense Secretary William Cohen, White House aide Sid Blumenthal, former aide Harold Ickes and press aide P.J. Crowley. Tripp is suing the Pentagon for releasing confidential information from her personnel file during the Monica Lewinsky scandal. Her lawyers want to ask the president and the others if they had any role in the leaks. They are hoping to take depositions in September.

Meanwhile, there is another federal court battle in Washington linked to the Clinton administration--the case of those missing White House e-mails was the subject of a hearing, and two former White House staffers who helped bring the controversy to light are talking frankly about what they say were attempts to silence them.

Fox News' Steve Centanni explains.

(BEGIN VIDEOTAPE)

STEVE CENTANNI, FOX CORRESPONDENT (voice-over): Two women who blew the whistle on the White House e-mail troubles once again told tales of threats and retaliation at the hands of administration officials.

BETTY LAMBUTH, FMR. WHITE HOUSE SUB-CONTRACTOR: I actually was threatened. My staff and I was threatened by members of the White House that said if we talked to anyone about the e-mails, the missing e-mails that we would, in fact, lose our jobs, be arrested and put in jail.

SHERYL HALL, FMR. WHITE HOUSE EMPLOYEE: I was reprimed against for a two-year period.

QUESTION: What happened?

HALL: I was isolated. I was removed of all responsibilities and all of my staff was removed.

CENTANNI: The case was brought by Larry Klayman of the conservative watchdog group Judicial Watch. He claims the White House is dragging its feet in retrieving the missing tapes. The White House says it's done nothing wrong and is moving as fast as it can.

But District Judge Royce Lamberth is growing increasingly annoyed with the delays and he scolded the government's chief attorney for failing to reveal that a former timeline of 170 days was no longer realistic. "You didn't say anything about the 170 days being out the window," said the judge. "You left that out. You weren't going to admit it until it was drug out of you during this hearing."

The judge also slammed into Chief Warrant Officer Terry Missick (ph), the man who is running the White House e-mail recovery project. After hearing testimony last week that each back-up tape could be copied in five hours, instead of the 50 hours it now takes, the judge asked Missick if he plans to just plow along at his current pace. When Missick said that is his intention, the judge fired back sarcastically, "I'll bet it is."

More points scored for Larry Klayman, who says he doesn't consider it much of a victory.

LARRY KLAYMAN, JUDICIAL WATCH: To watch the White House lie, cheat and steal like this is not a victory, it's, in fact, a very sad day in American history.

CENTANNI (on camera): Judge Lamberth has adjourned the hearing for now, but he is deciding whether to preside over a demonstration of a faster way to retrieve the missing e-mail. Meantime, the White House has copied only three tapes so far out of a total of more than 3,000.

In Washington, Steve Centanni, Fox News.

(END VIDEOTAPE)

ANGLE: With just weeks to go before the political conventions, Texas Governor George W. Bush and Vice President Gore are getting ready for their respective moments in the spotlight.

Bush is forging ahead with his compassionate conservative message, and as Fox News' Carl Cameron tells us, the Republican Party is making a splash on his behalf in a key battleground state.

(BEGIN VIDEOTAPE)

CARL CAMERON, FOX CORRESPONDENT (voice-over): While Texas Governor George W. Bush was on the campaign trail in the president's

home state of Arkansas, the Republican National Committee unveiled new issue ads promoting Bush's education agenda.

(BEGIN VIDEO CLIP, REPUBLICAN NATIONAL COMMITTEE AD)

GOV. GEORGE W. BUSH (R-TX), PRESIDENTIAL CANDIDATE:

We need the courage to raise standards in our schools. We need more accountability and more discipline.

(END VIDEO CLIP)

CAMERON: The GOP will spend more than \$12 million running the soft-money ad in 20 states in the next two weeks leading up to the Republican Convention. It will be the first major buy by either party in vote-rich California since each candidate sewed up his nomination in March.

California is considered a must-win state for Al Gore, and with polls showing a tight race there, Republicans say for Bush to hit the airwaves first is a shot across the Democrat's bow.

Gore was in Nashville where he toured his campaign headquarters with his mother and climbed up on a chair to rally volunteers and staff.

AL GORE, VICE PRESIDENT OF THE UNITED STATES: The Supreme Court is at stake. The environment is at stake. Our public schools are at stake. The rights of women and minorities are at stake. The economy is at stake. Our health care system is at stake. Our world.

CAMERON: Bush put fatherhood at stake at an event to underscore his compassionate conservatism with a new adoption proposal called a Paternity Registry. Unwed fathers would have to sign up to keep their adoption rights. Those who do not sign would lose their right to contest adoption by others.

BUSH: This is a way to encourage responsible behavior on the one hand by the dads of America, but on the other hand this says if a father refuses to be responsible for loving his or her child, that we will expedite adoptions.

(END VIDEOTAPE)

CAMERON: Politically, Bush is adopting a travel schedule that returns him to Austin by Wednesday and will keep him there until the middle of next week, ostensibly to make his vice presidential running mate pick. Following that on the run-up to the Republican Convention at the end of this month, he will spend five days on the campaign trail in five key battleground states, states that historically have leaned Democratic and that in 1992 and '96 Bill Clinton won--Jim.

ANGLE: Carl, very quickly, yesterday Vice President Gore hemmed and hawed when asked about whether it was appropriate to execute a pregnant woman on death row and refused to take a position on that. Now, both candidates had something to say about that.

CAMERON: Yes, this is about a federal law that says a pregnant woman should not be executed. George W. Bush today said he supports the law and, of course, the execution should be postponed, and asked why Al Gore had taken such--not said anything yesterday--today, Gore said he too supports the law.

ANGLE: OK, thanks very much, Carl Cameron.

Senator Paul Coverdell is in serious condition at a Georgia hospital. The 61-year-old Republican was admitted over the weekend after complaining of headaches. The doctor found a cerebral hemorrhage and he underwent surgery for it. The doctor who performed the procedure at an Atlanta hospital says the operation was a success, but it's not clear what

lasting effects the senator could suffer.

Next, find out what Hillary Clinton says about the charges that she's been an anti-Semite.

(COMMERCIAL BREAK)

ANGLE: President Clinton is standing by his woman.

He issued a statement in support of the first lady, rejecting allegations she made an anti-Semitic remark back in 1974. A former staffer who helped run Bill Clinton's unsuccessful bid for Congress claims Hillary Clinton used an anti-Semitic slur. She says the charges are just plain false.

Fox News' Catherine Herridge has the story.

(BEGIN VIDEOTAPE)

HILLARY CLINTON (D), N.Y. SEN. CANDIDATE: This one really cut to the core of who I am and what I believe, what my values are, the kind of person I have tried to be, the way I've tried to lead my life and what I've stood for, so I felt a need to respond to it.

CATHERINE HERRIDGE, FOX CORRESPONDENT (voice-over):

It was the second time in 24 hours that Hillary Clinton denied allegations in a book by former "National Enquirer" reporter Jerry Oppenheimer that she used an anti-Semitic slur 26 years ago against the manager of Bill Clinton's failed congressional campaign. And for the first time, her Republican opponent in this year's New York Senate race shed his caution about commenting on the explosive charge.

REP. RICK LAZIO (R-NY), SEN. CANDIDATE: This is, again, a--sort of a sad, disappointing fact of the campaign that, you know, the Clintons are never to blame. It's always somebody else's fault whenever they have done something wrong.

HERRIDGE: Mrs. Clinton also came under fire from conservative Jewish groups, who held a news conference outside the first lady's Manhattan campaign headquarters.

DOV HIKIND (D), NEW YORK ASSEMBLYMAN: Some who say, "Well, 26 years ago," there is no statute of limitations for racism or anti-Semitism or bigotry.

HERRIDGE: The Clinton campaign insists the record is clear. It released a letter it says was written by Paul Fray to the first lady in 1997 in which he asked forgiveness for saying things against her which had no basis in fact, although it's not clear what comments he was referring to. And President Clinton has defended his wife in a statement saying he was there on Election Night in 1974 and the charge simply isn't true.

JOE LOCKHART, WHITE HOUSE PRESS SECRETARY: The president probably has more experience than any living human being about how deep in the gutter some people can go.

HERRIDGE: The controversy comes at a time when observers say Mrs. Clinton is struggling to maintain her support among Jews who traditionally vote Democratic.

ADAM DICKTER, "JEWISH WEEKLY": People are angry at her, will be more angry at her. People who have believed in the past that she's been persecuted, that stories have been made up about her, will believe that even more so.

HERRIDGE (on camera): Clinton campaign aides say they are expecting to see more charges leveled against the first lady between now and November. It's not clear if this alleged incident will resonate with voters or be seen, as one analyst said, "as an overhyped election year book."

In New York, Catherine Herridge, Fox News.

(END VIDEOTAPE)

ANGLE: Bush and Gore are at it again over Social Security. We'll untangle it all next.

(COMMERCIAL BREAK)

ANGLE: Over the weekend in dueling television interviews, Al Gore and George W. Bush once again took swings at one another over Social Security. Governor Bush wants to give some workers--or give workers some of their taxes back in the form of private accounts as part of an overall reform of the system. Vice President Gore opposes any changes to Social Security and proposes instead to pay down the national debt and put some of the savings into the Social Security trust fund. But there are elements of each plan the candidates do not want to talk about. That's what we're here for.

And to help us on this one is Michael Tanner, director of the project on Social Security privatization at the Cato Institute.

Thanks for coming in.

MICHAEL TANNER, CATO INSTITUTE: Pleasure to be with you tonight.

ANGLE: Now first, on the Bush plan--he actually really hasn't presented a plan, he's embraced an idea, the idea of taking out a small portion of the taxes that people pay and letting them have control over that as part of a private account very much like a 401(k). For details, he points to a number of plans that are kicking around on Capitol Hill and have been for some time.

What are the key characteristics of those plans and how much money are we talking about?

TANNER: Well, essentially, most of these plans would allow you to take about one sixth of your payroll tax, or about 2 percentage points of payroll and divert that to an individual account that you would own. It would be like your 401(k) program, as you were saying. And then your Social Security benefits would be reduced by some amount.

You would be substituting the money in your private account for a portion of your government-provided Social Security benefits. Presumably, given the rates of return on private investment, those accounts would provide more benefits than the amount of government benefit you are losing.

ANGLE: Now, one of the advantages, of course, is that you could leave this to your heirs, so that for poor people who have a hard time saving you would have something to actually pass on to your family.

TANNER: That's right. In most of the plans up there, individuals would actually own their accounts, just like they own their IRA or 401(k), and therefore it would become part of their estate. If they died, it would be their money.

ANGLE: Now, one of the interesting things is that obviously, Governor Bush has said, "I'm not touching any of the benefits for anyone who is now retired or is even near retirement, so you people are out of this thing." Beyond that, it is voluntary, so you don't have to participate.

But if you do participate, it's not necessary to invest in the stock market, is it? Don't you have a range? Wouldn't there

be a range in most of the plans of investments?

TANNER: Certainly. People could invest in government bonds, in annuities. There would be a wide range of capital investments, including the stock market, which is remarkably safe as an investment when you are talking investing for 30 or 40 years.

ANGLE: Now, how safe is it? There--you know, there has been a big debate over this. Vice President Gore went out for a while and said that it was roulette, it was a gamble, that people could end up living on worthless paper.

He later proposed a \$200 billion program outside of Social Security to help people invest in the stock market. He had said at one point that over any 10-year period in American history, the stock market exceeds any other investment. Is it really that good? Or how good is it?

TANNER: He was absolutely correct on that. If you look back over the last 75 or 80 years of the stock market, it has averaged nearly 8 percent a year real rate of return. That's through the Great Depression, World War II, a host of police actions and minor wars, stagflation, recessions and everything else, and it's still churning out positive returns.

ANGLE: Now, one of the problems, of course, all this sounds great but when you take that amount of money out of Social Security, and this is the part that Governor Bush does not like to talk about in any great detail, you have to find the money from somewhere. You have to replace that money to pay benefits to those who are already retired.

Now, what would most of the plans on Capitol Hill do to make up for that money?

TANNER: Well, that's right. You have a huge problem with Social Security. If you will, you have a big pile of spinach on your plate in the form of unfunded liabilities--money that Social Security has promised but can't pay.

ANGLE: Right. Based on current tax rates.

TANNER: That's right. Based on current tax rates.

Now, Governor Bush is saying that if you eat that spinach he's going to give you some ice cream for dessert in the form of an individual account and he wants to talk a lot about the ice cream, not so much about the spinach.

But there is going to have to be changes in the current benefit structure in terms of raising the retirement age, changing cost of living increases, making some sort of benefit--change in the benefit structure and then hopefully your money in your individual account will more than offset any reduction in the benefits you receive.

ANGLE: Now, the argument that Democrats and Republicans on the Hill make is that if we make these changes now, they are so small, and we can do them so far out into the future that no one will really feel any pain.

TANNER: Well, that's exactly right. The return on those individual accounts, if you get 8 percent a year--even if you got 3 or 4 percent a year--would be more than the amount of money you--in government benefits that you would lose through these changes. You would actually end up better off in the long run.

ANGLE: Now, because Social Security gets about a 2 percent return...

TANNER: That's right.

ANGLE: Right. So it would be hard to do that badly.

If you did do that badly, though, there are concerns, and Vice President Gore raises a question of, what do you do? People who don't do as well are surely going to turn to the government and say, "You know, I messed up. Help me out."

TANNER: Well, absolutely. And every proposal up there includes some sort of a safety net to bail them out. Now, the vice president says that would be expensive. But would it be more expensive to bail out those few people who did badly, or to bail out everyone in the system that can't support itself now?

ANGLE: All right, let's talk about bailing out the entire system.

What is the problem with Social Security? How big is this shortfall when you talk about there are more promises than there are taxes to pay for? How many more promises than taxes?

TANNER: About \$21 trillion--that's trillion with a "T"--over the next 75 years.

ANGLE: Twenty-one trillion?

TANNER: That's right. It's a huge amount. It's about four times bigger than our current national debt, just to put it in perspective.

ANGLE: Now, Vice President Gore says what he would do is pay down the debt, take some of those savings, put that in the Social Security trust fund. Does that do the trick?

TANNER: It doesn't do a thing. This is essentially an accounting gimmick. What the vice president is proposing is that we will pay off the national debt--which is probably a good thing--and that then he hopes that by doing that there will be more money available, someday in the future when those bills become due for Social Security. They may or they may not. There is no guarantee that future Congresses won't spend the money in some way and that money won't be there.

ANGLE: Well now, that money would be in the Social Security trust fund. But the trust fund is simply IOUs--the IOUs would have to be paid by--what--the federal government, which means the taxpayers.

TANNER: It's very simple. Social Security is paid by current-year revenues. Whatever year the bill comes due, the money that comes in that year has to be used to pay it. There is no way you can save today for a bill that's going to come due in 15 or 20 years. What the vice president is hoping is that the economy will be better, we'll be spending less money on debt service and that therefore there will be some money around in 20 years to pay it, but he can't offer any guarantee.

ANGLE: Right. And we're talking about huge amounts of money, right, very quickly?

TANNER: Well, we're talking tens of trillions of dollars.

ANGLE: Tens of trillions that would have to come from the taxpayers if we don't change Social Security?

TANNER: Absolutely.

ANGLE: OK, Mike Tanner of the Cato Institute, thanks for joining us, appreciate it.

Now, we have to take a quick break for the news, but when we return, find out which presidential candidate is being compared to

Richard Nixon and why.

(COMMERCIAL BREAK)

ANGLE: And now for the latest pickings from the
"Political Grapevine."

Former House Speaker Newt Gingrich says Vice President Al Gore reinvents himself so often that he's become the Richard Nixon of the Democratic Party. "They used to talk about a new Nixon," Gingrich said, "but we get a new Gore about every 10 days." Gingrich also told NBC's "Today Show" he thought Gore was very smart and very combative. Asked whether he ever plans to run for president, Gingrich said, "Who knows? We live in a world where all sorts of interesting things happen."

Unfortunately, for Gingrich, one of those interesting things may be the tell-all book his ex-wife is writing. She says it will cover her 19-year marriage to Gingrich, which ended when she found out about his affair with one of his aides. The former Mrs. Gingrich says, "I want to describe what I saw and the rise to power and in Newt's eventual demise."

CNN founder Ted Turner, who heads the Turner Endangered Species Fund, has approved the use of a electric shock collars on gray wolves on his 600,000 acre Montana ranch. The "London Sunday Telegraph" reports the wolves would be caught and fit with collars that beep then give off an electric shock when the animals get near cattle.

The U.S. Fish and Wildlife Service says the collar experiment is humane, but a spokeswoman for the fund--for the Fund for Animals, rather, calls it an exceedingly-cruel experiment. The fund believes the wolves' natural instincts cannot be retrained with shock therapy.

The Congressional Budget Office has more than doubled its budget surplus estimates. The CBO now expects a surplus of more than \$2.1 trillion over the next decade, and those higher numbers are sure to fuel the fight on Capitol Hill over whether to save the surplus or cut taxes.

Tax reform is already the hot button issue in Washington, as lawmakers seek to polish off legislation before they head home for the summer recess. They want to ensure they have lots of work to brag about when they head home to campaign.

But as Fox News' James Rosen tells us, they'll have to go through the White House first.

(BEGIN VIDEOTAPE)

JAMES ROSEN, FOX CORRESPONDENT (voice-over): Call it that old tax magic. It worked for Ronald Reagan in 1980, and a generation later, Republicans hope to revive tax cuts as a winning issue.

SEN. LARRY CRAIG (R), IOWA: We've heard them whining about tax cuts and saying the tax cuts are for the rich, and somehow, you ought not give the rich any opportunity. And, of course, in this instance, they simply miss the mark and they know it, and they know that they're on the wrong side of this issue.

ROSEN: GOP lawmakers have recently sought to push three tax relief packages through Congress. On Friday, the Senate approved gradually eliminating taxes on estates.

SEN. EDWARD KENNEDY (D), MASSACHUSETTS: They know that this president's going to veto this measure. And instead of doing

something that would benefit those small family farms and small businesses, they said, "Oh, we'd rather have it vetoed."

ROSEN: Undaunted, the Senate on Monday tackled the so-called marriage penalty tax. A Republican plan would increase the standard deduction for married couples to twice that of single taxpayers, while a Democratic countermeasure would allow married couples who file individual returns to be counted as single filers. Here, the Clinton administration offers a straight-up deal: marriage tax relief for Medicare prescription drug coverage.

JOE LOCKHART, WHITE HOUSE SPOKESMAN: They can make political points, pass bills so they can talk about them at their convention, or we can get marriage penalty relief and prescription drugs for seniors, as the president has offered. It's up to them. Politics or substance.

ROSEN: Even some Democrats recoiled at such open horse trading.

SEN. ERNEST HOLLINGS (D), SOUTH CAROLINA: Yeah, I'd like to pay down the debt rather than engage in this shabby charade. And as a result, Mr. President, the only way to do that and pay down the debt is stop this sweetheart deal of giving a little on spending increases and giving a little again, of course, on tax cuts.

ROSEN (on-camera): Senior House Republicans have also begun a drive to repeal taxes on some Social Security benefits. In all these measures, some Republicans see a win-win situation. Either they lose some odious taxes or gain a potentially winning issue.

In Washington, James Rosen, FOX News.

(END VIDEOTAPE)

ANGLE: Coming up, will there be a breakthrough in Middle East peace talks? Find out why the president is concerned after this short break.

(COMMERCIAL BREAK)

ANGLE: President Clinton leaves this week for an economic summit in Japan, and the pressure is on Camp David negotiators to make progress on a peace deal before his departure. Israeli and Palestinian officials have been meeting for days, and the White House says the talks have been intent.

As Fox News' Wendell Goler tells us, forces outside Camp David confirm the president's view that making peace is not easy.

(BEGIN VIDEOTAPE)

WENDELL GOLER, FOX CORRESPONDENT (voice-over): An ocean away from Camp David, Palestinians warned Yasser Arafat not to sell them short, a day after Israelis warned Prime Minister Ehud Barak not to make too many concessions. For those Israelis, at least, no news was good news. But just down the mountain from the supposedly secret summit, aides admitted the president violated the news blackout he imposed with some comments to the "New York Daily News."

LOCKHART: Those were outside the rules since we sat down, but I think the circumstances warranted that.

GOLER: Mr. Clinton said, quote, "I'm more optimistic than I was when they got here. We might make it, I don't know. There's been some progress but I can't say I know we'll succeed. It's the hardest thing I've ever seen." Mr. Clinton says that Barak and Arafat will anger half their constituents with whatever deal they make.

What Fox News has learned of a possible compromise

on refugees shows why. Sources say Israel would accept a limited number of refugees pushed from their homes in 1948. As many as half a million refugees pushed from the West Bank in the 1967 war would be allowed to return there. But that would still leave two million Palestinian refugees in Jordan and Lebanon.

Meanwhile, relocating the refugees will be just part of what experts say will be a very expensive peace plan to implement.

GEOFFREY KEMP, NIXON CENTER: There's probably \$100 billion, if not more, spread over a long period of time.

GOLER: Geoffrey Kemp of the Nixon Center says, aside from relocating refugees, it will take money to upgrade Israeli security, to stimulate the Palestinian economy and rebuild the infrastructure of a devastated land.

KEMP: Peace costs money. It's as simple as that.

GOLER: U.S. lawmakers are already balking at picking up the tab and aides say the president will make the case for international support at the G8 summit later this week.

LOCKHART: This is a perfect scheduling coincidence as far as the president being able to sit with world leaders and make the case for this.

(END VIDEOTAPE)

GOLER: That's if there's a deal to make the case for. Lockhart says he expects Arafat and Barak to finish their work by the time the president leaves, and the president is scheduled to go to Japan on Wednesday. But Lockhart says we'll know he's sticking to his schedule when he walks up the steps of Air Force One and wave goodbye--Jim.

ANGLE: Wendell, lawmakers on Capitol Hill are starting to warn the president that he better talk to them before he makes any commitments here.

GOLER: You're right. Speaker Dennis Hastert send the president a letter reminding him that Congress controls the nation's purse strings and that Mr. Clinton had promised to keep them fully apprised before any commitment is made. Not much time for that to happen if a commitment is to be made by Wednesday--Jim.

ANGLE: All right, thanks very much, Wendell Goler.

Russian president Vladimir Putin is in China for the first leg of a tour across Asia that will end with his participation in the G-8 summit. Putin and his Chinese counterpart, Xiang Zemin, seem to be forging increasingly close ties and they're both dead set against a U.S. national missile defense system.

Fox News' Amy Kellogg has the story from Moscow.

(BEGIN VIDEOTAPE)

AMY KELLOGG, FOX CORRESPONDENT (voice-over): These two men are pretty unhappy about U.S. plans to build a national missile defense, and it's bringing them closer together. Russian president Vladimir Putin and Chinese president Xiang Zemin are meeting for the second time this summer.

VLADIMIR PUTIN, RUSSIAN PRESIDENT (through translator): Russia and China disagree on some issues but we share a commitment to keeping the world a multi-polar place and to retaining strategic balance in the world.

KELLOGG: On Putin's visit to China, he and the Chinese leader will sign a document protesting U.S. plans for a national missile defense, and they will no doubt find ways to stick up for

themselves in a world where now, there really is only one super power, the United States.

ANDREI KORTUNOV, POLITICAL ANALYST: We know that the United States might become arrogant. And sometimes, the American definition of allies is that a good ally is someone who agrees with the United States on everything that Americans say.

KELLOGG: Just last week, U.S. Defense Secretary William Cohen tried to get Beijing to agree that national missile defense would not jeopardize Chinese security. And he urged China to let Taiwan be, but huge differences remain.

Meanwhile, China and Russia stand together. While the rest of the world criticizes them for the Taiwan and Chechnya issues respectively, they support each other's concepts of territorial integrity.

Not only that, but Putin seems to have plans for being a major player in Asia. After China, he heads to North Korea where he will be the first Russian or Soviet leader to visit the hard-core Communist closed country.

KELLOGG (on-camera): The thought of the two giants--China and Russia--getting cozy makes some people nervous, but others say both need the United States too much to let their newfound friendship jeopardize either country's relations with the U.S.

In Moscow, Amy Kellogg, Fox News.

(END VIDEOTAPE)

ANGLE: Stay with us, folks. Our panel of pundits is coming up next.

(COMMERCIAL BREAK)

ANGLE: And before we get to our pundits, this late note from the ABC network, which is backing up the "Monday Night Football" games one hour on July 31st and August 14th, the opening nights of the Republican and Democratic National Conventions. That's so the network can have one hour of convention coverage at 10:00 p.m. Eastern instead of the 20 minutes of coverage it had planned during half time, some halftime show.

Fox News Channel, of course, will have complete coverage of the conventions.

But here in the studio, Mort Kondracke, executive editor of "Roll Call; Jeff Birnbaum, Washington bureau chief of "Fortune" magazine; and from out in the ozone in Los Angeles, Fred Barnes, executive editor of the "Weekly Standard," all three Fox News contributors.

Welcome, Fred.

FRED BARNES, "WEEKLY STANDARD": Hey. Glad to be here.

ANGLE: All right, look, first thing...

BARNES: Ozone?

ANGLE: First thing, the first lady in her race. Book coming out now that has an allegation from 1974 that she referred to someone--I can't read the entire phrase. I'm not even sure I can read part of the phrase, but I'll take a stab at part of it in which she supposedly exploded in anger after Bill Clinton lost his congressional bid and referred to someone as a blanking Jew bastard. She absolutely denies it. And let's look at her comments today on it.

(BEGIN VIDEO CLIP)

HILLARY CLINTON (D), U.S. SENATE CANDIDATE: I just want to reiterate as clearly as I can, you know, I have in the past certainly, you know, maybe called somebody a name, but I have never used an ethnic, racial, anti-Semitic, bigoted, discriminatory, prejudiced accusation against anybody. I've never done it. I've never thought it. So why, you know, why people are accusing me of this is, you know, certainly beyond my understanding.

(END VIDEO CLIP)

ANGLE: Now those comments were from Sunday. Obviously, this is a very touchy allegation, one that she absolutely denies. What do we know about this allegation, guys?

MORT KONDRACK, "ROLL CALL": Well, it comes from--it's very old, for one thing. Secondly, the guy involved was not even Jewish as it happens, Paul Fray, the one who made the allegation. His wife says he also--she also said it. But, you know, the Anti-Defamation League says that there is not anything in Hillary Clinton's record that indicates that she's anti-Semitic. And, you know, there are a lot of things you can say about--nasty about Hillary Clinton but anti-Semitism is not something that she's notorious for.

JEFF BIRNBAUM, "FORTUNE" MAGAZINE: This strikes me as having all of the earmarks of a smear in New York. And New York politics, it's not unknown for this sort of thing to happen, but it does touch on, I think, a vulnerability on her part when she embraced Yasser Arafat's wife, for example, when she was over in the Middle East. You combine this--let's say it is a smear--because...

ANGLE: Saying it's about the possibilities of some sort of Palestinian entity like the state, that sort of thing.

BIRNBAUM: Right, that's right. But so there is uneasiness among Jews in New York, a very important voting block there. This does not help her whether it's true or not. It is a political problem for her that could actually lose her a few very important percentage points in the Senate campaign.

ANGLE: Fred, how's it playing out on the West Coast.

BARNES: She was running poorly. Yeah, she is running poorly every poll shows among Jews, Jewish voters, which is a group that a Democratic candidate must do very well against--get a sizable majority among, particularly in Manhattan. Look, I find it hard to believe that she said this but there are three people that confirm it. But even one of those people said it was said in the heat of the moment back in 1974, that there's never been any indication that she's anti-Semitic, that she meant it to be anti-Semitic. And I certainly don't think she's anti-Semitic. So I think it's a pretty unfair charge.

ANGLE: Now one of the things was that both the president and the first lady seem to say, "Well, yes, I've called people names and I might have said something but I didn't say anything anti-Semitic," so suggesting that it was you, "you, bastard," not "Jew bastard," so there's a little hint there.

KONDRACK: Now that, I fully expect that. It's probably the--and the first part, too, the part we can't repeat, she probably said that, too.

ANGLE: Yes, it's a word that ends in i-n-g. Now we've also learned that both the candidates are planning some post convention trips: Bush by train, Gore by boat on the Mississippi and the Great Lakes, obviously, part of the effort to keep that bounce in the

convention going. How much does something like that help, Mort?

KONDRACKE: Oh, the bus--the famous bus tour that Clinton and Gore embarked on in '92 and then again in '96 worked very well. It was, you know--I'm trying to picture the boat ride. I mean, it takes a very long time to get places by boat, you know, so I'm not sure how much--how many towns he's going to hit. The train is a little old fashioned, too.

BARNES: Mort, it wasn't the buses. It wasn't the buses that mattered and it's not the boats or the trains here. When Clinton came out of the convention in '92 after picking Gore as his running mate, he had incredible momentum, and there was good body language between Clinton and Gore and so on. And that would have showed up anywhere, whether they were taking a bus ride with their wives or not, so--but if you do something like this, you do a train ride, you do a boat trip, you know what happens? You get more reporters to show up, more TV cameras. That's what they're after. And you know what? It'll work again.

ANGLE: Well, I know--go ahead, Jeff.

BIRNBAUM: I was actually--I road on every mile of the thousand miles of the original Clinton-Gore bus trip, and there were many components, a couple of which Fred mentioned are exactly right. Beautiful scene, very well choreographed. What they also did and what both of these trips will bring are presidential candidates to places that normally don't get presidential candidates.

That was a key back in 1992. They went to a lot of small towns. They went to parts of those battleground states between New York City, you might remember, all the way out to St. Louis, that normally don't get to see any big-time politicians. That means you get large, enthusiastic crowds, which make for great pictures. And it conveyed the impression of momentum. It actually created the impression of momentum, in my view, that was key to Clinton and Gore winning.

Which of these two will produce those crowds? I agree with Mort. I think that the boat may be too slow. The train, at least you can move and you can get, I think, better pictures that way.

ANGLE: Well, and the whole idea here is that voters don't quite seem to have connected with the campaign, and they want to get voters jazzed up, especially Al Gore, who is counting on that to close the gap.

KONDRACKE: It is incredible how bored the American people seem to be with this campaign, you know. I mean, part of it, I think, has to do with the fact that the nominees are picked in the beginning of March and the conventions aren't over till Labor Day. You know, that's a very long gulf.

ANGLE: Well, and it's summer and, you know, people want to go to the beach, they want to, you know. All right, now...

BARNES: Wait a minute, wait a minute.

ANGLE: Go ahead.

BARNES: I don't think people are bored. It's just not that big a part of their lives yet. But, you know, at least out of the corner of their eyes, they're watching this race.

ANGLE: Yeah, they don't have to make a decision now so, you know, why pay attention to that until you have to, right, now, except for the good people who watch this program and care about politics a lot.

Now let's talk about the surplus. Today, the

Congressional Budget Office, which is sort of the congressional version of--they also manage the budget which is the administration wing of this thing--said that the surplus is even bigger than we thought, that over the next 10 years, the surplus will not be about \$1.8 trillion, as the White House has suggested, but \$2.1, almost \$2.12 trillion. What does this do to the campaign, Mort?

KONDRACKE: Well, it makes Bush's tax cut a lot more affordable and it makes--and it makes any spending program that Al Gore wants to put through also affordable so that the argument for fiscal responsibility is kind of moot. You know, they're both fiscally responsible. They can afford to be fiscally responsible.

ANGLE: Jeff?

BIRNBAUM: The era of big government is back again. That's what it is. And the question is for the candidates: Who could give away more money? And they both are...

KONDRACKE: And how.

BIRNBAUM: ... with both fists.

ANGLE: Final word, Fred.

BARNES: Well, let's go back to whose money it is. This is the people's money. If there's that much extra money in Washington, it means the people have been overtaxed by definition.

ANGLE: OK. Fred Barnes, last word. That's all the time we have for the panel but stay tuned for an issue that's got all our viewers crossed up.

(COMMERCIAL BREAK)

ANGLE: And finally, as we reported last week, a viewer criticized our own Fred Barnes for crossing his arms repeatedly during the course of our nightly panel. Since we called Fred's habit to everyone's attention, several more viewers have e-mailed the show on the subject. Cindy Schwartz of Plano, Texas writes, "Fred, I don't know why viewers are up in arms about your crossed arms. You wouldn't be Fred without those crossed arms. Keep it up and don't let public opinion sway you to change."

Charlie Adkins writes, "Please note at the bottom of the "Roll Call" Web page that Mort Kondracke's arms are crossed. Does this mean that the finger pointing liberal has been getting special consideration from the liberal press? Hang in there, Fred."

Joy and Dave Parish of Mission, Kansas wrote, "I really like Freddie and so does my husband. I think all of his fidgeting is kind of cute. He has so much energy that I bet he can mow his whole lawn in no time!"

And finally, to Fred Barnes, "You all just keep on crossing them arms all you all want and keep on talking. Bushels of love, Phoebe."

Now, Fred, there's that cute Fred Barnes. And if you can mow your lawn that fast, why don't you come on over to my house? That's all right.

There's a picture we'll leave you with. And that's SPECIAL REPORT for this time. Always a pleasure to have you here with us. Brit Hume will be back next time. Now stay tuned for more news.

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TO: Daniel R. Wilson (CN=Daniel R. Wilson/OU=OMB/O=EOP@EOP [OMB])
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TO: Beth Nolan (CN=Beth Nolan/OU=WHO/O=EOP@EOP [WHO])
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TO: Anne W. Bovaird (CN=Anne W. Bovaird/OU=WHO/O=EOP@EOP [WHO])
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CNN Inside Politics

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Clinton Passes the Torch to Gore; Kennedys, Bill Bradley
to Speak to Democratic National Convention

ANNOUNCER: From the Staples Center in Los Angeles, site
of the Democratic
National Convention, this is an expanded edition of
INSIDE POLITICS, with
Wolf Blitzer.

WOLF BLITZER, CNN ANCHOR: Welcome to the second day of
the
Democratic National Convention here at the Staples
Center in Los Angeles.

Today's early session begins momentarily, but before we
get a preview, let's first
head to Atlanta for a news update with Natalie Allen --
Natalie.

NATALIE ALLEN, CNN ANCHOR: Failure today, Wolf, in
Moscow's first
effort to rescue 116 Russian submarines sailors trapped
at the bottom of the
Barents Sea. With time running out, another rescue
attempt is under way.
Meantime, CNN has learned the Russians have made
inquiries about possible help
from NATO, but at this point we're told there's been no
actual request for
assistance.

To Moscow now and CNN's Mike Hanna with the very latest
-- Mike.

MIKE HANNA, CNN CORRESPONDENT: Well, Natalie, more than
20 vessels
are now in station above the submarine Kursk and the 116
crew members
aboard. Attempts at rescue are continuing in the seas
that are remaining rather
heavy even though the weather conditions have abated
somewhat in the course
of the day.

The attempts being made to attach a submersible capsule
to the hull of the
submarine to slide it across the hull and attach it to
the escape hatch, allowing
the crew to pass through into the escape capsule and to
float to the surface.

However, the reports are that the strong currents down

below as well as the
angle at which the submarine is reportedly inclined are
making this all but
impossible to do.

The next technique to be tried says the chief of the
Russian Navy would be to
attach flotation devices to the bottom of the submarine
in an attempt to float the
entire vessel to the surface.

So the rescue operation's continuing: no sign yet of any
success, and time clearly
running out for the 116 crew members onboard -- Natalie.

ALLEN: Mike Hanna in Moscow. There are new troubles
today for the Concorde
supersonic jetliner. British Airways has grounded its
fleet of Concorde's. The
move comes one day before British and French safety
authorities are expected to
recommend that the plane's certificate to fly be
suspended.

Air France's Concorde's have been grounded since last
month's crash of a
Concorde near Paris. Investigators have not issued a
final report on the crash,
but they believe the explosion of a tire on the plane
set off a chain of events that
caused the aircraft to crash.

I'm Natalie Allen in Atlanta. Let's go back to CNN's
Wolf Blitzer at the
Democratic National Convention in Los Angeles -- Wolf.

BLITZER: Thank you, Natalie.

Here in Los Angeles, they're getting ready to gavel. In
fact, here are three
children, the children of Terry McAuliffe, the chairman
of this Democratic
National Convention: Dorie (ph), Jack and Mary
McAuliffe. They have officially
begun this second day of business here in Los Angeles.

The theme today: "You ain't seen nothing yet." In the
next hour, we'll have tips
of what to look for during the second day of the
convention. We'll take a closer
look on Al Gore's stands on two big campaign issues,
education and Social
Security. Plus, Jim Moret and Laurin Sydney of "SHOWBIZ
TODAY" will join

me. They'll talk about where some celebrities stand on key political issues.

But first, my colleague Bernard Shaw goes over the day's convention schedule.

(BEGIN VIDEOTAPE)

BERNARD SHAW, CNN ANCHOR (voice-over): Here's a look ahead to the

second day of the Democratic National Convention, Tuesday, August 15th. One

of the first famous faces for the primetime television audience outside the West

Coast will be the Reverend Jesse Jackson. The nightly segment of "American

Dialogues" in their 9 o'clock hour Eastern, 6:00 local. It will again feature

everyday folks with stories embodying convention themes.

Then, the final hour of the evening: 10:00 Eastern, 7:00 Pacific. Caroline

Kennedy Schlossberg will deliver remarks to the conventions will her uncle,

Senator Ted Kennedy.

Bill Bradley, who had challenged Gore for the Democrats' nomination, will then

speak. He'll be followed by a relative unknown on the national stage, a

congressman from Tennessee, Harold Ford Jr., the first African-American to

succeed his father in Congress. Ford will deliver the keynote address of this

night, Tuesday, August 15th.

(END VIDEOTAPE)

BLITZER: President Clinton and presidential candidate Al Gore campaigning

together this afternoon in Michigan. But the fork in the trail sends them in very

different directions. While Mr. Clinton is publicly showing support for his

second in command, he's also symbolically passing the torch to the party's new

leader. CNN White House correspondent Kelly Wallace is in Monroe, Michigan

with the latest -- Kelly.

KELLY WALLACE, CNN CORRESPONDENT: Well, Wolf, there was no torch

and no mantle, but the symbolism that signaled that Al Gore would be the new

leader of the Democratic Party happened just a few moments ago. Chelsea

Clinton came up onto the stage and grabbed the president and the first lady's hands, and escorted them off the stage and away from this rally while Al and Tipper Gore looked on.

This is a very significant day for both Mr. Gore and Mr. Clinton. It's a day when

Mr. Gore can start breaking out from the president's shadow and have voters see

him as someone other than Mr. Clinton's No. 2, and it is a day for the president

when he cedes the spotlight to his vice president, something that could be a

challenge for a man who is used to being in the political limelight.

The Clintons and the Gores arrived here at this rally this afternoon. There was

confetti and streamers. It was a scene very reminiscent of the bus tour they took during the 1992 presidential race.

The location chosen was definitely a political one, Monroe County, Michigan: a

swing county in a swing state, filled with blue-collar Reagan Democrats and

independents who could decide how this state goes in the fall.

Mr. Clinton saluted the vice president and said he is the right one to lead the

Democratic Party in the future.

(BEGIN VIDEO CLIP)

WILLIAM J. CLINTON, PRESIDENT OF THE UNITED STATES: The nominee of the Democratic Party, my partner and friend for the last eight years,

understands where we are, where we're going and how it will affect ordinary

citizens more than any other public figure in this country over the last 20 years.

He is the right person to be the first president of the 21st century, Al Gore.

(APPLAUSE)

(END VIDEO CLIP)

(BEGIN VIDEO CLIP)

ALBERT GORE, VICE PRESIDENT OF THE UNITED STATES: The question

in this election is whether we are going to erode that foundation or instead build upon it, whether we are going to turn back toward the old ways of the old guard or move forward with purpose and pride.

America has done well, but I tell you, you ain't seen nothing yet.

(APPLAUSE)

We're going forward! (END VIDEO CLIP)

WALLACE: A glimpse of what we are likely to hear from the vice president in Los Angeles. He will give his speech Thursday night -- Wolf.

BLITZER: Kelly, we know the vice president is heading toward Los Angeles, but what about the president? What's on his immediate schedule in the days ahead?

WALLACE: Absolutely nothing, which is very unusual for the president. He's heading back to Washington, keeping a low profile, trying to keep the spotlight on Al Gore. He and the first lady are expected to head to Lake Placid this weekend for some rest and relaxation.

BLITZER: Kelly Wallace in Michigan, thanks for joining us.

Let's go down to the floor now: Three of our floor reporters are standing by to tell us what we can expect later today. John King is there, Frank Sesno and Candy Crowley.

Let's begin with John. Some traditional Democratic business on the agenda today, right?

JOHN KING, CNN CORRESPONDENT: Traditional business on the agenda, Wolf, but the Gore-Lieberman campaign moving quickly today to try to snuff out one threat to unity at this convention. Some African-Americans have questioned Senator Lieberman's commitment to affirmative action because of

statements he has made supporting proposition 209. That was a California anti-affirmative action measure.

Senator Lieberman went, added to his schedule an address to the Democratic

National Committee's black caucus today, strongly defended his record on racial

equality. The Gore campaign rolling out other top African-American Democrats

to make that case as well. They say they are satisfied now that this criticism is

isolated and that this ticket will go ahead in the fall with the full support of the

African- American community. Obviously, that is a critical Democratic

constituency, especially in most of the big battleground states.

Now, for more on the day two dynamics, over to my colleague Frank Sesno.

FRANK SESNO, CNN CORRESPONDENT: John, thanks a lot. Later this

evening, we'll be hearing from Bill Bradley. He says it is up to the voters to

determine that he was going to be speaking tonight, Tuesday night, instead of

Thursday night, accepting the nomination. That, of course, sealed some time

during the primary campaign.

Bradley himself came to the floor earlier today to check out the terrain, to see

what will be waiting for him when he comes to speak.

Close aides to Bradley who are familiar with his speech say he's planning to send

two principle messages. One is that it's time for everybody, including the

300-odd delegates and all those who voted for him earlier in the primary season

-- he released his delegates yesterday -- to fall in behind Gore. So Bradley will lay

hands on in that regard.

Also, he'll be sending a message that the idealism and especially the appeal for

young people that politics can hold should be kept alive through this campaign

and beyond. We'll hear from Bradley this evening.

And now to Candy Crowley.

CANDY CROWLEY, CNN CORRESPONDENT: Thanks, Frank.

For all the talk of both the new guard and the old guard
-- the Democrats frame
themselves as the new guard -- there will be some
Democratic old guard here
tonight. An emotional moment in a convention the
Democrats say will be about
issues -- we will see on the stage tonight Caroline
Kennedy Schlossberg, who of
course is the soul remaining survivor of the JFK family.
We will also see Teddy
Kennedy, the soul surviving brother of the generation
just over that.

Both Caroline Kennedy and Ted Kennedy will speak about
the need to elect Al
Gore, but it is mostly an emotional moment that will
recall that, 40 years ago
JFK, was nominated here in Los Angeles. There will be
some personal stories
about that time. There is no greater applause giver in
terms of nostalgia in this
convention as the JFK era, which Democrats continue to
refer to as "Camelot."
So a very emotional high peak for a convention that many
believe centers on
issues.

Wolf, back to you.

BLITZER: Thank you, Candy.

Let's go to John King.

John, I know you've been speaking to some of Al Gore's
advisers, supporters.
How are they reacting to the message that the president
-- the way he delivered
his message last night before this audience.

KING: Gore campaign very enthusiastic about the
president's message. They
saw two important things: One, the president making the
case about the
economic record of the past eight years, directly
rebutting Governor Bush's
theme that this administration had coasted, had
squandered the last eight years.
They thought Mr. Clinton very effective in doing that.

And they thought, as well, his testimonial about the
vice president, about how
closely he had worked with him and about the vice

president -- the president

called him a strong leader, somebody a champion of ordinary Americans. Those

two areas where the vice president, the polling shows, needs to be built up. So

they thought the president did a very good job not only addressing the

administration's strengths, but also the vice

president's potential weaknesses --

Wolf. BLITZER: And, Frank, while we have you, are we going to hear more of

the so-called "new Democratic message" this evening or more of the old

Democratic message? Of course, Al Gore and Bill Clinton, Joe Lieberman

associated with the new Democratic message.

SESNO: Well, Wolf, in a word, both. There's going to be enough of the old

Democratic message to rekindle some of the spirit for the Kennedy era, as you

pointed out, and to make sure that the base of this party, with which Al Gore is

still having some trouble, is reignited. It's why we're hearing so much about the

"fight" that Al Gore and others on his behalf are talking about.

But there's also this attempt to reach out and establish the new generation and

establish that this is a New Democrat party that wants to come together under

Gore-Lieberman. So it's really going to be a little of both. And, you know, it's

going to be a little, too, like the Republicans: You could see whatever you wanted

to see through the prism you were looking. And we'll, I think, very much see

that here tonight. Everybody will find something.

BLITZER: All right, like the Republicans, Frank, everybody here at the

Democratic convention trying to make all of the bases of this party very, very

happy. Thanks to all of our floor reporters.

The health and human services secretary, Donna Shalala, will join me here in the

booth when we come back. And we'll also get you up-to-date on what happened

today on Wall Street.

But in the meantime, let's take a commercial break. And we leave you with the

music of Los Lobos now playing on the podium.

(MUSIC)

(COMMERCIAL BREAK)

BLITZER: Welcome back to our continuing coverage of this Democratic National Convention.

We are joined now by an original member of President Clinton's cabinet, the health and human services secretary, Donna Shalala.

Madam Secretary, thank you so much for joining us.

DONNA SHALALA, HEALTH AND HUMAN SERVICES SECRETARY: You're welcome.

BLITZER: I know you've just come from a meeting that the vice presidential candidate Joe Lieberman had with the Black Caucus here at this convention.

There were some concerns, apparently, that some black members had about his record on affirmative action, some other issues. What can you tell us? What happened at this meeting?

SHALALA: Well, I think that the Black Caucus was satisfied with his explanations. What Joe Lieberman needed to do was go explain himself. What is your position on affirmative action? What is your position on vouchers? And the Black Caucus members were very enthusiastic. As he was leaving, the members of the congressional delegation lined up. Maxine Waters came to the microphone and said, hey, listen, it's OK for us to ask these candidates hard questions, expect them to provide explanations for their positions. And I think Joe Lieberman did very well.

BLITZER: So he reassured...

SHALALA: There was a good feeling in the room.

BLITZER: He reassured them that he's with them when it comes to affirmative action?

SHALALA: He has a long history in civil rights and in

human rights and he
explained that, and I think everybody was fully
satisfied.

But you know what's good about our party? We hold our
candidates' feet to the
fire. And the Black Caucus is a perfect example. Maxine
Waters, the
congresswoman from California, has been all over the
administration on AIDS
and issues involving minority health. She holds our feet
to the fire; that entire
caucus does. It's good for our party, it strengthens our
party.

BLITZER: OK, so everybody is, right now, presumably very
happy as a result of
this meeting.

Let's talk about the president's speech last night. It's
going to be hard for Al Gore
to top that kind of speech before this kind of audience.

SHALALA: Well, first of all, Bill Clinton is the most
extraordinary politician of
our generation. He communicates in a way that John
Kennedy did and obviously
Ronald Reagan did. That was, I think, one of the great
political speeches;
certainly the greatest one I've ever heard, and I was in
the hall.

What Al Gore has to do is be himself. Bill Clinton was
himself in his way of
communicating. We have elected people for president as
long as we know who
they are, and Al Gore has to say who he is and what he
stands for. That's the
most important thing. It has to be genuine. He can do
that. This is not a shy
politician.

BLITZER: But why is he seemingly having such a tough
time telling the
American people who he is, at least according to these
polls that we see?

SHALALA: Well, part of this is they are going from issue
to issue as part of the
campaign. What you need to stop -- which is what you do
in a convention --
face the American people and say, this is who I am, this
is what I care about.
We ought to elect a president not on the basis of

individual issues, because we
can't predict what he's going to have to handle. Look at
all the previous
presidents. We want to know his character and his
judgment, the fact that he's
made tough decision before, and I believe that Al Gore
and Joe Lieberman can
transmit that kind of message. That's the challenge for
him on Thursday night,
and I'm sure that he'll be up to it. BLITZER: The
president and the vice president
had this symbolic hand-off in Michigan within the past
hour or so. President
Clinton is going to try, at least a little bit, to fade
away, let the spotlight shine on
Al Gore. You've been with Bill Clinton from the very
beginning. Is this possible?
Is this within his nature to let someone else really
take over?

SHALALA: He'll be over there. When the election is over,
he certainly will let Al
Gore and Joe Lieberman take over. But Bill Clinton still
has agenda to finish. He
hasn't given up on the Patients' Bill of Right or on
pharmaceutical drugs or on
many of the other things that Congress has to deal with
when it comes about,
certainly our appropriations, and commitment we have to
science, for example.
So he's got a lot of work to do, and he's going to be
out there.

But look, if you want to run for president, you take it
the way the environment is
laid out for you, and Al Gore is up to it.

BLITZER: Donna Shalala, the secretary of health and
human services, thank you
so much for joining us.

SHALALA: You are welcome.

BLITZER: Thank you.

And we'll take a closer look at a couple of the key
issues in campaign 2000,
Social Security and education, as our coverage of this
43rd Democratic National
Convention continues.

(COMMERCIAL BREAK)

(BEGIN VIDEOTAPE)

UNIDENTIFIED CORRESPONDENT (voice-over): By day two of the 1980

Democratic convention in New York City, Sen. Edward Kennedy of Massachusetts had given up his nomination challenge to incumbent Jimmy Carter, but he still argued eloquently to get his liberal planks in the party platform.

(BEGIN VIDEO CLIP)

SEN. EDWARD KENNEDY (D), MASSACHUSETTS: For all those whose cares have been our concern, the work goes on, the cause endures, the hope still lives and the dreams shall never die.

(END VIDEO CLIP)

UNIDENTIFIED CORRESPONDENT: That speech got him a 40-minute demonstration, and after 17 hours of debate, Kennedy got some of what he wanted in the platform, including a call for a \$12 billion anti-recession job's program. But the Republicans would get the White House for the next 12 years.

(END VIDEOTAPE) BLITZER: Welcome back to our continuing coverage of the Democratic National Convention. The convention must also approve platform here in Los Angeles.

John King is standing by to floor to tell us what we can expect to see in that platform -- John.

KING: Well, Wolf, it's a platform that reflects many of the changes in the Democratic Party during the eight years of the Clinton-Gore administration, but also reflects the delicate balance the vice president faces as he also tries to continue to receive support of traditional liberal groups. For example, it has support of abortion rights, support of gay rights, those longstanding Democratic planks. One of the big changes over the past eight years reaffirmed in Al Gore's platform, support for free trade. That doesn't sit very well with many of the

industrial union delegates on the floor here. They believe free trade has cost them manufacturing jobs, but it is one of the differences with this vice president. They say they are willing to look past because they believe he is much better alternative than the Republican ticket.

Now for more on the platform discussions, my colleague, Candy Crowley, standing by in Iowa.

CROWLEY: Thanks, John.

Standing by with Nancy Porter, who is a teacher. I want to talk to you about the education plank in the Democratic platform, which in fact says that teachers should be tested before they go into the classroom, but that teachers should be tested along the way, that a teaching certificate is not a lifelong career without testing along the way, and says that licenses could be revoked. How does that sit with teachers?

NANCY PORTER, IOWA DELEGATION: Well, one of the things that are important to all teachers is continued training. And part of the testing that you could be talking about is the performance along the way that can be done through evaluations. They can be done all sorts of ways, other than that original test that a teacher took to become a teacher. And that's the kind of testing that would be acceptable, performance in the classroom, portfolio performance.

CROWLEY: What about the idea of test somehow testing knowledge? That's not what you're talking about? There was no specified test in this, but there are some tests that teachers would oppose.

PORTER: Oh, absolutely. I mean, we have proven throughout this nation, there are areas in this country that have done teacher testing, and it's a sham, it's an absolute sham. Teachers who are in the classroom need support, they need continued educational development. The kind of testing that needs to be done there is the kind of support that goes along with

performance, such as takes
place in the National Board Certification testing, that
we could call that, creating
a portfolio, of what we do that we're already doing very
successfully.

CROWLEY: All right, thanks so much, Nancy Porter,
first-grade teacher,
reading teacher. Thanks very much.

Wolf, back to you.

BLITZER: Thank you, Candy. Tell Nancy we like the
buttons.

Meanwhile, education, of course, is one of the hot
button issues during this
election year. While George W. Bush has made inroads on
this traditionally
Democratic run, Al Gore is still considered to have
strong footing among those
who rank education as a high priority.

CNN's Kate Snow explains.

(BEGIN VIDEOTAPE)

KATE SNOW, CNN CORRESPONDENT (voice-over): Al Gore says
the U.S.
needs another revolution...

GORE: We ranked 18th out of 18 nations surveyed in 12th
grade math.

SNOW: ... to put the nation's students on par with the
rest of the world.

GORE: It's the very first proposal that I made as a
candidate for president, and
that is to bring not small changes, not gradual
improvements, not minor
advances, but truly revolutionary advances in our public
schools.

SNOW: The revolution won't be cheap. Gore would pump
\$115 billion over 10
years into an education reform trust fund. That's much
more than his opponent
George W. Bush would spend.

BUSH: There's no way that I can possibly outspend Al
Gore on any program,
anyplace, anytime in government. His motto is, vote for
me, I'll spend more

money.

SNOW: Gore says the investment will pay off, with more money to wire classrooms to the Internet, preschool for every child, and smaller class sizes.

GORE: We've got to recruit more than two million new teachers over the next 10 years. Gore proposes tuition breaks for college students willing to teach at needy schools, and pay raises for teachers already on the job.

SNOW: But the vice president is also staking out positions that don't go over so well with teachers unions. In a Gore administration, teachers would be tested and states without certified professionals would lose funding.

Gore would encourage states to test their students. But unlike his opponent, he would measure progress based on a national test. States and school districts would be required to identify failing schools. If those schools didn't turn around within two years they would be shut down and reopened with a new principal.

That leads to the major difference between Gore and Bush. Gore would allow parents to move their kids from failing schools to better public schools, but he strongly opposes Bush's idea of giving parents money for private- school tuition.

AL GORE, VICE PRESIDENT OF THE UNITED STATES: You can't reform public schools by draining money away from public schools into private school vouchers. That is a mistake.

SNOW: Critics question why Gore hasn't pushed harder for reform over the past seven and a half years.

NINA REES, HERITAGE FOUNDATION: This has administration talked a good talk about closing down schools that are not performing well. To this day, not a single one of these schools -- and there are over 6,000 of them right now around the country -- not a single one of them has shut down.

GORE: I'm with table two.

SNOW: But Gore defends the Clinton administration record. He takes credit for wiring classrooms to the Internet, providing tax credits for college students, helping schools hire new teachers and expanding funding for Head Start.

(on camera): They are some of the same changes Gore is proposing for the future. Republicans say that's a sign Gore doesn't have any new ideas. But the Gore campaign counters: When it comes to education, the vice president is building on success.

Kate Snow, CNN, Washington.

(END VIDEOTAPE)

BLITZER: Let's take a little bit closer look now where education ranks among voter priorities.

For that, we turn to CNN's senior political analyst, Bill Schneider.

Where does education rank?

WILLIAM SCHNEIDER, CNN SENIOR POLITICAL ANALYST: Well, a bit of a surprise: We asked voters what are their top concerns in this campaign. Where are the voters? Well, the answer is education right at the top. That's unusual, because education has not been a top-ranked national concern since the launching of the Sputnik satellite by the Russians in the 1950s; 90 percent of education funding comes from state and local governments. It is not usually a federal issue.

Why has education suddenly been vaulted into the top ranks of national issues? I think the answer is the new economy. Low-income workers are concerned that their kids won't make it into the new economy. And it's an bigger concern for high-income professionals, because they know how hard it is to keep up with this fast-changing technology, and they are worried that their kids won't be able to compete in a global economy. Bush was a governor,

which gives him a
qualification if you're talking about education. He has
made that the centerpiece
of his governorship.

He's proposing a lot of innovative ideas. Gore says it
will take a lot of money.

That's an interesting debate. But you know what the
research shows: What really
makes the difference in education is family background.
And that's something
that's hard for the government to control.

BLITZER: OK, Bill Schneider, stand by. We'll have you
back in a little while, talk
being talk about Social Security. And when we come back,
we are also going to
go perhaps down to the podium here in North Carolina,
Governor Jim Hunt talk a
little bit more about education. But in the meantime, we
have a lot more going on
here in Los Angeles. Plus, I will be joined by Ed
Rendell. He's the general
chairman of the Democratic National Committee. Stay with
us.

(COMMERCIAL BREAK)

BLITZER: Let's go down to the podium, where North
Carolina's Democratic
governor, Jim Hunt, is speaking about education.

GOV. JIM HUNT (D), NORTH CAROLINA: ... absolutely
determined to provide
for every child the excellent schools that they deserve,
and to make America's
public schools the very best schools in the world. We
should do that!

Al Gore and Joe Lieberman are absolutely committed to
doing that in America.

Now, what will it take, what will it take to give every
child, regardless of race,
religion or income level, an excellent education? It
will take five things folks: first
of all, high standards and real accountability for every
school.

When a student graduates from our schools, their diploma
must lead to a good
job or to higher education -- second, a smart start.
Every child in the first five
years needs quality child care, good health care and
help for their parents. Third,

it takes good teachers. I want you to hear me say this.
Our teachers do the
hardest work and have the most important job in our
society.

They must meet high standards and they must be paid much
higher salaries in
every state in America. Fourth, it takes safe schools.
Every school must be safe
and orderly. Teachers can't teach and students can't
learn if there is violence and
fear -- and fifth, family business and community
involvement. These, folks, are
our schools. And all of us must help them succeed. They
need millions of
schools helping our schools do that. Now, folks, Al Gore
understands this like
no one I have ever known. And his plan to revolutionize
our schools is the best
that I have ever seen.

By the end of the next presidential term, by the end of
the next presidential term,
Al Gore will fight to make sure: that every classroom
has a qualified, well-trained
teacher; that we reduce class size with the 100,000 new
teachers we've
promised America; that every failing school in America
should be turned around
or shut down and reopened under new leadership; that no
student graduates
without mastering the basics of reading; and that
parents can choose the best
public school for their children; that every child will
be in a safe, modern
classroom with state-of-the-art technology; that every
eighth grader in America
will become computer literate; that high-quality,
affordable preschool will be
available for every family in America; that the
achievement gap -- and I want you
especially to here this -- Al Gore will see that the
achievement gap between
students of color and the rest of America's students
will be eliminated.

BLITZER: North Carolina's governor, Jim Hunt, who
himself was trained as a
teacher addressing this national convention on the issue
of education. He's
serving his fourth term.

Now, let's get a view of this convention through the
eyes of someone who

brought the vision to life. Ed Rendell is the general chairman of the Democratic National Committee, and he's due to address the delegates in just about an hour.

Mr. Rendell, Mr. Mayor, thank you so much...

ED RENDELL, GENERAL CHAIRMAN, DEMOCRATIC NATIONAL COMMITTEE: Good to see you, Wolf.

BLITZER: How do you compare this convention in Los Angeles with the Republican Convention in your home city of Philadelphia?

RENDELL: Well, since it is Philadelphia versus Los Angeles, let's starting by saying Los Angeles clearly has better weather.

BLITZER: Other than that, you are going to be very, very diplomatic. I know you are. What is going to be your message when you address these delegates in a little while?

RENDELL: Well, what I must say, It's interesting, I heard Jim Hunt talk about education. Al Gore's idea for universal preschool hasn't gotten much attention, but it's a great idea, Wolf. My son, Jesse, we were able to send him to a Montessori school. He was speaking a little bit of Spanish by the time he was four. That mind stretching is so important. We're going to talk about things like that.

But basically, one of the things I'm going to talk about is I think that the Republicans have done a marvelous job. I give Karl Rove a tremendous amount of credit for getting everybody to accept this compassionate conservatism as a given. Well, they talk about being compassionate, and they go over it and mention it time and time again. But I don't believe that either the record or the proposal reflects true compassion. Let's take one example -- Texas minimum wage at \$3.35. That's unlivable. That's not compassionate. And I'm going to point out where we have do compassion, we are the party of compassion, and their compassion is, like many things that went on in Philadelphia, an illusion.

BLITZER: Is education the number one issue in this campaign right now?

RENDELL: I think right now, there's no question. But I think as we get -- and it should be high on the list. I think as we get closer to November, the economy is going to emerge as a coequal issue with education. I think President Clinton last night started reminding people of where we were eight years ago -- we were in the pits -- and where we are now, and that is was no accident.

BLITZER: Is President Clinton an asset or a liability to Al Gore as he goes through the final weeks of this campaign?

RENDELL: I think he's going to be an asset. Look, anybody who's going to vote against Al Gore because of Bill Clinton's sins -- and that's unfair. As the president said, if you're fair-minded, you won't do that. But anyone who's going to do that has already made that judgment. The president can be enormously helpful in talking to our base in American cities, and exciting them, getting them out. You know there is no one in American politics that can excite people like Bill Clinton.

BLITZER: You know the state of Pennsylvania, which is a key battleground state right now. It seems to be fairly close. Bush is slightly ahead, though.

RENDELL: Yes, fairly close. I think by the end of this convention, we'll be slightly ahead, but that's neither here nor there. The turnout is going to be the key. I want Bill Clinton in Philadelphia bigtime in October.

BLITZER: Ed Rendell, good work over here. Thanks for joining us.

Let's go to Natalie Allen in Atlanta. She has a news update on some other breaking stories around the world -- Natalie.

ALLEN: Wolf, and we begin with efforts by the Russian Navy to rescue the 116 crew members aboard the submarine stuck on the bottom of

the Barents Sea.

CNN has learned the Russian Navy has approached NATO to find out what kind of help it could get in the rescue, although no official request for help has been made. The Russians today are making a second attempt to save the crew. Bad weather hammered the first effort.

Federal Safety Officials have announced a higher death toll from car crashed involving Firestone tires. The National Highway Traffic Safety Administration says the number of deaths now stands at 62, up from 46 in a previous report.

The agency says the new number is based on a preliminary investigation into complaints involving Firestone tires through August 8.

Last week, Bridgestone-Firestone recalled about 6 1/2 million ATX, ATX II and Wilderness tires because of safety concerns.

Wolf Blitzer continues our coverage from the Democratic National Convention right after this.

(COMMERCIAL BREAK)

(BEGIN VIDEOTAPE)

UNIDENTIFIED CORRESPONDENT (voice-over): The 1844 Democratic convention in Baltimore brought a brand new news media. Samuel Morse had just extended his experimental telegraph line from Washington to Baltimore a few days earlier. Former President Martin Van Buren was the early favorite, but

James Polk finally got the nomination on the ninth ballot. Within 20 minutes, Democratic congressman in Washington telegraphed their congratulations. The next day, Senator Cylus Wright (ph) of New York got a telegram informing him he was the vice presidential nominee, and immediately, sent one back to say no.

After delegates distrustful of the new device went to Washington to verify that in person, George Dallas got the number-two nomination, and with Polk, got the job.

(END VIDEOTAPE)

BLITZER: During this Democratic National Convention, we can't bring you

"SHOWBIZ TODAY," but we can bring you Jim Moret and Laurin Sydney.

They're here to tell us what's going on in the world of Showbiz.

LAURIN SYDNEY, CO-HOST, CNN "SHOWBIZ TODAY": Thank you, Wolf.

There's a lot going on.

Once again, I'm Laurin, along with Jim Moret of SHOWBIZ.

Day two of the Democratic National Convention is under way, and the sound of the Staples Center, erupting with the cheers of delegates. is music to many ears.

JIM MORET, CO-HOST, CNN "SHOWBIZ TODAY": Monday night at an

outdoor free concert by the group Rage Against the Machine, protesters marched to the beat of a different drum. They were cleared away by police who used pepper spray and rubber bullets.

SYDNEY: Meanwhile, across town, Montell Jordan, the Goo Goo Dolls and

Melissa Etheridge rocked on at a musical event sponsored by the folks who put on the Grammy competition. Etheridge, who sang at the convention as well, talked about her nerves.

(BEGIN VIDEO CLIP)

MELISSA ETHERIDGE, MUSICIAN: When they start telling me, OK, you're

going to walk up, you're going to be in front of the Color Guard, and right next to the Declaration of Independence. What? You know, it's going to be next to me? I'm going to be singing, and I go, here I am, and I go, "Oh, my God," and I got very emotional about it. It was a very political, kind of American thing to do.

(END VIDEO CLIP)

SYDNEY: Melissa Etheridge is not the only entertainer getting political. Stars from Dylan McDermott to Jimmy Smits are here at the

convention, many
because of their political activism.

MORET: Like your typical voters, these stars have the
political issues of this
election on their minds, and some gave us a hint as to
who they're voting for.

(BEGIN VIDEOTAPE)

WHOOPI GOLDBERG, ACTRESS: I want a guy that is going to
do the job. I
don't care what else.-- he could be janitor, as long as
he is going to do the job, I
don't care. I am supporting Mr. Gore.

LAUREN HOLLY, ACTRESS: I think the most important thing
to me in this
election year is that people vote. You know, it's just
unbelievable to me how few
people take advantage.

KIM BASINGER: I think the foster care system in this
country needs an
overhaul.

TIM ALLEN, ACTOR: Education and how we are going to deal
with Social
Security, those would be my two big issues. And what are
we going to do with
submarines we don't use?

SHERYL CROW, MUSICIAN: Making sure that the Otto Treaty
gets signed, the
land mine treaty, that bans land mines, as well as
education. That, for me, is a
big thing.

JEFF GOLDBLUM, ACTOR: I am concerned that George W. Bush
would be
elected. I would prefer, frankly, Mr. Gore. That's my
strong and rather
passionate feeling.

JESSICA LANGE, ACTRESS: The education, has to be gun
control, has to be
women's rights.

GEENA DAVIS, ACTRESS: I have always also put my focus in
issues that
affect women.

HARRISON FORD, ACTOR: Campaign reform, health and
welfare reform.

FAITH FORD: I don't think we're going to be able to keep putting money into the arms and the weapons and stuff. I think what's Clinton's doing right now is good.

JOHN LEGUIZAMO, ACTOR: Well, I am voting Democratic. And I am saying if you're a Latin person, you better vote Democratic.

PETER HORTON: I am not big fan of the death penalty. I don't think it is a deterrent.

TOMMY LEE JONES, ACTOR: I am going to vote for Al Gore, the vice president of the United States, and I think everybody else should, too.

(END VIDEOTAPE)

SYDNEY: And once again, the worlds of entertainment and politics have collided today.

MORET: According to "Daily Variety," Senator Ted Kennedy's office appealed to NBC to change the air date of its miniseries, "The Women of Camelot." It was originally scheduled to air the weekend before the senator's election. NBC agreed to move the air date to next February.

SYDNEY: And now that we have that schedule set, we're going to get our schedule set. We're going to take a break now, but we will be back with Wolf Blitzer right after this.

(COMMERCIAL BREAK)

BLITZER: Social Security is perhaps the most politically popular and, for many years, the most politically untouchable federal government program. But this election year, both George Bush and Al Gore are suggesting changes.

CNN's Brooks Jackson reports the party that invented Social Security is treading lightly when it comes to reform.

(BEGIN VIDEOTAPE)

GORE: The American people did that.

BROOKS JACKSON, CNN CORRESPONDENT (voice-over): At first, Al Gore ridiculed the idea of private Social Security accounts.

GORE: You shouldn't be asked to play stock market roulette with your retirement savings in the Social Security program.

JACKSON: But just a few weeks later, Gore proposed his own plan.

GORE: I propose today here in Lexington that we create new "Retirement Savings Plus" accounts -- tax-free, voluntary accounts that let you save, invest and build on top of the guaranteed foundation of Social Security.

JACKSON: So what gives? The truth is, Gore's plan is very different from the George Bush approach, which would divert some Social Security taxes into private accounts. Like Bush's, Gore's private accounts would allow savers to invest in the stock market through mutual funds and investments could grow tax-free. But unlike Bush's, Gore's accounts would be added on -- a supplement to Social Security, fueled by \$35 billion a year in federal subsidies to savers, a huge entitlement, up to \$3 in subsidies, tax credits for every \$1 saved, but limited only to persons making less than \$100,000 a year, a Robinhood plan.

And not just for retirement. The accounts also could be tapped to pay for college, a first home or major medical expenses. Gore's accounts would be voluntary. And despite the generous subsidies, some critics doubt they would actually help those who need help the most.

MICHAEL TANNER, CATO INSTITUTE: Most low-income workers, after they pay their bills, the food, the rent, their health care, and pay 12 1/2 percent of their money into Social Security, they don't have much discretionary income with which to invest.

JACKSON: Another problem: Social Security is headed for a financial crash.

EUGENE STUERLE, URBAN INSTITUTE: Social Security now has over three workers per retiree. It's going to drop to less than two workers per retiree. You cut in a third the number of taxpayers contributing to a system and you're either going to cut in third the number of benefits paid or you're going to bump up taxes quite a bit.

JACKSON: Under current official projections, the trust fund runs dry in 2037.

To delay that, Gore would use general revenues from the Treasury, a controversial idea, up to \$250 billion a year, the amount he says will be saved by paying down the national debt and reducing interest payments on it. But that massive bailout just pushes back the date of insolvency from 2037 until 2054. And in 2054, it probably won't be Al Gore's problem anymore. He'd be turning 106 years old.

Brooks Jackson, CNN, Washington.

(END VIDEOTAPE)

BLITZER: And joining us once again is our senior political analyst, Bill Schneider.

How is Bush's plan playing out there?

SCHNEIDER: Well, you know, they always say Social Security is the third rail of American politics: touch it and you die. Well, Bush has dared to touch it. Did he die? Where are the voters? Well, he's alive. Not only that, Bush is thriving. He's way ahead of Gore on this issue.

There's a big age difference here. Younger workers don't have a lot of confidence in Social Security, but they have a lot of confidence in the stock market and in their ability to manage their own money. They like the Bush proposal and think Bush will do a better job.

It's the retirees who do not support the Bush reform proposal. They have confidence in Social Security because they had better.

Gore is going to make this
a central point in his acceptance speech on Thursday
night. He's going to say
that Bush's proposal sounds good, but look at the
details, it's very expensive, it
will require a cut in benefits. Social Security is the
mother of all Democratic
issues and Al Gore is not going to let Bush have it
without a fight.

BLITZER: All right, Bill Schneider.

Bill Schneider's going to stand by. CNN's coverage of
the Democratic
convention will continue right after a quick break.
He'll be joined -- Bill will be --
by Bernard Shaw, Judy Woodruff and Jeff Greenfield. I'll
be back in one hour
with a special edition of "THE WORLD TODAY." Stay with
us.

(COMMERCIAL BREAK)

ALLEN: I'm Natalie Allen, CNN Center in Atlanta with a
check of the day's
news. And it's a race against time in the icy Barents
Sea. After failing in a first
attempt, the Russians are making a second effort to
rescue more than 100 sailors
trapped aboard that crippled nuclear submarine on the
sea bottom. CNN is told
Moscow has asked NATO what kind of help it might be able
to provide, but no
formal request for NATO assistance as yet.

CNN Moscow bureau chief Jill Dougherty joins us with the
latest -- Jill.

JILL DOUGHERTY, CNN MOSCOW BUREAU CHIEF: Well, Natalie,
the two
biggest enemies of those rescuers right now are time and
the weather. They have
very little time and the weather is not good. What
they're trying to do is free 116
-- we believe 116 -- men from that submarine before the
oxygen supply ends.
But technically, what they are doing, they are trying to
attach a submersible
vehicle to the escape hatch of that submarine, and then
try to get the men into
that vehicle and bring them to the surface.

It's a very complicated maneuver. They have been trying
to do it without any

success. There are very strong currents. And the submarine is lying at a 60-degree angle, making it very, very hard to couple those two vehicles up -- so far, again, no success. They do have one fall-back plan, a potential plan, which would be even more complicated. And that would be attaching flotation devices to the entire gigantic submarine and trying to lift it to the surface. But Natalie, this is a huge thing.

You know, it is practically at one-and-a-half football fields long. So, it's a very, very difficult project. And right now, as we said, the most important thing is time to get them up as quickly as possible -- Natalie.

ALLEN: Jill Dougherty, covering the story for us from Moscow. Thanks, Jill.

The U.S. Navy has deep-sea rescue units taking preliminary steps to head to the Barents Sea. They could offer help in the effort to recover the submarine. U.S. officials say the Russians are aware of the offer but have not yet made official requests for U.S. aid.

(BEGIN VIDEO CLIP)

REAR ADM. CRAIG QUIGLEY, PENTAGON SPOKESMAN: They are fully aware of our willingness to provide help. But they feel that they've got the assets on hand now that they need to do the job, as they see it. And we stand ready to do what we can, if that request comes.

(END VIDEO CLIP)

ALLEN: Those U.S. Navy rescue units are based in San Diego, California.

INSIDE POLITICS begins right now from Los Angeles.

(BEGIN VIDEO CLIP)] CLINTON: He is the right person to be the first president of the 21st century: Al Gore!

(END VIDEO CLIP)

SHAW: The torch is symbolically passed as Al Gore tries not to get burned by

his connection to President Clinton. Joe Lieberman arrives in the Democratic National Convention city and walks into a flap over his stand on affirmative action. Plus:

(BEGIN VIDEO CLIP)

BRUCE MORTON, CNN CORRESPONDENT: Maybe then there was, however briefly, a place called Camelot. A child who lived there speaks to the Democrats tonight.

(END VIDEO CLIP)

SHAW: Bruce Morton on JFK's daughter, Caroline, and her convention role, and her family legacy.

ANNOUNCER: From the Staples Center in Los Angeles, site of the Democratic National Convention, this is INSIDE POLITICS, with Bernard Shaw and Judy Woodruff and analysts Jeff Greenfield and Bill Schneider.

WOODRUFF: Thank you for joining us. As Democrats gathered in this hall for a second day, their party was undergoing a transition hundreds of miles from here.

SHAW: In Michigan, Al Gore stood side by side with President Clinton and embraced his economic legacy, even as he tried to step out of his shadow.

CNN's Jonathan Karl has more on this political passage.

(BEGIN VIDEOTAPE)

JONATHAN KARL, CNN CORRESPONDENT (voice-over): More than just a hand-off, this joint appearance before an overflowed crowd in Michigan was an effort to give Al Gore credit for what people like about Bill Clinton without tying him to what they don't like. First, the president himself made the pitch.

CLINTON: The things that have happened in the last eight years, the good things, are nothing compared to the good things that can happen in the next eight

years.

KARL: Playing to the local crowd, the president said the unemployment rate here

in Monroe County, which was at nearly nine percent in 1992, has fallen to just over two percent this year. Gore picked up on the theme, talking about the economic foundation built by the Clinton-Gore administration.

GORE: The question in this election is whether we are going to erode that foundation, or instead build upon it, whether we are going to turn back toward the old ways of the old guard or move forward with purpose and pride? America's done well. But I tell you, you ain't seen nothing yet.

KARL: Gore rarely mentions President Clinton on the campaign trail these days, but here with the president at his side, he presented his campaign, in part, as an effort to preserve Bill Clinton's economic legacy.

GORE: You know, Bill Clinton worked hard to get this economy right. And I'm pledging to you here today, I am not going to let the other side wreck it and take it away from us.

KARL: At the end of the event, the Clintons walked off, leaving the stage solely to Al and Tipper Gore, illustrating a central goal of today's event, getting the vice president out of the shadow of the president he has served loyally for eight years.

(END VIDEOTAPE)

KARL: And when the president left the stage and got in his motorcade, his first stop was at a McDonald's. He waited and ordered a crispy chicken sandwich, large order of fries and a diet coke, and told reporters traveling with him -- quote -- "This used to be a regular thing of mine. I used to do this all the time as a private citizen."

Now, in stark contrast, Vice President Gore stayed here, worked the crowd for

quite some time, promising to shake every hand, and then went to his hotel room, where he huddled with his top advisers -- including Carter Eskew and Bob Shrum -- to work on the speech. The speech is being worked on as we speak. They are practicing it and his aides say still ironing out, doing some last-minute changes -- Judy, back to you.

WOODRUFF: But Jonathan, the vice president didn't have crispy chicken for lunch. Seriously, my question is: What are the people around Al Gore saying about the president's speech last night? Did it do what they needed the president to do?

KARL: They are insisting that it was a very successful speech, because the biggest thing they have to do right now -- step one of this whole process of removing Al Gore from Bill Clinton is first taking credit for the economic legacy of the Clinton-Gore administration. And they think that it was a very powerful message in the president's speech. And his top aides saying that it did exactly that.

Now, the most important thing, though, is stepping out of that shadow, still taking credit for the economic legacy, but establishing Al Gore as his own man in own right. And that is the goal for Thursday's night speech by Gore himself.

WOODRUFF: All right, Jon Karl, thanks very much -- Bernie.

SHAW: The Gore camp's overtures to African-Americans and other traditionally Democratic groups will be evident in this convention hall tonight.

Our Bill Schneider has more on the program and the politics behind it.

SCHNEIDER: Bernie, tonight is liberal night at the Democratic National Convention. Ted Kennedy will speak. Jesse Jackson will speak. But what exactly do liberals have to celebrate? The Democrats are nominating the party's most

conservative ticket in at least 50 years.

(BEGIN VIDEOTAPE)

SCHNEIDER (voice-over): The liberal revival speech has become something of a ritual at Democratic Conventions. It preaches Democratic fundamentalism: The old-time religion is good enough for me. The delegates cheer and cry and their souls are saved. Then they nominate somebody else because they know they can't sell that religion anymore. Ted Kennedy was the revival speaker at the 1980 convention, which renominated Jimmy Carter.

(BEGIN VIDEO CLIP, 1980)

SEN. EDWARD KENNEDY (D), MASSACHUSETTS: For all those whose cares have been our concern, the work goes on, the cause endures, the hope still lives, and the dreams shall never die.

(END VIDEO CLIP)

SCHNEIDER: In 1984, Mario Cuomo preached the true party faith, while the party nominated Walter Mondale.

(BEGIN VIDEO CLIP, 1984)

GOV. MARIO CUOMO (D), NEW YORK: We believe in a single fundamental idea that describes better than most textbooks in any speech that I could write what a proper government should be: the idea of family, mutuality, the sharing of benefits and burdens for the good of all.

(END VIDEO CLIP)

SCHNEIDER: In 1988, the Democrats nominated Michael Dukakis, but Jesse Jackson spoke to the party's heart.

(BEGIN VIDEO CLIP, 1988)

JESSE JACKSON, PRESIDENTIAL CANDIDATE: America will get better and better! Keep hope alive! Keep hope alive! Keep hope alive for tomorrow night and beyond! Keep hope alive! I love you very much.

(END VIDEO CLIP)

SCHNEIDER: Who gave the Democrats' revival speech in 1992 and 1996: Bill

Clinton, of course. He's great at rallying the party faithful, as we saw here at the convention last night. The only problem is, he doesn't preach the Democrats' old-time religion. He's a new Democrat. But he speaks with so much fervor that the delegates fail to notice that they are cheering for things like welfare reform and deficit reduction and free trade.

CLINTON: We propose a new economic strategy. Get rid of the deficit to reduce interest rates. Invest more in our people. Sell more American products abroad.

SCHNEIDER: Tonight's session will be an all-star revival, featuring Kennedy and Jackson, and Bill Bradley, who challenged Gore from the left in this year's primaries. Why do the Democrats have to set aside a whole night to rally their base? Because Gore's a new Democrat, and Joe Lieberman is even more conservative than Gore; because neither one of them is much of a revival speaker; and because liberal enthusiasm for the ticket may be flagging, particularly with Ralph Nader posing a potential threat from the left.

Last night, Clinton made the liberal case for Gore and Lieberman.

CLINTON: We had a ticket that embodies the Democratic commitment to one America. They believe in civil rights and equal opportunity for everybody. They believe in a woman's right to choose.

SCHNEIDER: It will be interesting to hear what kind of case Kennedy and Jackson and Bradley make tonight.

(END VIDEOTAPE)

SCHNEIDER: If Gore loses, Democrats are going to wake up the morning after the election and ask themselves, have we lost our religion? Did we sellout to the

false god of Clintonism? For what hath it profited us to
sell our souls to the old
triangulator? And the time for repentance may be at
hand.

SHAW: Bill Schneider.

SCHNEIDER: Amen!

(LAUGHTER)

WOODRUFF: All right. Well, now that we've heard the
Schneider take on all

this, let's go to Candy Crowley down on the convention
floor to get a sense of
what the delegates are saying about today's roster of
speakers -- Candy.

CROWLEY: Well, nothing quite so Biblical as what we just
heard from Bill. I can

tell you that in general the -- quote -- "liberal wing"
of this party is in fact happy
to go along with the ticket, as centrist as it is. By
and large, you don't find many
people here that are even toying with the idea of Ralph
Nader. I even talked to
some Bradley supporters who say they're onboard.

What they're looking forward to tonight, though, is a
little blast from the past, a
nostalgic one: Caroline Kennedy Schlossberg along with
her uncle Ted Kennedy.

That, of course, harking back to some of the best days
of the Democratic Party,
Camelot and JFK. I talked to one delegate here and said,
"But isn't this about the
past and aren't you supposed to be about the future?"

And she said, no, because
while in that JFK part of the family there is some
sadness there, she said, we
have Kathleen Kennedy Townsend. And indeed, there are a
lot of Kennedy
children that have grown up in the political world or in
the world doing good for
others. So they believe that the next generation is out
there, so that while this is a
look at the past, it really is about looking to the
future.

And one delegate said to me, "I think what's really
significant is that even though

Caroline Kennedy is one of the private Kennedys, she
indeed is going to come
here and show just how important it is to elect Al

Gore."

So they're looking forward to liberal night here. Back to you.

WOODRUFF: And Candy, are they saying very much about Bill Bradley, about the fact that he's got 10 or 15 minutes up there to speak?

CROWLEY: Well, you know, the Bradley delegates will be glad to hear from him. But the sense that I get from those I talked to is they've pretty much moved on. You know, Bill Bradley was criticized as being sort of passionless and a little remote, and I think that there was not that kind of real connection that so many say McCain delegates had on the Republican side.

So many of them say, look, yes, I thought he would be good, but they're quite happy to move onto Al Gore. The transition has not been as emotional as the McCain ones seemed to be in the Republican Party.

WOODRUFF: All right, Candy Crowley, on the convention flow, thanks.

And still ahead on INSIDE POLITICS, Bill Bradley himself on his thoughts as he looks forward to tonight's appearance before the party faithful.

(COMMERCIAL BREAK)

SHAW: Al Gore's running mate, Joe Lieberman, already is here in Los Angeles, where some African-American members of his party felt he had some explaining to do today. That story from CNN's Frank Buckley.

(BEGIN VIDEOTAPE)

AUDIENCE: We want Joe!

SEN. JOE LIEBERMAN (D-CT), VICE PRESIDENTIAL CANDIDATE:
You've got him!

FRANK BUCKLEY, CNN CORRESPONDENT (voice-over): Joe Lieberman was warmly welcomed by the Democratic Black Caucus amid questions from some

of its members regarding Lieberman's positions on affirmative action and education. Among those raising the questions, Congressman Maxine Waters.

Lieberman confronting the issues head on. LIEBERMAN: I have supported affirmative action. I do support affirmative action, and I will support affirmative action.

(APPLAUSE)

BUCKLEY: Lieberman said his record on affirmative action and civil rights was clear, going back to the 1960s, when he led students from Yale University to Mississippi to register blacks to vote.

LIEBERMAN: I marched with Martin Luther King in Washington for jobs and freedom in 1963.

BUCKLEY: Lieberman said he was proud of his record, pointing specifically to his opposition to Republican bills in 1995 and 1998, which he said would have rolled back affirmative action programs. The vice presidential said his position was the same as President Clinton's, mend it, don't end it.

But in 1995. Lieberman was questioned about his position on California's proposition 209, which called for an end to affirmative action in state programs and was opposed by many minorities. Lieberman's response then to the reporter, leading some to believe Lieberman supported the measure.

LIEBERMAN: A reporter asked me, "How do you feel about proposition 209?"

And you know, life teaches us lessons. I said, "I've read about it; I honestly don't know what it says." He said, "I'm going to read it to you." He read it to me.

Here's where I should have stopped again. I said, "Well, you know, that sounds to me like a basic statement of human rights policy." That was about it.

I added that like so many others I support affirmative action. I've not supported quotas. I know there are some questions about whether some forms of

affirmative action have become quotas.

BUCKLEY: Lieberman adding he later refused to endorse the proposition.

Lieberman also addressed questions raised about his support of an experimental voucher program for schools, Lieberman saying it was always with the focus of his attention remaining on public schools.

LIEBERMAN: That's what I want to see made real; a first-rate public school education for every child, no matter where they live in America, or how rich or poor their families are.

(END VIDEOTAPE)

BUCKLEY: Support from the African-American community absolutely crucial to the Democratic ticket in November, and one positive note for Joe Lieberman and Al Gore at the end of the day: After his presentation, Congresswoman Maxine Waters embraced Lieberman before the gathered delegation and said that she would be happy to campaign for him anywhere -- Judy.

WOODRUFF: Frank Buckley, thanks very much. Well, six months ago, a man named Bill Bradley had hopes of accepting a nomination at this convention, but tonight, he will stand before the delegates not as a nominee, but as a fellow Democrat and a supporter of Vice President Al Gore.

A little while ago, I talked with Bill Bradley and I asked him whether there would be a lump in his throat when he takes that stage.

(BEGIN VIDEO CLIP)

BILL BRADLEY (D), FORMER PRESIDENTIAL CANDIDATE: Well, to be honest, yes. I mean, I'd rather be speaking on Thursday night, but the American people had a different idea and the DNC concurred, and so I'm speaking on Tuesday night.

WOODRUFF: You talked in your campaign a great deal about the entrenched power in both parties, but including the Democratic Party. And here we are:

corporate sponsors, skyboxes, a lot of soft money. Is
this party still very much
in the grips of entrenched power?

BRADLEY: Well, I believe that money is at the core of
the problems of our
democracy today, and that is why campaign finance reform
has to happen. If it
doesn't happen, you're going to continue to have the
excesses that we've seen
not only in conventions but also in elections, grow and
grow and grow, and that
gives very little room for the voice of the people.

WOODRUFF: You also talked during the primaries, senator.
You accused Al
Gore of distorting your record. You said to him at one
point he knew, what he
was saying, he knew to be untrue. And you went onto say,
"If we can't trust
you to say what's true when you're a candidate, how can
we trust you to say
what's true as president?"

Will he say what's true as president?

BRADLEY: You know, Judy, I'm not going to rehash the
primary, but I think
there's no question that I think Al Gore will be a
superior president than George
W. Bush for all the things that I care about, whether
it's the Supreme Court,
composition of the Supreme Court, or whether it's what
we do with our budget
surpluses, I think that he'll be there for the issues
that I fought for in the
campaign, such as health care and education, child care,
and racial healing.

I think that he'll be there for those issues, and that's
why I can support him with
an open heart.

WOODRUFF: Can we trust him to tell the truth as
president?

BRADLEY: I think that he wants to be a great president.
I think he will be a great
president, and great presidents always tell the truth.

WOODRUFF: All right. Fair enough.

The writer and historian Cornel West is saying -- a
strong supporter of yours,

close friend of yours -- is saying there is still some wariness among some of your supporters about supporting Al Gore. They're just not there yet; they're not sure. What do you say to them?

BRADLEY: Well, I met with all my delegates yesterday, and I told them that the things we fought for in the campaign Al Gore will also support and that we should get behind him.

I think this is a very clear choice. This is not -- in politics, you end up with the nominees of two separate parties, and the differences are distinct and real on this election, and I think that my supporters will join to support Al Gore because he agrees with me on most of the issues that were the core of my campaign.

WOODRUFF: So you disagree with the sentiment he is expressing? In fact, he went onto say we don't have two clear choices in this race.

BRADLEY: Well, whether it's the choice that everybody wants or not, certainly it's not the one I wanted. But if it's a choice that everybody wants, whether it's the choice everybody wants or not, it is the choice. And you have to decide, and if you have to decide whether you want to be a factor or whether you simply want to sit out as a protest. And I think that in a country where less than 50 percent of the people voted in the last presidential election, we need greater participation, not less, because if you drop out, the special interests have control of the process even more.

WOODRUFF: Let me also ask you about Joe Lieberman. Again, your good friend, Cornel West, said this, selecting Joe Lieberman, is a slap in the face and an act of disrespect to the black community for his lack of support for affirmative action.

BRADLEY: Well, of course, I strongly support affirmative action, always have. I think that it's something that's important for our country. You don't advance

somebody at somebody else's disadvantage in affirmative action at all. You're just helping people have the same chance as everybody else has.

I think Joe Lieberman is a very sound selection. I don't think, for example, the fear of anti-Semitism should be a reason that you fail to select a man of quality of, and he's a man of quality. I think he'll do a good job as the vice president. And as we've seen in the course of the days since his selection, he will take the positions of the president. He won't have his previous positions.

WOODRUFF: Is he where he should be, though, on affirmative action from where you stand?

BRADLEY: Well, I don't know where he is today on affirmative action. He has said he had changed his positions to be that of the president, and that's what being vice president is all about.

I think affirmative action is something that's important for our country. I've always felt that. I think it brings in the widest number of people, and I think to argue that it doesn't really, I think, ignores the historical circumstances that we live in today. WOODRUFF: But in other words, you're saying he still has some distance to come from previous statements?

BRADLEY: I don't know what he said about that. Clearly, I support it, and in the past he hasn't.

WOODRUFF: All right. Bill Bradley, thank you very much. We'll be watching.

BRADLEY: Thank you very much, Judy. Thank you.

(END VIDEOTAPE)

WOODRUFF: And just ahead, the protesters outside the convention center and the morning-after questions.

(COMMERCIAL BREAK)

SHAW: On this second day of the Democratic Convention,

the Los Angeles

Police are defending their actions outside the Staples Center. Last night, police put a stop to demonstrations when some protesters and some concert-goers began throwing rocks, bottles and other objects, but critics now say the LAPD went too far.

Charles Feldman has the story.

(BEGIN VIDEOTAPE)

CHARLES FELDMAN, CNN CORRESPONDENT (voice-over): The police response to the provocation by about 50-100 self-proclaimed anarchists was pepper spray and rubber bullets.

Police on horseback were used to break up the crowd. About six or seven arrests were made, no serious injuries reported.

Some of the protesters carrying their own cameras recorded the incident from their point of view.

(BEGIN VIDEO CLIP)

UNIDENTIFIED MALE: F*ck*ng b*st*rds.

UNIDENTIFIED MALE: Don't run. Somebody will get trampled.

(END VIDEO CLIP)

FELDMAN: In an interview with CNN, LAPD Chief Bernard Parks strongly defended his department's response.

(on camera): How would you characterize the response last night?

CHIEF BERNARD PARKS, LOS ANGELES POLICE DEPARTMENT: I thought it was outstanding. I thought it was clearly disciplined, and that we gave the right command, The field commanders were right on top of it. What we forget about is that before the officers entered to clear that area, we observed over an hour of a considerable amount of misbehavior.

FELDMAN: But some civil rights groups say the police

went too far in their
response.

UNIDENTIFIED MALE: As citizens and residents lawfully
engaged in an act of
protest were following the order to disperse, they were
trampled by horses, they
were shot in the back by rubber bullets.

CAROL SOBEL, ACLU: There was no way for people who
wanted to leave to
get out of that event last night. And they did not give
people enough time.

FELDMAN: The LAPD knows it is walking a tightrope, its
reputation tarnished
by a corruption scandal. The LAPD did not want protests
or concerts so close to
the Staples Center, but was overruled by the courts.
Chief Parks says the
incident Monday night proves the police were correct.

PARKS: We thought the demonstration should be further
away from the Staples
Center. We moved it close enough to where it costs
significant amount of
resources for the department. We moved it close enough
to where the building
became an object of attack, because we have evidence of
rocks actually hitting
the building, the damage done there. That is where the
delegates could very
easily in leaving and coming to the building could have
been injured.

FELDMAN: On Wednesday, protests aimed specifically at
police are scheduled,
but the LAPD says it is not overly concerned.

Charles Feldman, CNN, Los Angeles.

(END VIDEOTAPE)

WOODRUFF: Much more ahead on this edition of INSIDE
POLITICS.

SHAW: Still to come:

(BEGIN VIDEO CLIP)

MORTON: If we look and remember, we here again the word
for that place and
time, the romantic label that wasn't through and yet
still lives. We remember

Camelot.

(END VIDEO CLIP)

SHAW: Our Bruce Morton on the nostalgia surrounding tonight's featured speakers. Plus:

(BEGIN VIDEO CLIP)

HOWARD KURTZ, CNN CORRESPONDENT: The glittering network skyboxes, both here and in Philadelphia, are a familiar part of the landscape:

ABC, NBC, CBS, CNN -- America Online? Pseudo.com?

(END VIDEO CLIP)

WOODRUFF: Howard Kurtz on the newcomers in the media world of convention coverage. And later:

SHAW: A different perspective on the purpose of this four-day affair.

(COMMERCIAL BREAK)

SHAW: Forty years after John Fitzgerald Kennedy won his party's presidential

nomination here in Los Angeles, his daughter Caroline is in this city to address a

Democratic National Convention for the first time. Her uncle, Senator Edward

Kennedy, and two other family members will appear at the podium during the

course of this day. But Caroline is the one most likely to remind delegates and the nation of her father and his legacy.

Here is CNN's Bruce Morton.

(BEGIN VIDEOTAPE)

(BEGIN VIDEO CLIP, 1961)

JOHN F. KENNEDY, PRESIDENT OF THE UNITED STATES: I, John Fitzgerald Kennedy, do solemnly swear...

(END VIDEO CLIP)

MORTON (voice-over): It was a long time ago. He would be 83 now if he had

lived. And we know better, know about his affairs, remember a South still segregated, a Vietnam War that had just begun to spread.

And yet, if Americans
are old enough, if we get out the old photo album --
yes, they were the most
photographed kids in America -- if we look and remember,
we hear again the
word for that place and time, the romantic label that
wasn't true and yet still
lives. We remember Camelot.

And we remember dying, remember John and Caroline at
their father's funeral,
remember Robert, also murdered five years, remember
Edward Kennedy, the kid
brother whose 1980 presidential campaign failed,
un-Kennedy like.

(BEGIN VIDEO CLIP)

E. KENNEDY: The work goes on. The cause endures. The
hope still lives. And
the dreams shall never die.

(END VIDEO CLIP)

MORTON: The dream lives. The Kennedys are fewer now:
Jacqueline Kennedy
Onassis, who raised her children in as close to normal
privacy as he could
manage; John, whose life ended beneath dark waters just
last year.

And now, the legacy, in a sense, is Caroline Kennedy
Schlossberg, her father's
last surviving child, herself 42 now, mother of three, a
private person who
knows that she must sometimes speak.

REP. PATRICK KENNEDY (D), RHODE ISLAND: Now, my cousin
Caroline is
so honored to carry her parents' legacy. And you know
what, really, the same
battles that her father fought and my father has fought
for the last 35 years in the
Senate are the battles that remain today.

MORTON: The old struggle, Robert Kennedy used to say,
quoting Aeschylus,
"to tame the savagery of man and make gentle the life of
the world." But we
remember not just battles, but the glamour, the style,
the charm of them all.
Caroline was the one who liked horses, probably more
than her father did.
America doesn't have royal families, but the Kennedys

back then came close.

And maybe then there was, however briefly, a place called Camelot.

A child who lived there speak to the Democrats tonight.

Bruce Morton, CNN, Los Angeles.

(END VIDEOTAPE)

WOODRUFF: And now let's bring in our own Jeff Greenfield, who, as many of you may know, worked as a speechwriter for Senator Robert Kennedy when he was running for president right up 1968 when he was assassinated. There is a real place in the Democratic heart for the Kennedys, isn't there?

JEFF GREENFIELD, CNN SENIOR ANALYST: There is. And part of it is the sheer length of how long they have been a part of the scene. Counting tonight, a Kennedy will have spoken to every Democratic Convention since 1956, when John Kennedy nominated Adlai Stevenson. That is a run that is more than a quarter of the length of the Democratic Party. And that's one of the reasons.

The other, second thing I would mention is there are so many of them. I mean, the Tafts have a dynasty. We're in their fourth generation. But the Kennedys now have -- just this generation -- they have Kathleen Kennedy Townsend, who may be the next governor of Maryland; Patrick Kennedy, congressman from Rhode Island, possibly a next senator; Robert Kennedy Jr. has been talked about as a possible candidate in New York; Andrew Cuomo, a Kennedy in-law will probably run for governor; Joe Kennedy, ex...

(CROSSTALK)

WOODRUFF: He was a congressman.

GREENFIELD: Well, and (UNINTELLIGIBLE) So that's a large part of it. But I think there's more to that. For me, there are two reasons why the Kennedys are so entrenched. One is the circumstances of John's assassination in 1963, when

television had finally captured most American homes. And
fro the first time, the
country mourned in front of a TV set. And those iconic
images, particularly
young John saluting, anyone who was alive and conscious
then, it is one of the
most powerful memories there is.

And I would add one more thing. The family has light and
dark sides; that is,
they have had triumphs. They've had tragedies. They have
had self-inflicted
wounds: affairs of John Kennedy, divorces, controversy.
And so all of that
makes for much more than a political family.

SHAW: Jeff, looking at the Kennedy's party, do you think
the so- called new
Democratic Party, the centrist party, would have come
sooner had Robert
Kennedy lived?

GREENFIELD: I think it would have -- that is a really
interesting question -- I
think it would have been a different kind of new
Democratic Party. Robert
Kennedy was struggling in the last couple of years of
his life to break from
traditional liberalism. He wouldn't have called it
compassionate conservatism, but
he was very much more skeptical about big-government
solutions. He believed
much more in community control. And yet he was also more
radical than
orthodox liberals in empowering people.

And I think Bill Clinton picked up that part of Robert
Kennedy's legacy when he
ran in 1992. How he would have felt about what Judy
mentioned to Bill Bradley
-- the corporatization of both parties -- that's an
interesting question, to which
we will never know the answer.

WOODRUFF: Is there a Kennedy family legacy? Are we still
observing -- are we
still in the middle of it?

GREENFIELD: You know, I really think that you can't
define in specific policy
terms what a Kennedy legacy would be. And certainly, it
has to be said that for
people on the other side, the Kennedys represent
something else. They represent

an arrogant family that believes it's entitled to rule.

But when you look, as I say, at the next generation, if you have a problem, if you have a Kennedy-phobia, the next generation is not going to be good for you, because they are just coming like a Chinese army.

You know, they may be running five states by the time we come here in 2004, and one of them, you know, people are already talking about Kathleen Kennedy Townsend as a lieutenant governor as a possible vice presidential candidate.

WOODRUFF: All right, Jeff Greenfield.

SHAW: And up next, we'll talk to former Education Secretary Bill Bennett.

WOODRUFF: INSIDE POLITICS will be right back.

(COMMERCIAL BREAK)

SHAW: Well, guess who is here now: a Republican at this Democratic convention, the co-director of Empower American, Bill Bennett.

BILL BENNETT, EMPOWER AMERICA: ... said it was liberal night, so I got here as quickly as I could.

(LAUGHTER) SHAW: What did you think of the president's speech from this podium last night?

BENNETT: There's hardly anything he can do that can please me, given what he's done to the nation and the example he has been to the nation.

I think he marshalled the facts pretty well for the argument we'll hear a lot about in the fall, but I was struck by how much he talked about himself. I mean, this is a remarkably self-absorbed man, but everything seemed to be because of his work. Everything was because of him. Every upturned smiling face, every blade of grass, everything that grows is Bill Clinton.

Even Al Gore was "the best decision of my life." Well, maybe his parents had

something to do with it.

You can, I guess, get some joy out of that. Many of the people here who love

Bill Clinton still get a lot of joy out of it. But if you're going to talk that much about yourself, I think he should have said something else about himself,

genuinely, I think he should have said, "I'm sorry. I'm sorry for being such a bad

example. I'm sorry for bringing down the country. I'm sorry for what I did to

this party and the country and the example I have made to the children."

I think it would have helped Al Gore. I think it would have put the issue out on

the table in a way that would have been honest.

Everybody's talking about it

here, but no one will talk about it up there.

SHAW: Aside from those personal problems, what about the substance of the

economic accomplishments of this administration?

BENNETT: Well, that's what he laid out. Again, 22 percent of the American

people, according to the last survey I saw, believe that the president had a lot to

do with this. This was an economic recovery from '82 to '90. When he was

elected, the economy was moving at a 5.5 percent rate in the last quarter of

George Bush's presidency.

Nevertheless, I know the rules of the game -- we all know the rules of the game.

He who's in office tends to take credit for it, whether it makes sense or not. So

they will continue to take credit for it.

What I think our party will say is we can have prosperity without perjury; we

can have national well-being without national disgrace.

And Bill Clinton is a

national disgrace.

SHAW: Why the determination by Republicans to tar Al Gore with Bill Clinton?

The Democrats say, it's not about the past, it's the future.

BENNETT: Well, Al Gore has a record, and it's a record of being an accomplice

to Bill Clinton in things that they would say are both good and the many things which I think are bad. And Al Gore has a record of his own lack of fidelity to the truth when it comes to things like fund-raising and coffees and Buddhist temples, and stories about himself and whether he believes there should be a litmus test for the Joint Chiefs of Staff on gays in the military.

BENNETT: He's got his own difficult relationship with the truth. And he has been there eight years, and he's responsible for the things he has done and things he has said in the last eight years.

Ironically, for this crowd, their attachment to Clinton is more evident to me than their attachment to Gore. In some ways, for this crowd, Gore may want to be closer to Clinton than further away. So, it may be they'd like the cameras -- you know, local cameras to show them close together, but out in Nebraska, they'd like them looking a little further apart. This is Hollywood you know.

SHAW: Jeff Greenfield?

GREENFIELD: Sounds like a case for digital television.

BENNETT: Yeah.

GREENFIELD: But since you talk about examples, let me ask you something about your candidate. When you were drug czar -- a terrible phrase, but in charge of that -- you made much of the idea that the last thing in the world we want to tell our kids is, "It really doesn't matter what you do when you're young, because, you know, that's a dangerous argument."

Now, George W. Bush, in contrast to his talking about drinking, and his profession of marital fidelity, when asked about his youth, he doesn't say, "I didn't," and he doesn't say, "I didn't, it was wrong." He says, "I was young then. It doesn't matter." Is that a good message to send?

BENNETT: No it isn't. And he has, in fact, not talked about the issue he was asked about, which was drug use when he was young. I

wrote an editorial in
which I criticized the Bush campaign for this, and
Governor Bush. He should
speak about it, and he should speak about it candidly.

Nevertheless, on this issue, I don't think there's much
comparison. The record in
Texas is pretty good. The record of this White House, on
the drug issue, is
abominable, starting with the lowering of standards for
drug tests for White
House employees. The most famous thing this
administration has said on drugs,
is Bill Clinton's statement, "I did not inhale." And
George W. Bush can do a lot
better than that.

GREENFIELD: One last thing.

BENNETT: Yes, sir.

GREENFIELD: You know that in the '80s, liberals were
driven nuts by Ronald
Reagan. They couldn't understand how the country could
support this actor,
who didn't read too much. I sometimes, listening to
conservatives, feel that you
guys have been driven nuts for eight years, by Bill
Clinton. You're like Wile E.
Coyote, and he's the Road Runner. As a purely political
matter, hasn't he
basically bested you for most of the eight years?

BENNETT: He's been tremendously successful. And that's
not only bad news
for Republicans, in some ways it's bad news for the
country. I think he's
lowered us down, frankly. I think he's lowered our
standards. And if you look at
his legacy, in five or 10 years, I think you'll probably
hear it talked about by
teenagers in intimate situations, more than by
economists.

He's a towering disgrace. And he's a towering disgrace
who has been
successful. And I will acknowledge that. And that's not
something that I think is
great for the country.

SHAW: Bill Bennett, thanks for joining us, co-director
of Empower America.
How long are you going to stay in town?

BENNETT: Until it's over, Bernie.

SHAW: OK.

BENNETT: Until I give the nomination speech for Joe Lieberman.

SHAW: OK.

BENNETT: Not really

(LAUGHTER)

SHAW: Just...

GREENFIELD: I thought we had a scoop.

BENNETT: Not really.

SHAW: Just ahead here on INSIDE POLITICS, the conventions go online, but are Americans logging on?

(COMMERCIAL BREAK)

SHAW: This year, American voters have a new option for convention coverage.

Not only can they tune in, they can logon and watch these gatherings in a whole new way. But are viewers taking advantage of this new technology?

Howard Kurtz of CNN's "Reliable Sources" reports.

(BEGIN VIDEOTAPE)

KURTZ (voice-over): The 1948 Republican convention in Philadelphia was the first to be covered by that newfangled technology called "television." The

Democratic convention in Los Angeles more than half a century later, and the

glittering network skyboxes, both here and in Philadelphia, are a familiar part of

the landscape: ABC, NBC, CBS, CNN. America Online? Pseudo.com? That's

right: Internet companies are planting their virtual flags here, just as they did at

the GOP convention two weeks ago. And with the broadcast networks devoting

less and less time to these conventions, some media mavens believe the best way

to attract new eyeballs, especially younger eyeballs, is online.

For some veterans, that takes a little getting used to.

TOM BROKAW, NBC NEWS: You must remember, I was actually there when it went from black-and-white to color television. And so I am -- this -- this dwarfs that.

KURTZ: What the Web sites are offering is 24-hour coverage, fancy camera angles, lots of irreverent voices, and the chance to talk back in chat rooms.

Some Internet outfits are being marketed by celebrities, like Watergate sleuth Carl Bernstein at Voter.com.

But the big news organizations aren't surrendering their cyberturf.

Newyorktimes.com, Washingtonpost.com, Usatoday.com, CNN.com and Foxnews.com are among those pouring money into online coverage.

Sam Donaldson, a floor reporter at past conventions, is hosting Web casts for Abcnews.com.

SAM DONALDSON, ABC NEWS: Well, on the Internet, you have a lot more freedom. First of all, you can go as long as you want to. There's no program after you. There's no football game before. Secondly, you can say a lot more than you can say on commercial television.

KURTZ: Tom Brokaw is touting MSNBC's Web site and has moved some of his own coverage from NBC to the smaller cable channel.

BROKAW: It's very hard for me to go to the NBC people and say, look, I can promise you we're going to have a really exciting, worthwhile night that the American audience is going to want to tune into if you'll give us the airtime.

KURTZ: Perhaps the television era has peaked when the old war horses are touting the Internet. But people aren't exactly flocking to the world of cyberpolitics if the Philadelphia convention is any indication.

In fact, according to one Harvard study, two of the most popular news Web sites actually experienced more than a 14 percent drop in visits during the Republican gathering. And another Harvard study found that only a third of Americans who went online during the GOP convention looked for convention news, and those who found such news accidentally spend mere seconds looking at it.

(on camera): For all the technological bells and whistles, the Internet still reaches a fraction of the audience of the broadcast networks. The big three have clearly decided to make their money elsewhere. This may be the future of politics, narrowcasting to folks who care enough to click on convention news. This is Howard Kurtz of CNN's "RELIABLE SOURCES."

(END VIDEOTAPE)

WOODRUFF: And joining us once again, our colleague -- and he's not a dot.com -- Jeff Greenfield.

GREENFIELD: That's right.

WOODRUFF: Not yet.

GREENFIELD: With those stock options, I wouldn't be here.

WOODRUFF: Not yet.

GREENFIELD: Finally, a tip of the hat to Wisconsin Senator Russ Feingold for

providing us with a very candid answer to the question: Why do we need a four-day convention when the real business could be wrapped up in a day or two? Now, I'd always assumed that convention cities wanted longer conventions to keep the hotels and restaurants and taxicabs and late-night "gentlemen's clubs" busy. But in speaking before the shadow convention, Senator Feingold pointed to what may be the real reason: fund raising.

When you gather thousands and thousands of loyal, well-heeled party members in the same city, it's an incredible opportunity to

organize breakfasts, lunches,
dinner, brunches, boat rides, golf outings, and for all
I know, skeet-shooting
contests where the price of admission is a few thousand
dollars or so. Sound
cynical? Senator Feingold also noted that here, as in
Philadelphia, corporate logos
are everywhere.

We were in the First Union Arena. We're not in Staples
Center. You sometimes
get the sense that if the price was right, the nominees
might walk out on stage
with the Nike swoosh or a bottle of Coke painted on their
foreheads.

In other words, the four-day convention is here to stay,
not because there's that
much to do, but because there is so much dough.

As Bob Dylan put it, "Money doesn't talk; it swears."

WOODRUFF: So in that respect, Philadelphia and Los
Angeles have a lot in
common?

GREENFIELD: Absolutely. I mean, they may have different
rhetoric and
different platforms, but green is everybody's color when
it comes to politics.

WOODRUFF: All right. Jeff Greenfield.

SHAW: And we're spending a lot of green to cover this
story.

GREENFIELD: This is true.

SHAW: All year long. WOODRUFF: And a lot of people.

Well, that is all for this edition -- convention edition
of INSIDE POLITICS. But
of course, you can go online for convention news all the
time at
CNN.com/election2000.

SHAW: And Judy and I and the rest of the CNN convention
team will be right
back in one hour for live coverage of the evening
session.

I'm Bernard Shaw.

WOODRUFF: And I'm Judy Woodruff. A special edition of

"WORLD TODAY"

is next. Among the guests: former Vice President Walter Mondale.

We leave you with a picture of the podium here at the Democratic Convention,
where Robert Kennedy, son of the late Senator Robert Kennedy, is speaking.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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READ:UNKNOWN

TO: Jeffrey M. Smith (CN=Jeffrey M. Smith/OU=OSTP/O=EOP@EOP [OSTP])
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READ:UNKNOWN

TO: Gilbert S. Gonzalez (CN=Gilbert S. Gonzalez/OU=WHO/O=EOP@EOP [WHO])
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TO: Gene B. Sperling (CN=Gene B. Sperling/OU=OPD/O=EOP@EOP [OPD])
READ:UNKNOWN

TO: Fern Mechlowitz (CN=Fern Mechlowitz/OU=WHO/O=EOP@EOP [WHO])
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TO: Emily Karcher (CN=Emily Karcher/OU=WHO/O=EOP@EOP [WHO])
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TO: Drew T. Gardiner (CN=Drew T. Gardiner/OU=WHO/O=EOP@EOP [WHO])
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TO: Brian A. Reich (CN=Brian A. Reich/OU=OVP/O=EOP@EOP [OVP])
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TO: Beth Nolan (CN=Beth Nolan/OU=WHO/O=EOP@EOP [WHO])
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TEXT:
NBC MEET THE PRESS
AUGUST 20, 2000

SPEAKERS: TIM RUSSERT, HOST
WILLIAM DALEY, GORE CAMPAIGN CHAIRMAN
KARL ROVE, BUSH CAMPAIGN CHIEF STRATEGIST
RUSSERT: "Decision 2000," and with us the chairman of the

Gore campaign, William Daley, welcome.

DALEY: Thank you, Tim.

RUSSERT: Overnight polls by "Newsweek" and NBC/Wall Street Journal show the vice president pulling ahead. This campaign's over?

DALEY: No, not by any stretch. Obviously we're encouraged by the polls, Tim. The only poll that really matters is November 7th. We know they're going to be up and down.

But we are encouraged that people obviously listened to the vice president on Thursday evening. They saw him for what he is, a strong leader, someone who understands America, understands the future and understands that there are difficulties and there are issues that we've got to address, and he was specific about them. And I think that's what people reacted to.

RUSSERT: You think this is a dead-even race?

DALEY: Oh, absolutely. I think that's what it is, and I think it's going to be that for quite awhile. The American people are beginning to look at these two candidates and look at what they're saying specifically about the issues for the American people. There are lots of issues. These are good times as a result of some tough decisions that were made over the last eight years. They're good times, but they can be better. And that's what Al Gore's been talking about, and that's why I think the American people are beginning, with the two conventions over, with the two speeches by the two candidates laying out, we think, obviously Al Gore laid out much more specifically what the issues are and what he wants to do.

Now the American people will begin to listen to them over the next eleven weeks, watch the debates, get a sense of what sort of leaders they will be. And then they'll make up their minds late in October.

RUSSERT: You mentioned debates. Governor Bush on Thursday issued a statement saying he would like three presidential debates, two vice presidential. You have no doubt there will be debates?

DALEY: Sure. There's been three debates scheduled the last two presidential elections. We're encouraged that Governor Bush has stepped forward now that the conventions are over and said he agrees that there ought to be three presidential debates. As you know, the commission has laid out three. And that's the opportunity for the American people to really listen to. Forget the commercials, forget all the sound bites and the snippets. That's a real chance for the vast majority of American people to sit home, watch these two individuals, the two people who have a true shot at being the next president of the United States, and listen to

them engage with each other, obviously in a civil way. And at the same time, let the American people participate in those debates and listen to the specific plans that these candidates will lay out.

RUSSET: Is Vice President Gore open to other debates outside of the officially sponsored commission debates?

DALEY: Sure. We've said that repeatedly. We've accepted your offer to do a "Meet the Press," hopefully in prime time, so that more people will be able to have the opportunity to watch it. But we think the three debates the commission has set out, and that's been the forum over the last number of presidential campaigns, is the appropriate one. And that is giving most Americans the opportunity to see these two candidates and listen to them, and engage, as I say, with each other in a civil way. And also have the opportunity in at least one of those forums for the average American, normal people, to participate in this process of questioning and talking to the candidates and listening to them.

RUSSET: Let me show you a clip of the vice president's acceptance speech and give you a chance to talk about it.

(BEGIN VIDEO CLIP)

VICE PRESIDENT AL GORE: I will never agree to raise the retirement age to 70 or threaten the promise of Social Security.

(APPLAUSE)

It's just not fair to them, and I won't do it.

(END VIDEO CLIP)

RUSSET: Now I want to show you a list of people you know very well, and let me roll them right now and put it on the screen. This is Dale Bumpers, Bill Bradley, John Breaux, Richard Bryan, Dianne Feinstein, Fritz Hollings, Bennett Johnson, Bob Kerrey, Herb Kohl, Joseph Lieberman, Daniel Patrick Moynihan, Sam Nunn, Claiborne Pell, David Pryor, Chuck Robb, Paul Simon, all good Democrats. They have one thing in common: They all voted to gradually increase the retirement age for Medicare and Social Security to 70 by the year 2030, because, they say, there used to be 45 workers for every retiree, it's soon going two to one. And life expectancy is soon going to be 80 years old.

Will the vice president listen to his fellow New Democrats or continue to embrace the old Democratic ideology?

DALEY: It's not the old Democratic ideology. The fact of the matter is, if you look at the plan of the vice president, there's no need to raise that, at least till--you consider it until after 2050. None of those people you named are the nominee of the Democratic Party, only Al Gore is.

RUSSET: But Joe Lieberman's the vice presidential nominee.

DALEY: I know he is, but he's not the presidential nominee.

RUSSET: You don't you listen to Joe Lieberman?

DALEY: We listen to him, of course, but the vice president is the one who's the nominee, and he is charted the course on this issue and will stick by it, as you heard him emphatically say.

RUSSET: A lot of unease amongst the New Democrats. Let me show you what John Breaux had to say and he spoke at your convention. "It seems Bush has tried to articulate the ideas on Medicare, Social Security, education that the Democratic Leadership Council has put out." True?

DALEY: Well, we've heard Republicans try to adopt a lot of Democratic plans, both from the DLC and from the DNC often. If you looked at their convention, it sounded a little more like a Democratic convention

than a Republican convention. But that's just the way it goes, I guess, these days.

RUSSET: The vice president had a long laundry list of things that he wanted to do. Promises and programs. The New York Times did an analysis of it. The New York Post treated it this way, "Al's trillion dollar tab." How is Al Gore going to afford all the things he laid out, even your own campaign spokesman said we haven't priced them all out yet?

DALEY: Well, if you look at the Wall Street Journal analysis of the two plans of both candidates, the Wall Street Journal, not exactly a paper that's friendly to Democratic candidates, says that Governor Bush's plan is \$400 billion over the surplus. And the Cato Institute economists that looked at the two plans also has great concerns about the governor's ability to live within the surplus.

So I think if you, again, if you look at the analysis at this point of the two plans, we've put out much more specifics about our plans than we believe the governor has. But if you look at most of the independent analysis, and again the Wall Street Journal isn't exactly known as friendly to Democratic nominees, they acknowledge right off the bat that the governor's plan is way over the top as far as living within the surplus.

RUSSET: But Vice President Gore's entire economic plan based on the premise of surpluses, record surpluses for the next 10 years and beyond.

DALEY: Right.

RUSSET: At the same time, when Governor Bush and all those Democrats I listed, including Joe Lieberman, voted to privatize part of Social Security, the vice president said, "No, no, no. That's too risky. You can't trust the stock market." If the vice president's going to trust a robust economy and the stock market for his surpluses, why not trust it to privatize part of Social Security?

DALEY: But if you look at the vice president's plan, where he has basically Social Security-Plus, he does give the option for people to add and put extra money, but he doesn't want to put at risk the basic Social Security plan. And I think what you've heard often over the last number of weeks is the call for the governor to give a specific Social Security plan out there. How's he going to pay for it? How's he going to cover the possibility of Social Security being at risk? And if it is, by virtue of privatization, a plan that has yet to be fully explained, then what happens to the people who are the beneficiaries in 10 or 20 years?

RUSSET: But if Social Security is at risk by privatizing in the stock market, then the entire premise of surpluses is at risk for Al Gore's economic plan?

DALEY: No. We want to bring the deficit down. We're committed to making sure that the deficit is down, that there is an opportunity for the American people to invest outside of putting at risk the Social Security foundation, which is most important to the American people.

RUSSET: The role of William Jefferson Clinton, two Democratic senators named Kerry had some advice for the sitting president. Let me put them on the screen for you and give you a chance to respond. This is Bob Kerrey, and he says, "Bill Clinton should say, 'I am leaving, you are going to be president,' to Al Gore. 'It's time for me to keep my mouth shut and let you have the spotlight.' If Clinton's incapable of doing that, there's going to be a tragic story written."

John Kerry of Massachusetts: "We may need to get the jaws of

life to pry Clinton free from the thing, but we've got to pry him free. The fact is, he's a vastly talented, enormously engaged political person, but he has to step back now and I think he will."

Will the president play an active role in the Gore campaign?

DALEY: I hear he'll play an active role in the fall, but he understands better than anyone, and I talk to him often and he has said to me and I know he said to Al Gore, he understands this election is about Al Gore. It's about the future. It's not about--it's not a referendum on the last eight years. It's about who has laid out specific plans for the future. Bill Clinton wants to be helpful.

It is a--it's only the third time in the last 100 years we've had a sitting president while his vice president is running for election. So it's a unique situation. But Bill Clinton understands that this is not about him. This is an election about Al Gore. And he will step back and he will allow Al Gore, as Al Gore showed on Thursday, to be the nominee of the party, and to be the one who the American people will look to as the next leader of America.

RUSSERT: Is Clinton a plus or a minus?

DALEY: The president has enormous pluses, by virtue of the fact that he has helped lead this country over the last eight years, contrary to what some people believe, to a point where we are--we have the most robust economy in a generation, with the lowest unemployment. The American business community has created 22 million jobs.

This has been a very good eight years for most Americans. We've got to celebrate that. But we also have to reach out and make sure that the challenges before us are addressed. And that's what Al Gore is doing in this campaign and will do as president.

RUSSERT: If the president is indicted, would President Gore pardon him?

DALEY: Al Gore has said no because the president has said he wouldn't ask for a pardon. So that's a moot question.

RUSSERT: Let me turn to the issue of something that George W. Bush said on Friday and give you a chance to respond to it.

(BEGIN VIDEO CLIP)

BUSH: Voters have a clear choice. They got one candidate who wants four more years of finger-pointing and politicizing and blaming, a candidate--a candidate who will pit one group of people against another, a candidate who wants to wage class warfare to get ahead.

I've got a different purpose. I've got a different vision of leadership. A leadership (sic) is somebody who brings people together. A leader is somebody who finds common ground.

(END VIDEO CLIP)

RUSSERT: Your reaction?

DALEY: Well, if you look at that tape, he was finger-pointing when he started that. That's not what we're doing. The fact of the matter is, Al Gore has worked in the Senate, in the House and as vice president with Republicans when they would work with us. Newt Gingrich and his group wasn't too quick to want to work with the administration for a number of years.

Al Gore understands that the only way you move forward is to work together. That's what he's doing in this campaign. He is reaching out and speaking on behalf of the working families of America.

RUSSERT: What do you say to millions of Americans who have been

watching Washington and say the atmosphere is poisonous? And there's no way that Al Gore, with all his hard-bitten past and ideology and difficulties with Republicans over the Clinton impeachment and a whole lot of other issues, can possibly work with Congress?

DALEY: They don't know Al Gore. He was a member of Congress. He understands how the system works. He's been here.

But at the same time, he will fight on those issues that he believes are important to working families and is not going to just roll over because people and special interests want to stop him. He can stand up to those interests in this town. They're important.

No doubt about it, politics has gotten too bitter. Part of that is by virtue of the media, to be frank with you, is too intense at times, and they take some of this too seriously and there's no humor left in it. But the fact of the matter is, Al Gore understands that he, at times, he will have to stand up to special interests and he will fight for working families of America when he has to. But he also knows that progress comes by working together. And he's been able to do that on a whole host of issues as vice president.

RUSSET: Bill Daley, thank you very much.

DALEY: Thank you.

RUSSET: Let me bring in Karl rove, chief strategist for Governor Bush.

Mr. Rove, polls in "Newsweek" and NBC News/Wall Street Journal, overnight polls after the Democratic convention, show that Al Gore is now ahead. Do you believe them and are you surprised?

ROVE: Well, I'm not surprised. I'm not certain I believe them. The "Newsweek" poll, for example, said Governor Bush and Vice President Gore were enjoying roughly the same level of support from their respective parties, about 83, 84 percent of Republicans for Bush and same number of Democrats for Gore. But Bush had a healthy lead among independents.

And, you know, Republicans and independents added together outnumber Democrats, so Bush should be leading. Yet this poll said Gore had a six-point lead. I don't think there are more Democrat than Republicans and independents combined.

But look, we expected them to pull ahead after their convention. If this is going to be a close race, this is the time when they would be likely to be ahead. Let's wait a week or two and see where the race settles back down to.

RUSSET: You think it's dead-even?

ROVE: I think Al Gore probably in some polls, it's accurate that he might be slightly ahead, slightly behind. But I think the race is going to return to its mean, whatever that is, in a week or 10 days.

ROVE: And I think we'll have a lead, but a narrow lead, yes. It's going to be a close election. This is going to be close, right down to the wire.

RUSSET: You heard Mr. Daley say that the vice president is eager to debate. Governor Bush will, in fact, have presidential debates?

ROVE: Certainly. The governor said on Thursday that--authorized a statement to be issued. We'll have more debates in this campaign, five presidential and vice-presidential debates, than any campaign in history.

RUSSET: Will you be limited to just the Commission on Presidential Debates' offerings, or are there others you'll consider?

ROVE: We'll certainly consider others. We're going to look

seriously at this. Our campaign manager, Joe Allbaugh, talked with Frank Fahrenkopf of the presidential commission yesterday or the day before, excuse me, before Mr. Fahrenkopf left for a vacation, and we're going to sit down and talk with them, but sit down and talk with others as well.

RUSSET: Let me show you a bite from President Clinton's speech to the convention on Monday night.

(BEGIN VIDEO CLIP)

PRESIDENT WILLIAM J. CLINTON: Let's remember the standard our Republican friends used to have for whether a party should continue in office: My fellow Americans, are we better off today than we were eight years ago?

(APPLAUSE)

You bet we are. You bet we are.

(END VIDEO CLIP)

RUSSET: Mr. Rove, Democrats will back that up by saying, lowest unemployment, highest new job creation, booming stock market, crime is down. Can George W. Bush successfully challenge that eight-year economic record?

ROVE: Sure. There are two issues here: Who's better able to continue economic prosperity in America. And that goes to the question, who understands where that prosperity comes from? Al Gore and Bill Clinton think it came from them, that it was a gift that they gave us. Governor Bush knows that government doesn't create wealth, that risk-takers and entrepreneurs and hard-working Americans create it, and that what government has to do is to get out of the way and allow those risk-takers and entrepreneurs and hard-working people to get the job done.

The second issue is that this isn't just about the economy. It's about what we've done with the prosperity that we've had, and what we've seen in the last seven years is missed opportunities. We ought to be taking this moment of great prosperity and using it for great purposes. We ought to be using it to strengthen Social Security, not just for this generation, the greatest generation that's on Social Security today, but for generations to come.

This--Social Security is going to go bankrupt. And this administration ignored bipartisan opportunities to fashion a long-term solution to Social Security.

Medicare: We have a Medicare system that's turned into a giant government-run HMO. I can't think of two worse things in the world: government-run and HMO. And yet this administration ignored bipartisan opportunities to fashion a modernization and reform of Medicare.

Prescription drugs: We've--you know, it's another failing of the Medicare system that we had a bipartisan opportunity for cooperation to solve that problem.

Patients' bill of rights: You know, in Texas, Governor Bush passed a patients' bill of rights that's a model for America. I saw Vice President Gore yesterday railing against the powerful interests that kept patient protection from being done in Washington. The only powerful interest in Washington that's keeping patient protection from getting done are the forces of hyper-partisanship and division that this administration let loose in Washington and encouraged.

Governor Bush, working with a Democrat legislature, passed a patients' bill of rights that's a model for America. There's nothing--no powerful force in America that can overcome leadership that's willing to

reach across lines and work with Republicans and Democrats together.

RUSSELL: But for the record, it passed; he did not sign it. He let it become law.

ROVE: He passed--he let a law become--he let a bill pass and become law without his signature in order to indicate that he wanted further reforms. He got those further reforms and signed them into law.

We have the strongest patients' bill of rights law in the country. It allows people an immediate bypass of their HMO to doctors, if they want to have a--if they want to dispute an HMO decision. It allows a woman to go directly to her ob-gyn. It's a fabulous law.

And it's unlike the federal law backed by Clinton-Gore. Our law limits lawsuits and limits liability and punitive damages, and it's working. People are getting good, quality health care without having the whole situation tossed into the courts and seeing the lawyers getting rich while people get sicker.

RUSSELL: Let me turn to the Bush economic plan, the centerpiece of which is a \$1.8 trillion tax cut.

ROVE: \$1.3 trillion tax cut.

RUSSELL: Depends who estimates it, but alright.

ROVE: Well, I'm relying upon the nonpartisan Congressional Budget Office and the nonpartisan Joint Committee on Taxation.

RUSSELL: In any event, this is what Al Gore had to say about the Bush tax cut.

(BEGIN VIDEO CLIP)

GOVE: Under the tax plan the other side has proposed, for every \$10 that goes to the wealthiest 1 percent, middle-class families would get one dime, and lower-income families would get one penny.

In fact, if you add it up, the average family would get about enough money to buy one extra Diet Coke a week. It's not nothing. About 62 cents in change.

(END VIDEO CLIP)

RUSSELL: Do you dispute those numbers?

ROVE: Yes. He totally made them up. You know you can torture a number until it says anything. Nobody knows where he got those numbers exactly.

Look, if you are, and I've got the numbers here, I'll have to refer to my notes. If you're a family of four making \$35,000 a year under the Bush tax cut, you get a 100 percent tax cut. You get taken off the tax rolls altogether. If you're a family of four, say a policeman and a teacher making \$25,000 each a year, you'll get a 50 percent cut in your taxes. If you're a family of four making \$75,000 a year, you'll get a 25 percent tax cut.

This is an across-the-board tax cut in every tax bracket for every taxpayer, with the biggest percentage reductions going to the people at the bottom. If you're in the bottom scale where you're paying 15 percent today, that gets cut to 10 percent. It is a doubling of the child tax credit. We abolish the death tax. We do away with the marriage tax. And it is a significant reduction with the biggest percentage reductions for the people in the greatest need, i.e. the people at the bottom.

Six million people who are today paying taxes drop off the tax rolls under the Bush tax plan. And the percentage of taxes paid by those at the top rises from 62 percent to 64 percent. The scale becomes more progressive with people at the top of the scale being asked to bear

slightly larger percentage of the burden.

RUSSERT: But you don't dispute the fact that for every \$10 that go to the wealthiest 1 percent, middle class families get one dime.

ROVE: Yes, I dispute it.

RUSSERT: They haven't paid more taxes but they get a lot bigger tax break.

ROVE: I think that's a totally phony number. I mean, if you're taking somebody that's working \$50,000 a year and cutting their taxes 50 percent, they're not paying--what would that be--\$200-some-odd a year in taxes. The number's totally phony.

RUSSERT: Here's the concern many people about the governor's plan, is that he also says he's for a prescription drug plan, which would cost about \$250 billion over 10 years, but there's no money identified in his proposal. Where will you find that quarter of a trillion dollars?

ROVE: Well, let me step back for just a minute. The governor says take half the surplus and dedicate it to Social Security. He says take \$1.3 trillion, roughly a quarter of it, just over a quarter, and return it to the people who are paying the bills. That's their money. It's not the government's money.

That leaves \$900 billion for additional spending and for deficit reduction. I think our proposals total up to just about \$400-and-some-odd billion thus far. We have \$500 billion--close to \$500 billion unspent. There's more than enough money to do it.

I will also point out that Senator Lieberman and other Democrats said that we could pay for prescription drugs by reforming Medicare and using the savings from the reforms in Medicare to pay for prescription drug benefit. Now, we're going to lay out some additional details of the governor's approach to prescription drugs. We think that that's a direction to go in.

RUSSERT: When will that happen?

ROVE: Soon.

RUSSERT: Let me turn to some of the other comments made at the Democratic convention. This was a comment made by the Reverend Jesse Jackson.

(BEGIN VIDEO CLIP)

REVEREND JESSE JACKSON: Papa Bush gave us Clarence Thomas. Baby Bush gave us an end to affirmative action and women's right for self-determination in Florida. George W. will not stand against--for hate crime legislation. I say, America, stay out the Bushes. Stay out the Bushes.

(END VIDEO CLIP)

RUSSERT: Your reaction?

ROVE: Despicable. We have a hate crimes law in Texas. We have a tough hate crimes law in Texas. The men who assaulted James Byrd in East Texas are getting the ultimate penalty, death. We have a governor who's caring and inclusive and positive. Jesse Jackson's entitled to say anything he wants. But this was the tone of the Democratic convention. On the one hand, Al Gore saying I'm going to run a positive campaign, and then unleashing the attack dogs in the form of Jesse Jackson to make reprehensible and totally unbelievable comments like that.

RUSSERT: So Governor Bush will not have any negative ads at all this fall?

ROVE: We will have--we will, if attacked, rebut. We're going to

lay out our positive agenda. We've got a lot of positive things to say. But if attacked by Gore, we're not going to sit by. Let me say this about the tone of the fall campaign. I think it's interesting. Governor Bush is going to launch--launched out talking about education. Al Gore launched out talking about populism, about class warfare, about powerful forces that were supposedly keeping us from making progress.

I think this return to populism, this return to class warfare, is a sign of the lack of a positive agenda by Gore. Gore understands--the Gore campaign understands it doesn't have an agenda that makes it attractive, so that rather than relying upon a positive agenda, they're going to rely on a divisive class warfare tone. And that's not helpful. That's not where America wants to be. That's what America wants to put behind it, is this divisiveness and negativity and the hyper-partisanship that's characterized Washington.

You cannot lead tomorrow if you spend today trashing everybody that you're going to be trying to work with tomorrow. And Al Gore--I love Secretary Daley's comments about Al Gore being able to work with Republicans. If he was able to work with Republicans, why hasn't he done it over the last seven years to form a bipartisan consensus on Social Security, form a bipartisan consensus on Medicare, do something on patients' bill of rights? This administration just finds itself genetically incapable of working with Republicans.

Governor Bush has demonstrated that he can reach across party lines and work with Republicans and Democrats together to achieve great things.

ROVE: And that's what America wants in its next president.

RUSSET: Karl Rove, Secretary Daley's been listening to you, he just would like equal time for one second, I'll give you a chance to...

DALEY: Karl, I...

ROVE: Wait a minute, wait a minute.

DALEY: You on there, Karl?

I would just say that Newt Gingrich and the Republican leadership in the House and Senate over the last eight years haven't been exactly willing to work with President Clinton or Vice President Gore, and that's one of the reasons why we've had a stalemate on important issues, as Karl has talked about.

ROVE: Could I--can I say something there?

DALEY: Sure.

ROVE: I think to some degree Mr. Daley's right. But the buck stops on the president's desk. He's responsible for setting the tone, and he started this. Republicans engaged in it. There's plenty of blame to go around on both sides, but it takes a new president, who's not tied to--look, the vice president claims that he's been part of every decision, important decision over the last eight years. I can think of very few more important decisions than what is the tone with which we're going to approach our relationships with Congress, and not just Republicans. This administration has savaged Democrats who've strayed off the reservation.

DALEY: That's not true, Karl.

ROVE: Well, absolutely it's true. Absolutely, it's true.

DALEY: Democrats have been fairly...

ROVE: John...

DALEY: ... supportive of both...

ROVE: John Breaux was chairman of a bipartisan commission on

Medicare, he worked closely with the administration as he moved that commission forward, and then when it got to the final deliberations, it was this administration that cut his legs off. And his comments afterwards were not very happy. Just to demonstrate, he wasn't very happy with the way that he'd been treated by this administration.

DALEY: He's a strong supporter of Al Gore and Joe Lieberman.

ROVE: This was an administration that triangulated in 1996. That is to say, it played off Democrats and Republicans alike in the Congress for the purpose of achieving re-election. And if that meant it wasn't able to achieve progress for America, that was fine with it.

DALEY: We made a heck of a lot of progress in eight years, Karl, and we'll make more under Al Gore and Joe Lieberman in the next four years.

ROVE: Not on Social Security, education, Medicare, prescription drugs, patients' bill of rights, military preparedness, tax cuts or improving America's values or having dignity and honor in the White House.

DALEY: That's our agenda.

ROVE: It's ours, and we'll achieve it. You've had seven years.

RUSSET: And let the voters decide. Gentlemen, thank you so much for joining us, we hope to have you both back. We'll be right back.

END

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TEXT:
FOX SPECIAL REPORT WITH BRIT HUME
August 23, 2000

TONY SNOW, HOST: Up next on SPECIAL REPORT, Janet Reno nixes a special counsel probe of Al Gore.

George W. Bush says, "Vote for me and I'll put an end to scandals."

And author David Maraniss talks about Al Gore, "The Prince of Tennessee."

But first, other headlines.

(NEWS BREAK)

SNOW: Welcome to Washington. I'm Tony Snow, in for Brit Hume.

Republicans may want to taunt Al Gore this year with video footage of a 1996 trip to a Buddhist temple in California, but at least the vice president won't have to worry about Attorney General Janet Reno. Much to the delight of Democrats and chagrin of many Republicans, Reno has decided not to seek the appointment of a special counsel to investigate Gore's fund raising.

Fox News' David Shuster has the story.

(BEGIN VIDEOTAPE)

DAVID SHUSTER, FOX CORRESPONDENT (voice-over): It was the announcement from the attorney general that Vice President Gore had been counting on.

JANET RENO, U.S. ATTORNEY GENERAL: Because further investigation is not likely to result in a prosecutable case under applicable criminal law and principles of federal prosecution, I have concluded that a special counsel is not warranted.

SHUSTER: That means the campaign finance investigation of the vice president is essentially over and that, barring unexpected developments, his questionable fund-raising activities are history, at least as far as the Justice Department is concerned. The controversy began after the '96 election when Mr. Gore admitted making fund-raising calls from his office at the White House.

AL GORE, VICE PRESIDENT OF THE UNITED STATES: There is no controlling legal authority...

SHUSTER: Gore also had his own \$10,000-a-head coffee klatches, and later when interviewed by the FBI said he missed parts of a key meeting on fund-raising tactics because he drank a lot of iced tea and might have needed a bathroom break.

From the start, FBI Director Louis Freeh told the attorney general the overall fund-raising probe cried out for an independent investigator. A year later, Charles LaBella, head of the campaign task force of the Justice Department, delivered a similar recommendation.

This spring, current chief, Robert Conrad gave Reno a third request. In April, Conrad interviewed the vice president about this 1996 event at a Buddhist temple in California. Mr. Gore testified it was not a fund raiser, even though documents suggested otherwise. But according to the attorney general...

RENO: It's the labels where they disagree, and I reached the conclusion that the vice president had not--based on this record--failed to describe what the role in fund raising was.

SHUSTER: But that role, says a key Senate Republican, should have been analyzed by a special counsel, not a member of the Clinton cabinet.

SEN. ARLEN SPECTER (R), PENNSYLVANIA: The inference is undeniable that she's protecting Vice President Gore, but at this stage it's up to the American public.

(END VIDEOTAPE)

SHUSTER: Vice President Gore has always denied any wrongdoing, and on the campaign trail a spokesperson said he was pleased with the Department of Justice announcement. As for the Bush campaign, it said "it is clear Mr. Gore engaged in questionable activities." But Mr. Bush refused to criticize the attorney general's decision not to appoint a special counsel, and that may essentially cause this entire issue to fade--Tony.

SNOW: Well, David, I gather there is at least one politician on Capitol Hill who doesn't want it to fade.

SHUSTER: Tony, that's right. Dan Burton, the Republican chairman of the House Government Reform Committee, the Republican that Democrats say is the best thing Al Gore has going in all of this, is going to be issuing a subpoena this week asking for the memo that Robert Conrad gave to Attorney General Reno this spring urging her to appoint a special counsel. Essentially, Burton believes that there may be information in this memo that has not been previously disclosed and that perhaps it may further his claim that there has been essentially an effort by the attorney general to protect the Clinton White House--Tony.

SNOW: All right, David, thanks.

Texas Governor George W. Bush isn't taking too kindly to his rival's bump in the polls. His campaign is struggling to regain the lead as it clarifies the candidate's position on tax cuts.

As Fox News' Carl Cameron tells us, Bush spent the day on state government business in Austin while the Democratic team unveiled another specific tax-cut plan.

(BEGIN VIDEOTAPE)

CARL CAMERON, FOX CORRESPONDENT (voice-over): Trying to build on their post-convention bounce, Al Gore and Joe Lieberman went to Florida to court the state's large population of seniors.

GORE: We're proposing a tax credit of \$3,000 per year for family caregivers providing long-term care to help with the bills and expenses for those who most need the help. That would help you out, wouldn't it?

CAMERON: It's part of Gore's overall \$500-billion package of targeted tax cuts for the middle class. The Democrats tout it as a responsible alternative to what they deride as George W. Bush's reckless \$1.3 trillion tax break for the rich.

SEN. JOSEPH LIEBERMAN (D-CT), VICE PRESIDENTIAL NOMINEE: This plan gives the most to those who need it least and the least to those who need it most. Second problem with the Bush tax-cut plan is that the numbers just don't add up. All told, the Bush tax plan does the wrong thing in the wrong way for the wrong people.

CAMERON: Bush maintains his plan does add up, but appeared to concede Tuesday that he needs to do a better job of explaining it to the public. Aides said the remark was not defensive, but a reflection of the onslaught that Bush faces from the opposition.

ARI FLEISCHER, BUSH 2000 CAMPAIGN SPOKESMAN: Al Gore

is going to attack, he's going to demagogue, he's going to distort. That's why Bill Bradley said, "If we can't trust you as a candidate, why can the American people trust you as a president?" We all know that's how Al Gore campaigns. The governor, to his credit, is anticipating that and is getting ready for it.

CAMERON: The Bush camp says it will run only a positive campaign, but since the Democratic Convention they have repeatedly accused the vice president of fostering class warfare with rhetoric like this.

GORE: They're for the powerful. We're for the people.

CAMERON: And now that Gore is in Florida wooing retirees, the Bush camp says Gore is trying to create generational warfare by scaring seniors about Bush's plan for entitlement reform.

FLEISCHER: If you run a campaign like that, how on Earth do you expect to bring together politicians after the election is over to save Social Security, get prescription drugs for seniors?

(END VIDEOTAPE)

CAMERON: Both campaigns continuously promise that they will run clean races, but with 11 weeks left to Election Day and the polls basically tied, those are political promises that come from candidates and campaigns that in the very same breath accuse the opposition of hypocrisy and lying--Tony.

SNOW: OK, Carl, so who is going to take the first swing?

CAMERON: Well, to some extent they both already have, but it will probably not come directly from the campaigns. The nastiest of all ads and attacks will probably come from independent groups--the so-called "outside organizations." And when that happens, it's katie bar the door, blood on the walls from everybody--Tony.

SNOW: So the independent expenditures, those would be financed with so-called "soft money," those--that's where the tough stuff is going to come.

CAMERON: And as soon as one outside group attacks a candidate, the victim of that will turn around and accuse the opposition of orchestrating it, and the gloves come off.

SNOW: All right, Carl Cameron, thanks, and we'll take care of your prediction as well.

Al Gore surprised Republicans and pleased Democrats last week by promising an ambitious program of spending increases. How much does he propose to cut taxes and increase spending? And how does his plan compare to that of George W. Bush?

Fox News' Brian Wilson takes a look.

(BEGIN VIDEOTAPE)

BRIAN WILSON, FOX CORRESPONDENT (voice-over): Just a few years ago, no one really foresaw that the U.S. economy would be so strong and vibrant. No one imagined one of the biggest campaign issues of this election would be what to do with a huge budget surplus.

STEPHEN MOORE, CATO INSTITUTE: The surpluses are large and growing, and so there is going to be some money available to do tax cuts and/or to do more spending.

WILSON: And therein lies the big choice for American voters this fall. By most projections, over the next 10 years U.S. surpluses will total \$4.6 trillion and the candidates have very different

ideas about how to spend it.

George W. Bush commits just over half of every surplus dollar to preserving Social Security. Of the remaining \$2.2 trillion, Bush would designate 28 percent for tax cuts, 6.5 percent for various domestic programs, 6.5 percent for future interest payments and 6.5 percent would be held in reserve.

Al Gore commits the same 52.2 percent to preserve Social Security, nearly 11 percent for tax cuts, 23.6 percent for various domestic programs, 5.4 percent for interest payments and 7.6 percent for other spending--or, put another way...

MOORE: You've got in the Bush plan about a trillion dollars of tax cuts over the next 10 years and about half a trillion in new spending. With Gore you've got just the opposite--you've got about a trillion in new spending, about a half a trillion in tax cuts. One of the defining issues in this election is going to be if you want a big tax cut, you go with Bush; if you want more spending on prescription drug benefits and education programs and so on, those are the people who are likely to go for Al Gore.

WILSON (on camera): And a word of warning from the budget experts: those budget surpluses are based on budget projections. No one knows for sure what we'll actually have in 10 years. Also, in about 10 years, the Baby Boomers start to retire. The economy will not be as productive. No one is at all certain those surpluses will continue.

In Washington, Brian Wilson, Fox News.

(END VIDEOTAPE)

SNOW: Coming up, how much will it cost to pay President Clinton's legal bills? Find out, next.

(COMMERCIAL BREAK)

SNOW: Here is an update on the special counsel probe of President Clinton. The investigation which began under Robert Fiske, continued under Kenneth Starr and now operates under the guidance of Robert Ray has cost taxpayers more than \$52 million. In response to an inquiry from Democratic Senator Patrick Leahy, Ray reports that he has spent nearly \$742,000 in less than a year. Leahy now says it's time for the independent counsel to--quote--"pack it up and go home," but Ray says his work is necessary because the allegations are serious.

As Fox News' Steve Centanni tells us, this comes as the president's legal bills have reached an all-time high.

(BEGIN VIDEOTAPE)

STEVE CENTANNI, FOX CORRESPONDENT (voice-over): His time in the White House may be growing shorter, but President Clinton's legal bills continue to pile up. On a day when his legal expense fund announced the latest figures, the president refused to comment.

QUESTION: How do the numbers look for your legal defense trust?

CENTANNI: Officials of the Clinton legal defense fund held a Washington news conference to announce the Clintons' legal bills have now reached almost \$11 million. The fund has collected a total of \$8 million over its two years of existence and it's paid \$6.5 million to a couple of big Washington law firms. Altogether, 104,000 contributions have been received.

The first family's legal bills began to pile up with the Whitewater investigation. Then came the Paula Jones lawsuit, followed by the Monica Lewinsky investigation and the president's impeachment. And

it's not over yet, now that a new grand jury is considering whether to indict the president after he leaves office.

Trust fund executive director Anthony Essay (ph) says no first family should leave office with such a huge debt, and he says the fund also has another purpose.

ANTHONY ESSAY, TRUST FUND EXECUTIVE DIRECTOR: As far as possible, to enable someone like President Clinton to continue to apply his talents to public service for the United States rather than have to spend the next five years just trying to raise money to pay off his debts.

CENTANNI: Altogether, 75,000 people have helped to pay off the president's legal debts, which still amount to almost \$4 million. This year, the president's showbiz buddies are once again among those giving the maximum amount of \$10,000 each. They include TV and film producers Norman Lear, Lew Wasserman and Harvey Weinstein. Baltimore Orioles owner Peter Angelos also gave \$10,000 and Jackie Kennedy's boyfriend, Maurice Templesman, gave \$2,000.

(on camera): The Clinton legal expense trust plans to give another financial report next February, but after that the future of the trust like that of the president remains a mystery.

In Washington, Steve Centanni, Fox News.

(END VIDEOTAPE)

SNOW: Coming up, what made Al Gore the man he is today? We'll ask David Maraniss, co-author of ``Al Gore, The Prince of Tennessee."

(COMMERCIAL BREAK)

SNOW: Al Gore was born into a political family, and eventually chose to enter the family business. He served in the House of Representatives, later in the Senate. He ran for president in 1988 and has spent more than seven years as Bill Clinton's vice president. So what kind of leader would he make?

We'll ask David Maraniss, co-author of a definitive biography of Bill Clinton, and now co-author with Ellen Nakashima of this book on Al Gore, it's titled ``The Prince of Tennessee."

Let's just begin first with, what is your most, I guess, lasting impression of Al Gore as a person?

DAVID MARANISS, CO-AUTHOR, ``THE PRINCE OF TENNESSEE": Well, that he's a complex person, sort of dichotomous. People talk about the public Gore and the private Gore, one being looser and the other stiff. That's a stereotype really, but there is some of that in him and there are so many ways that he's sort of two people. You know, he--people want to say, well, he's the elitist from the Fairfax Hotel, or he's the farmer from Tennessee. Actually, both of those parts of him are in his nature and they conflict sometimes so that, you know, he's--he's a very competitive person, a classic politician in that sense. And yet he really, in some sense, doesn't even like politics. So you know, there is always that conflict within him.

SNOW: He doesn't like politics? This is a guy who has a reputation of being a savage campaigner.

MARANISS: He is a savage campaigner. He is incredibly competitive. He will do what it takes to win a campaign. That's based on his competitive nature more than his love of the political game.

SNOW: So what is it about politics that he doesn't

like?

MARANISS: Well, he doesn't necessarily like all of the extroverted nature of politics--you know, of meeting all those people and spending all that time posturing in that sense. He would really rather probably be in his office talking to Leon Furth (ph) about arms control, you know, his arms-control expert, or some scientist about global warming. That really is the part of government that Gore enjoys. It's the handshakes and all of that and the--you know, he only gets through that because he's so competitive.

SNOW: The question that arises out of last week's Democratic Convention is how liberal is he?

MARANISS: Well, you know, when I studied Bill Clinton, I always found that he was really more of a moderate even during that period when he was against the war and people tried to portray him as a leftist. That's generally true with Al Gore, too. But both of them had very defining moments in their lives that turned them to the center. With Clinton, it was when he was defeated as governor in 1980--you know, the youngest ex-governor in history.

With Al Gore, it really was his dad's defeat in 1970 after 32 years in Congress, and Al Gore Jr. learned from that to move to the center, not to be too far out in front of his constituents, and I think that he's been a centrist for most of that period since then with this very interesting strain of populist rhetoric that goes along with it, which he also took from his father.

SNOW: They have portrayed his father as a guy who lost for a whole host of reasons. What you are saying is he just got too liberal for the state of Tennessee?

MARANISS: Well, for the most part, that was it. I mean, the Gore camp would also argue that they were the victims of a pretty nasty campaign led by the Nixon administration in 1970. I think there is--both of those are factors in his defeat along with the fact that he appeared to be a little bit too aloof from Tennessee--he didn't come home enough. So Al Gore Jr., the first thing he did when he was a congressman is set up these intense town meetings where he came back 250 times a year.

SNOW: And he's now promising to...

MARANISS: To do that as president.

(CROSSTALK)

SNOW: Cruel and unusual punishment.

With all the things he has going for him, why has he felt compelled at various times to sort of fabricate things about himself?

MARANISS: Well, you know, with President Clinton, it seemed to me that most of the times when he was stretching the truth it was to try to cover something up, and with Al Gore, there is no such thing. It's just--he wants to look even better than he is, so there is no really good reason for it. Some of the more noted cases are really unfair to him--I mean, in terms of inventing the Internet. He really didn't say that. And anybody you talked to in Congress in the late '70s will honestly say that Gore was interested in this stuff before they had any clue what it was, but some--there are very definitely some cases where he does exaggerate, and I can only think it's because he's sort of--wants to be perfect.

SNOW: How do you explain, also, a disjunction that a lot of us who have been around Gore have seen which is, behind the scenes

he's loose, he's relaxed, he's engaging, he gets on stage and he's a different guy. Why is that?

MARANISS: Well, you know, it's very, very true with television in particular. I mean, producers--every producer you talk to will say, you know, he's nice before--you know, he's great before the cameras are there, and then he just--he says stuff that's unusable once the camera is on the air. And the interesting thing to me, Tony, is that he's known about this whole thing for a long time. His thesis at Harvard--his senior thesis in government was on the role of television and the presidency and leadership, and how you had to be a good communicator to lead. He's been struggling with that ever since. And once in a while, he will break out, but very rarely.

SNOW: He got high points for his delivery of the speech before the Democratic National Convention last week. Do you expect to see him sort of following on that, or do you see him lapsing back into the kind of stiff and old wooden style?

MARANISS: I think it will be both depending on how he feels that day. His level of confidence has an enormous effect on his public appearance. If he's feeling confident about his campaign, he will tend to be more buoyant and talk faster and not appear to be patronizing in that sing-song voice. If he's in trouble or uncertain about what he's talking about, then he will revert back.

SNOW: Now, here is a guy who, with the exception of the 1988 primaries when he ran for president, has never lost anything. He's got a lot of reasons to be confident. But does he lack confidence? Is that part of the problem, or part of the mystery?

MARANISS: He's a fascinating study in confidence and insecurity. He has almost a righteousness, or self-righteousness about things that he's certain of that he can reduce to science or fact. Once he's decided on something is right and he can prove it empirically, he's almost immovable and confident. But if it's anything--has to do with intuition, or instinct, or something where he's not as certain about, he has a level of insecurity that was striking to members of his staff.

SNOW: How important is his wife to him?

MARANISS: Crucial. I mean, you saw that from the moment she went out on stage and started dancing with the drummer, and the kiss--all of that--I mean, Tipper Gore really brings Al Gore to life. She's the oxygen for him.

SNOW: Now, there have been a lot of people saying, "well, that was staged." Do you think that was staged, or do you think it was spontaneous--the kiss?

MARANISS: It was both. It was both. I mean, it was--clearly, they wanted to do it, you know, it was a remarkable--I mean, it's so funny how politics turns on the craziest things, but that kiss had a symbolic value that even they couldn't have imagined at the time.

SNOW: What's the relationship between Clinton and Gore--or Gore and Clinton? Let's put it that way.

MARANISS: It's uneven. I think there is a lot more sort of tension between the staffs than the two guys, but obviously--Clinton is--he's in a really interesting position because he's a great political strategist and he has to figure out what it is that can help Gore win even if it drives him crazy to do it, like the last two weeks, you know, get out of sight, you know. He will do that to the extent that he has to in order for Gore to win, but he won't like it.

SNOW: Is Clinton going to be the ambassador to Democratic base voting blocs, like is he going to be the guy who shows up at black churches and that kind of thing?

MARANISS: He probably will do some of that. I mean, that's definitely an easy place for him. Al Gore is actually very good in black churches himself. He knows scripture. He knows that language. He's very comfortable there. It's one of the few places where you see the looser Al Gore.

SNOW: All right, David Maraniss, co-author of "The Prince of Tennessee," thanks for joining us.

MARANISS: Thank you, Tony.

SNOW: We have to take a quick break for some news headlines.

But when we return, find out why one governor is moving and also find out where he's going.

(COMMERCIAL BREAK)

SNOW: And now the latest pickings from the "Political Grapevine."

The American Women Presidents, a political group that advocates the election of a woman president or vice president, offered Monica Lewinsky the job of corporate vice president Tuesday, then quickly withdrew the offer under pressure from enraged feminists, many of whom had defended the president's dalliance with the former intern. AWP President Mose Marie--that's correct--Mose Marie Boyd (ph) originally announced the Lewinsky hiring this way--quote--"After two and a half years of public interrogation and national humiliation, we believe it is time for America to forgive Monica." But just hours after that press release, AWP withered under heated protests. According to Reuters, the outfit sent Lewinsky a follow-up letter withdrawing the job offer and apologizing for any inconvenience.

A newly released New York poll has Hillary Rodham Clinton up by 3 points over her opponent, Rick Lazio, for the New York Senate seat. A Yale University poll gives Clinton 44 percent of the vote to Lazio's 41 percent--that's within the poll's 4-point margin of error.

And Arkansas Governor Mike Huckabee has packed up and moved his family out of the governor's mansion and into a triple-wide mobile home on the back lawn. They look a lot like houses these days, those triple wides. The 50-year-old governor's mansion is undergoing renovations that could run as much as \$8 million, but there is a sticking point. If the state fails to raise the cash necessary to complete all the improvements, the Huckabees could live in the mobile home for years.

When California began its controversial English-only program for public schools, opponents complained about racism and predicted educational catastrophe. Well, now, it turns out those fears may have been unfounded.

Fox News' Jon Du Pre explains.

(BEGIN VIDEOTAPE)

UNIDENTIFIED FEMALE: One day in 1776, General George Washington came to visit...

JON DU PRE, FOX CORRESPONDENT (voice-over): Most of the 1st graders at this Los Angeles school didn't speak English when they started kindergarten last year. Now, they're thriving in an English-only

classroom.

ANNETTE KESSLER, WEEMES SCHOOL PRINCIPAL: Yes. And the scores show it.

DU PRE: The latest California test scores show immigrant school kids are doing much better now that bilingual education is gone and all their classes are taught in English. For limited-English kids...

(VIDEO GAP)

UNIDENTIFIED FEMALE: ... George Washington came to visit...

DU PRE: Most of the 1st graders at this Los Angeles school didn't speak English when they started kindergarten last year. Now, they're thriving in an English-only classroom.

KESSLER: Yes. And the scores show it.

DU PRE: The latest California test scores show immigrant school kids are doing much better now that bilingual education is gone and all their classes are taught in English. For limited English kids, the mean scores for grades 2 through 6 went up dramatically, 39 percent. Second graders, often used as the benchmark for success, improved by 9 percent in reading, 14 percent in math statewide.

KESSLER: So now how many languages do you speak?

CLASS: Two.

KESSLER: To that effect, you have equal access for these children. They are now getting the advantage of the teacher teaching them, not teaching assistants, not other persons.

DU PRE (on camera): He only talks in English to you?

EMERSON GALDAMEZ, 1ST GRADER: Yes.

DU PRE: What does that do to help you? How does it help you?

GALDAMEZ: I learn more.

HEIDY GAMEZ, 1ST GRADER: He show us how to read and talk loud and speak English.

DU PRE (voice-over): When Californians passed the English-only initiative in 1998, opponents predicted doom for non-English-speaking kids. Those opponents say the improved scores are misleading because California has also reduced class sizes and focused more on phonics.

UNIDENTIFIED MALE: Kids in emergent programs in the early grades may be gaining verbal skills, but they aren't necessarily gaining the kind of literacy that they're going to need to be able to understand the academic subjects that are going to come down the pike.

ANDY ROTHERHAM, PROGRESSIVE POLICY INSTITUTE: I think you can't take an objective look at what's happened in California and not say that 227 had a difference.

DU PRE (on camera): There is another unexpected result. Teachers at schools such as this one, once divided between Hispanics and all others, are seeing children from different cultures beginning to play with each other--united now, they say, by a common language.

In Los Angeles, Jon Du Pre, Fox News.

(END VIDEOTAPE)

SNOW: Coming up, President Clinton sends aid to Colombia, but not without controversy. Find out why, after a quick break.

(COMMERCIAL BREAK)

SNOW: President Clinton is set to visit Colombia next week, just after approving a \$1.3 billion aid package for the country. While the move may make him popular in Colombia, it has stirred up controversy on Capitol Hill.

The problem, as Fox News' Teri Schultz tells us, is human rights.

(BEGIN VIDEOTAPE)

TERI SCHULTZ, FOX CORRESPONDENT (voice-over): President Clinton has a fight on his hands over aid he's sending to fight drug trafficking in Colombia. Clinton waived human rights conditions the U.S. Congress attached to the money. He says it's in the U.S. interest to fund the anti-narcotics program in Colombia because that's the source of 80 percent of the cocaine sold here.

WILLIAM J. CLINTON, PRESIDENT OF THE UNITED STATES: We've protected our fundamental interests in human rights and enabled the plan Colombia to have a chance to succeed, which I think is very, very important for the long-term stability of democracy and human rights in Colombia and for protecting the American people and the Colombian people from the drug traffic.

SCHULTZ: Clinton says Colombian President Andres Pastrana has made good progress with new legislation, while critics want more tangible proof from Pastrana and a government army that itself is accused of numerous atrocities, and not just against drug traffickers.

JOSE MIGUEL VIVANCO, HUMAN RIGHTS WATCH: It is the wrong message. It will be perceived in Colombia as just a rhetorical commitment to human rights by the Clinton administration.

SCHULTZ: Indeed, only one of six required human rights reforms could be verified by the State Department. Military courts will no longer preside over cases of human rights violations. Senator Patrick Leahy, ranking member of the Appropriations Committee, is outraged saying, "Our conditions do not require perfection on human rights. But at least we need to see consistent compliance with the conditions and they are not even close to that."

(on camera): Even with warnings from Leahy and other lawmakers that they will just hold up the next installment of Colombian aid on human rights grounds, the president defends his decision--he says without this money now Pastrana is merely helpless against a drug trade that threatens the very stability of his country.

Clinton will be in Colombia next Wednesday, and if he's silent then on the need for much more reform, his critics say he won't have contributed at all to the solutions, he says, are on the way, he will have just added to the problems.

In Washington, Teri Schultz, Fox News.

(END VIDEOTAPE)

SNOW: The newly elected president of Mexico, Vicente Fox, is scheduled to arrive in Washington late Wednesday night for a Thursday meeting with President Clinton. Fox was elected July 12, bringing an end to 70 years of unbroken rule by the once invincible PRI party, the PRI. In his campaign, Fox talked about partnership with the United States and President Clinton says he welcomes the offer of cooperation. The Mexican president-elect recently sat down with Fox News and talked about his plans.

David Lee Miller has details.

(BEGIN VIDEOTAPE)

DAVID LEE MILLER, FOX CORRESPONDENT (voice-over): Although he won't take office until December, Mexico's president-elect Vicente Fox isn't wasting any time when it comes to planning his country's future.

VICENTE FOX, MEXICO PRESIDENT ELECT: People is very, very happy with new government, with the change and with the new democracy that we have.

MILLER: In an exclusive interview, Fox said high on his agenda is creation of an international anti-drug force. He is also calling for an end to a program requiring Mexico and other Latin American countries to have their anti-drug efforts evaluated by the U.S. or risk economic sanctions.

FOX: I think that we have the moral authority, the democratic legitimacy to speak and to speak strong on the positive aspects that changing into a multilateral agreement would be the right course for everybody to follow, because right now, I question, myself, how is it possible that tons and tons of drugs do cross and get into the United States.

MILLER: U.S. drug czar Barry McCaffrey, during a recent visit to Mexico, said he expects there will soon be changes in the U.S. anti-drug certification program.

BARRY MCCAFFREY, U.S. DRUG CZAR: I could not agree more with President-elect Fox's basic sentiment.

MILLER: While that should please President-elect Fox, he is holding firm on his government's refusal to allow American DEA agents to carry guns when on Mexican soil.

FOX: We are not going to let any of those police work within Mexico armed. We have our own police and it is going to be a reliable police.

MILLER: And that means putting an end to corruption.

According to Fox, a former soft drink executive whose election ended a 71-year winning streak by Mexico's ruling PRI party, his country's moral compass needs a serious adjustment.

FOX: We have to build up this new culture of complying with the law, rule of law, this new culture of giving the right value and importance that education has.

MILLER: Fox also wants other changes, especially when it comes to the economy. He is calling for modifications to NAFTA that would help small businesses. Another top priority: creation of jobs.

FOX: Basically, we have to build up the opportunities in the jobs here in Mexico, and we want to talk this very seriously with the United States in trying to build up those opportunities by enhancing the mechanisms of NAFTA and deepening further with the same tool to be able to bring in investment into Mexico, but at the same time to develop the small, medium-sized companies that are really very generous on building up jobs.

MILLER: As for the November elections, he says no matter who wins, he expects continued good relations with Washington.

FOX: I'm absolutely sure that we can work as well with either one of them. And I know personally Governor Bush. I don't know personally Vice President Gore. But I have read many of his--his book on reinventing government, his positions against corruption, and out of both of them, I know their worries about Mexico and Latin America and their friendship that they have demonstrated to our countries, and I'm sure we

would be able to work with either one very well.

MILLER: Fox says he has already scheduled a November meeting with the winner of the U.S. presidential election.

David Lee Miller, Fox News.

(END VIDEOTAPE)

SNOW: Don't touch that remote. Our Fox All-Stars are coming up next.

(COMMERCIAL BREAK)

SNOW: And now I'm joined by Fred Barnes, executive editor of "The Weekly Standard," Jeff Birnbaum, Washington bureau chief of "Fortune" magazine, and here in studio, not on the White House lawn, is Mara Liasson, White House correspondent for National Public Radio. They're all Fox News contributors.

And Fred is especially hot to talk about oil prices.

I can't wait. OK, Fred.

FRED BARNES, "THE WEEKLY STANDARD": No. I--here is what I was struck by today, not so much about oil prices, but electricity prices have gone up with this clumsy deregulation in California of energy prices. So the president comes out--this--President Clinton, who is supposedly the president who is now going to fade into the background and let Al Gore take over, comes out and has a Rose Garden press conference to announce that the federal government is sending \$2.6 million--that's million, not billion--to Southern California. Now, I mean, it seemed like a pretty--I mean, this is the kind of thing that normally you just hand out a piece of paper at the White House. But...

(CROSSTALK)

SNOW: Staples Center...

(CROSSTALK)

MARA LIASSON, NATIONAL PUBLIC RADIO: You don't hand out a piece of paper in an election year where California is an important state and you are trying to help people pay their air conditioning bills. Look...

BARNES: I know, but he's not running.

LIASSON: I know. But he used to do this for New Hampshire with the LIHI (ph) program, the same program. It also works in the winter to help low-income people pay their heating bills. I mean, look, Fred, this is what happens in an election year.

(CROSSTALK)

BARNES: ... let Gore grab the news? Let him announce it.

JEFF BIRNBAUM, "FORTUNE" MAGAZINE: At the same time, he also had two cabinet secretaries with him and...

(CROSSTALK)

BIRNBAUM: Now, when I used to work for the "Wall Street Journal" years ago--this is, you know, nearly two decades ago--we used to have a \$3 million minimum before we even wrote a tiny little story. So \$2 million--this clearly is an election year.

(CROSSTALK)

SNOW: Two million dollars is 10 cents a head on the--actually, it's less than that for the population of California.

BARNES: Yes.

BIRNBAUM: That's right, sure.

LIASSON: You know, the last--I can't remember what

the program was, but there was a record for the lowest amount of money he ever--and it was around \$2 million. I don't know if this one surpassed it or just come close, but it was right around 2.

(CROSSTALK)

BARNES: A record set by President Clinton.

(CROSSTALK)

BIRNBAUM: But Fred is right. The real lesson to draw from this is that we're never going to stop Bill Clinton from coming out into the Rose Garden and saying things in front of the camera--even when his term is over, I bet he will show up right behind those...

SNOW: OK, on a related front, though, the American Petroleum Institute reports that we have less oil available to us at this moment than we have had at any time since the oil shocks of the 1970s. The result is going to be oil prices are going to go up, OPEC is cutting back on production. Are we going to see another round of attacks on big oil?

BARNES: No, I think--well, you'll see another--the Clinton administration will attack big oil, Al Gore will attack big oil, and the Republicans and George Bush will attack Al Gore and the Clinton administration. So I think that's what you will have. I still think the fundamental problem is that people whose countries exist only because the U.S. has defended them are a part of the OPEC cartel that's driving up oil prices--has driven up oil prices in the United States, by which I mean Saudi Arabia and Kuwait. Kuwait would not be a country--it would be, what? The 19th province of Iraq if it were not for the United States, and yet they're gouging the American consumer.

BIRNBAUM: Well, I think that Al Gore has something in that he's always attacking in some ways--at least that, I think, is part of the method to--you can call it madness if you want--attacking the corporations that helped feed his campaign, and this is something that George Bush, I think, is going to have to come to terms with. He's going to have to get off of the defensive and begin attacking, himself, and it seems like that he has something, but hasn't been using it, which is the amount of spending that Al Gore has proposed. It is gargantuan. And people have tried to tally it, and there have been attempts to say it's a trillion--or it's probably much more than that.

I think that if Bush were smart--and I understand that some of his people are trying to do this--they're trying to get a comprehensive list and go back on the offensive again.

SNOW: It's interesting, one of the reasons they're having difficulty right now is that all of the budget crunchers who do that work in that building right behind you in the Capitol, they're on vacation for another two weeks and so they can't get any official--they can't get anybody to give them the numbers, they can't get the Congressional Budget Office, or the budget committees, and so that's one reason they're dithering with this right now.

But speaking of George W. Bush, he has at least been attacking the English language--we've talked about this before. There was an appearance--and we hope to have tape for you tomorrow night, folks--and I know for some of our conservative viewers you will think we're picking on the governor, but this is a story you're going to hear a lot about, which is he's inherited his father's syntax.

LIASSON: He has. Some of it is merely bloopers, saying the words "hostile" instead of "hostage," or "terriers" instead of "tariffs." But I think there is something else that he had a

problem with, which was explaining his tax-cut plan and that's potentially more important. Now, this was on the plane. He was talking to a group of reporters. And his tax-cut plan has been under--taking some pretty withering fire from Al Gore. There are also polls that show people would rather pay down the national debt than get a big tax cut, and he had some problems explaining how it would work. Now, he has plenty of time to correct this, but he can't do that in a debate.

BARNES: Well, he didn't use wrong numbers. Mara is right, of course, he didn't explain it well, he just threw out some numbers without explaining what they were.

LIASSON: Yes.

BARNES: And, I mean, if you have seen the quote, it's...

LIASSON: But it's confusing.

BARNES: It was totally confusing. You wouldn't know what he was talking about unless somebody--well, now this figure is--this is the amount of money that the budget will go up over the next 10 years automatically without any increases. But he didn't label it that way. It was a little--he left out about half the information needed...

SNOW: Well, it was one of those Darman (ph) moments when he was firing off statistics without stitching them together with, oh, say, sentences.

(CROSSTALK)

SNOW: And so he said, you know, we've got \$3.3 trillion over 10 years, which is the amount of which spending is going to increase naturally. And so, by the end of it not only could he not explain what he said, but his own spokespeople couldn't say--couldn't explain it either.

BIRNBAUM: I think there is a bigger problem than syntax and lack of clarity, which is that his tax cut, I think, is too large to defend. I think that's just going to be one of his basic problems. At a time when people are worried about whether the economy will keep growing, when the polls show that people like government to take on more functions, of the kind that at least Al Gore is moving in the direction of, I think a very large, over a trillion dollar tax cut is going to be a problem for him politically.

(CROSSTALK)

LIASSON: And he's never made it clear which is his priority--paying down the debt, or the tax cut.

BIRNBAUM: Right.

LIASSON: And, you know, Karen Hughes was on our--your program on Sunday and tried to argue that there is plenty of money to go around, but the fact is the tax cuts, once they're passed, they are forever. At least spending is appropriated...

(CROSSTALK)

BARNES: No, no, historically, that's not right. Look, it's harder to take back the spending, if it's an entitlement...

(CROSSTALK)

LIASSON: But if it's an appropriation, they have to do it every year.

(CROSSTALK)

BARNES: Jeff was heading in the direction, though, that may bail out George W. Bush--that is, if they add up all the Gore programs and say, "look, he's going to spend all this money. He will

leave none to pay down the debt. I'll give you a tax cut and I'll also pay down the debt."

SNOW: OK, I have a trivia question here. Can anybody name a program that once it got up and running--forget about entitlements--actually got shutdown other than a war program or CETA?

BIRNBAUM: This is...

LIASSON: Well, I can't, but I can tell you that George W. Bush hasn't mentioned any programs he's going to eliminate either.

(CROSSTALK)

BIRNBAUM: They have revenue sharing--and there have been a number of Pentagon programs that have been shut down.

(CROSSTALK)

SNOW: That's what I was saying. War-time programs.

(CROSSTALK)

BARNES: Revenue sharing is the only one I can think of.

LIASSON: Well, let's hear from the candidates which programs they want to cut.

(CROSSTALK)

BIRNBAUM: There have been a number of small housing programs that have been shut down.

Well, sorry.

(CROSSTALK)

BARNES: It's a point well taken.

LIASSON: A point well taken, and we should hear from the candidates which programs they want to shut down.

SNOW: That's right. Or which programs they're watching for their political futures.

(CROSSTALK)

BIRNBAUM: No, no, not this one.

SNOW: Fred, Jeff, Mara, thanks, that's all the time we have for the panel.

But stay tuned for a look at just how Joe Lieberman has energized the Gore campaign.

(COMMERCIAL BREAK)

SNOW: And finally, not so long ago, we showed you an Al Gore speech in which an audience member was so overcome by excitement that he lost consciousness. But that was before Gore picked Joe Lieberman to fire up the campaign. So let's see whether things have changed.

(BEGIN VIDEO CLIP)

LIEBERMAN: This plan gives the most to those who need it least and the least to those who need it most. Second problem with the Bush tax-cut plan is that the numbers just don't add up. Have you been following that "Survivor" TV show? Well, if--the Bush tax-cut plan is kind of like named to the cast of "Survivor" and immediately going out and spending a million bucks. You haven't won yet.

The Gore-Lieberman plan, on the other hand, invests in middle-class families and their future. In a moment, Al will describe what our plan does, particularly the long-term care tax credit. He and Tipper have been long-time battlers for values in our society, and Tipper and Hadassah and Al and I are going to...

UNIDENTIFIED MALE: (OFF-MIKE)

LIEBERMAN: Thank you--are going to work.

(END VIDEO CLIP)

SNOW: Well, we can tell you who is first off that island.

That's it for this edition of SPECIAL REPORT. See you next time. And stay tuned for more news.

END.

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

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

TO: Marc I. Hurwitz (CN=Marc I. Hurwitz/OU=NSC/O=EOP@EOP [NSC])
READ:UNKNOWN

TO: Linda Sinoway (CN=Linda Sinoway/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: Kristina Wolfe (CN=Kristina Wolfe/OU=OVP/O=EOP@EOP [OVP])
READ:UNKNOWN

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

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

TO: Joshua S. Gottheimer (CN=Joshua S. Gottheimer/OU=WHO/O=EOP@EOP [WHO])
READ:UNKNOWN

TO: Justin L. Coleman (CN=Justin L. Coleman/OU=WHO/O=EOP@EOP [WHO])
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TO: Jennifer H. Smith (CN=Jennifer H. Smith/OU=WHO/O=EOP@EOP [WHO])
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TO: Eli G. Attie (CN=Eli G. Attie/OU=OVP/O=EOP@EOP [OVP])
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TO: David B. Stockwell (CN=David B. Stockwell/OU=NSC/O=EOP@EOP [NSC])
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TO: Anne W. Bovaird (CN=Anne W. Bovaird/OU=WHO/O=EOP@EOP [WHO])
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READ:UNKNOWN

TEXT:
PBS News Hour, Big Surplus?
September 7, 2000

MARGARET WARNER: To

debate the merits of these
plans, we turn to economic
policy advisors to both
campaigns and to two
interested outsiders. The Gore
campaign's Laura Tyson is
dean of the Haas School of
Business at the University of California

Berkeley. She

served as President Clinton's national economic

advisor.

The Bush campaign's Martin Anderson is a fellow

at the

Hoover Institution. He was a top economic

advisor in the

Reagan administration. For outside perspective,

we turn to

Robert Kuttner, an economics writer and coeditor

of the

American Prospect, a biweekly magazine; and

Stephen

Moore, a senior fellow at the Cato Institute.

Welcome, all.

Laura Tyson, starting with you, what do you see

as the

most essential difference in the two approaches,

the two

strategies these candidates have for dealing

with this

surplus or for using this surplus?

How to spend the surplus

LAURA TYSON: I think the
most essential difference

is of

that projected non-Social
Security surplus-- about

\$2.2

trillion, by reasonably
conservative estimates--

the

-Vice President Gore has
proposed a very balanced

to tax
Americans
-- and
income
he has also
reducing
So a
should not be
reduction.
priorities the
priorities like
additional
insurance to
the
help them
approach
does not
fact, about
for debt

approach. He has proposed to devote some of that
cuts, very targeted to specific objectives that
are concerned about like savings and healthcare
also targeted so that working families, middle
families achieve the bulk of the tax relief. But
said, look we have to make a firm commitment to
the debt. We need to eliminate the debt by 2012.
substantial fraction of this projected surplus
spent; it should essentially be devoted to debt
And then, finally, let's face it: There are
American people have for their government,
a prescription drug program for Medicare,
spending on education, expanding health
young children-- and those kinds of priorities,
American people want to see their government
address those problems. So it's a balanced
within a fiscally sound overall plan. Their plan
overspend the \$2.2 trillion. As a matter of
\$700 billion of that \$2.2 trillion is targeted
reduction.

MARGARET WARNER: All right, Martin Anderson, I
imagine you see this differently.

MARTIN ANDERSON:
Well, actually, Governor Bush
has a balanced approach
very... in the same way that
Laura was talking about it,
balanced differently, though.
Let me first of all talk about the
essence of the tax package. First of all, it

fits. We've been
finest

very careful about that. Dozens of the nation's

Second, in terms of the tax cut, every single working American gets this tax cut; there are no exceptions. But the interesting thing about Governor Bush's plan that hasn't received a lot of attention is the way that tax cut works. He wanted to focus on low-income people who are just starting to climb the economic ladder. So let's take a typical family-- a mother, father, and two kids. Their income is between \$25,000 and \$30,000 a year, they get a 100 percent cut in their income taxes. If their income is between \$35,000 and \$50,000, the tax cut declines from 100 percent down to 50 percent. But it's still 50 percent if you make \$50,000. Going up another \$25,000 in the middle-income group, the tax cut drops from 50 percent down to 25 percent. The essence of the Bush tax cut plan, it's focused on the low and middle-income people. And the lower your taxable income, the higher the percent of the tax cut you get. Now that is what this campaign is all about, is what kind of a tax cut. And I think I'd love to see an example. I think we should compare both tax cuts. George Bush has gone a long way to this with his web site. You can go on the web site-George W. Bush.Com-- and you can type in the bottom right-hand corner, a little thing called a tax calculator. And every single American can go on that site and find out exactly what they're now paying in income taxes and what they would pay if George W. Bush got elected. And I would like to see Al Gore do the same

comparison. thing. I think it would be a fascinating

MARGARET WARNER:
All right. Laura Tyson,

going back to you, both

campaigns on the ads and on the
the campaign trail are making

assertion that his plan is
better for working middle
class families. Now, you just heard Marty

Anderson say, essentially, the tax cut is what they want and

what they need. What's your counter-argument as to why

Gore's plan is better for this group of families? And I

don't mean just the tax cut, I mean the whole way of using

the surplus.

LAURA TYSON: Right. Well, I think it's
important. I need to say one thing about the tax cut, and
then I will go on. If people do go to the Bush Web site and do
the tax calculator, I suggest that they pretend that
they have an

\$5 million, and then compare the size of the
dollars that will be given back to the high-income families versus

the size of the dollars to the middle- and low-income
families. These numbers are well known. For the top 20 percent,

we are seeing 60 percent of the dollars directed to

that class from the tax cut. We're only seeing less than 10

percent, or about 10 percent, of the total
dollars of the tax cut going to
the bottom 60 percent. If a
middle class person thinks a
\$400-a-year tax cut is good
for them, they should recognize
that, in order to get that tax
cut, they are giving up a

the top end
\$5,000
tax calculator,
the bulk of the
that's a
people
to
lot of
retirement.
have
old and
their
tax
plan
Bush plan.

substantial part of the surplus so that those at
might get something like a \$50,000 tax cut, or a
tax cut. So that's the first play. Play with the
by all means, and then you will find out that
money goes to the upper income group. Now,
different way of using the money. Upper-income
have done very well during the current economic
expansion. And middle-income people have begun
share in that. But middle-income people have a
burdens. They're not saving enough for their
They have trouble paying education bills. They
trouble taking care of their loved ones, who are
need long-term care. They have trouble insuring
children. All of those needs are needs which the
proposals, and spending proposals, of the Gore
address. And they are left un-addressed by the

MARGARET WARNER: All right. And Marty
Anderson...

MARTIN ANDERSON: Can I answer that?

too
us in more
see it as
more
subsidies for

MARGARET WARNER: Yes, but let's try not to get
much into the numbers of the tax cut, and tell
philosophical terms why Governor Bush doesn't
Al Gore does, that these other programs will be
helpful to working class families, whether it's
day care or whatever it is.

different

MARTIN ANDERSON:
Because I think George W.
Bush probably has a
definition of what "fair"

is.

The way Laura talks, if
someone's making a large
amount of money, like Bill
Gates, and you give him a little, teeny
percentage tax cut,
that's terribly unfair. What George Bush says,
the same
thing that Ronald Reagan said, and the same
thing that
other people have said in the past-- John F.
Kennedy did
the same thing back in the 60's-- a fair tax cut
is
everybody gets a cut. The fact that you're
making a lot of
money may mean you shouldn't get a larger cut,
but you
should get a cut. Now, what the Gore campaign
seems to
be saying is that we are going to target this
cut. The
question I would like to ask is, okay, who gets
the tax cut?
I have never seen an analysis of anyone who's
been able to
decipher what Al Gore is saying that tells who
gets it. It
looks like a speckled tax cut to me.

MARGARET WARNER: All right, let -

MARTIN ANDERSON: And there's a difference in
philosophy.

MARGARET WARNER: -- me bring in our outside
voices at this point. Bob Kuttner, what do you

see as the
plans, in terms
terms?

most essential difference between these two
of how they would use the surplus, in broad

Searching for fiscal responsibility

ROBERT KUTTNER: Yeah, I
think there are two essential
differences. The interesting
thing here is that not only are
the Democrats proposing the
traditional idea that
middle-class people need more
of the benefits, in the form of
social investment as well as targeted tax cuts,

but the

Democrats have also seized the mantle of fiscal responsibility. Republicans used to pillory Democrats with the idea that they tax and spend, they don't care about the solvency of the republic. I think Gore, rather astutely, is outflanking Bush in both directions. He's giving targeted tax cuts, he's also spending money socially for things like healthcare, but he's also outflanking Bush on the issue of who's more fiscally prudent.

MARGARET WARNER: Stephen Moore, that raises... Or that reminds me of a quote that was in the New York Times -- in the Wall Street Journal today, which said in fact, "Gore figures the best way for economic prosperity is to keep the bond market happy, and Bush figures the best way is to put more money in the stock market." Is there something to that, that they've almost reversed roles here?

STEPHEN MOORE: Well, you know, it's interesting...

MARGARET WARNER: No, no, this is for Stephen Moore.

STEPHEN MOORE: If you look at the Gore plan, it's hard for me to believe just five years ago that Bill Clinton said "the year of big government is over," because as I look at the spending proposals, he talks about, "we're going to reserve this surplus, we're going to stash it away," but if you look at the list of programs that he's talking about, this is the return of the era of big government with vengeance. I looked at some of

the
child care
agencies,
the
and I
has to say,
that Al Gore
kind of old
have not

programs, Medicare expansions, drug benefits,
programs, increased budgets for regulatory
environmental programs, doubling the budget for
Education Department. These are huge expansions,
think if Bush is going to win this election, he
"no, this is not a fiscally conservative agenda
is laying out. This is the nanny state," the
McGovern, Mondale type liberalism that voters
been... have not found appealing in the past.

MARGARET WARNER: Bob Kuttner, do you see this as
just the old tax cuts versus spending, or
something else?

about
percent a
it, too. You
have some
the thing
targeted. It's
that most
benefit, or
are costly.
longer able
why most
benefit under
for things
to provide
benefit.

ROBERT KUTTNER: Well, I think the nice thing
an economy that's growing at 4 percent a year, 5
year, it's that you can have your cake and eat
can have a balanced budget, but you can also
money left over for social spending. And I think
about Gore's approach is that the spending is
targeted, not just scattershot, but to things
people seem to want, like a Medicare drug
health insurance for children, and these things
Drugs are expensive. That's why people are no
to pay for prescription drugs out of pocket, and
Americans seem to want a prescription drug
Medicare. So, in a sense, it's using government
that the private sector doesn't seem to be able
by itself, like an affordable prescription drug

STEPHEN MOORE: You know, what's dangerous about this, though, is these are all new... I call them "fiscal time bombs" that Al Gore wants to put in the budget. They start with small budgets, but they get bigger and bigger as time goes by. We've been talking about the surplus today, and this is a year of surplus politics, but guess what? In ten to twelve years, we move out of surpluses as the baby boomers retire, then we're back in an era of deficits. Do we really want to set these time bombs in the budget that are going to explode just as the baby boomers retire, all these new, expensive entitlement programs?

MARGARET WARNER: Let me get Laura Tyson...

Sorry, let me get Laura Tyson and Marty Anderson back in this.

Address this question. What if,

"a," the surpluses don't

materialize, or "b," as Stephen Moore suggests, they're out there for about ten years,

but then they start to turn the corner? Which is a more fiscally sound or safe plan, or flip it around; which one puts us more potentially in the hole if these projections aren't right?

LAURA TYSON: Well, I would say the first thing is, one of the proposals that the Vice President has come out with this week in his very detailed budget, which I would suggest that people take a look at, is that there is a reserve built in. We don't know how large the surpluses will actually be, so why not take the most

conservative
than the
know,
there.
think, we're
reduction. So
second thing is, I
out a set of
cut which is
cut begins to
exactly when
in
cut does.
to
prescription
for
in a process,
or
see,
do we have
you
cuts are very
another way in
finally say

numbers? Actually, they're more conservative
numbers we've been dealing with, and say, you
we're not going to spend everything we see out
there.
We're actually going to, if we do as well as we
going to put an extra \$300 billion into debt
the first thing is, there's a reserve. The
think there is a real difference between setting
spending priorities, and setting in motion a tax
very back-loaded, so that, essentially, the tax
explode towards the end of the next decade,
the baby-boom generation is beginning to retire
significant numbers. That is what the Bush tax
When you say you're going to spend, you're going
spend on education, you're going to spend on
drugs, you're going to spend on health insurance
children, in fact those things end up being put
a budgetary process, many of which are annual,
every-other-year processes. So you can look and
well, what do the numbers really look like, and
to make adjustments because of the numbers? Once
have that tax cut written into law, those tax
hard to reverse. So I would suggest that's
which the Gore plan is much sounder. I would
that I would like to see in these...

get
of which is

MARGARET WARNER: Let me stop right there, just
to Marty Anderson, just on that point, in terms
more... Which is fiscally safer, if these

projections aren't
right?

MARTIN ANDERSON: That was one of the key issues that George Bush confronted when he developed his tax plan. And all the advice, and he agreed with it, was that the best way to ensure a continued prosperity is to have a reduction... marginal

tax break.

Nothing better for the economy -- it was proven

by Jack

Kennedy, it was proven by Ronald Reagan. Let me

say

one word about this fiscal responsibility

business. I like the

words that Al Gore is using, but when you look

at his

numbers, I don't think they check out. But don't

take my

word for it. We need some independent experts to

look at

these numbers, and if you look at what the

Senate Budget

Committee has just done, they say that Al Gore's

numbers

are as much as \$900 billion in deficit. In

today's New York

Times ad, I don't know if you've seen that ad,

Laura, but

it's a massively dishonest ad. I can't believe

Al Gore had

read the ad. I mean, look, the ad claims that

George W.

Bush is going to spend \$400 billion in missile

defense.

Where did they get that number? Did they make it

up?

LAURA TYSON: Can I suggest the following? This

is

what I would suggest. This week, the

Gore-Lieberman

campaign put out a 12-chapter, 200-plus page

document,

in which they go through both the rationale and

the details

of every single one of their policy proposals

with numbers.

I think the best way to resolve this kind of

debate is to

have the Bush campaign do the same. Then we can

sit

down and we can actually do that.

MARTIN ANDERSON: There's a 457-page book that they put out last week.

what

number you

number is the

LAURA TYSON: Fine. Good. Well, then, tell me

number... I would be willing to listen to what

suggest is the cost of missile defense. What

cost of missile defense?

Seeking the sounder plan.

MARGARET WARNER: Can I interrupt just the two of you, and let's just give Bob Kuttner, and Steve

Moore

responsibility? And Bob

think is safer

back on this point about the fiscal

Kuttner, you first raised it. Which plan do you

that doesn't pan out?

ROBERT KUTTNER: We heard Stephen Moore say that we're going to have a time bomb in 12 years, but if you look at what Gore is proposing, in 12 years, there's going to be no national debt, for the first time in the history of the republic. So I think if you do that,

there's a lot of

boomers

we've reached a

Vice President

for being too

case as a

debt down

paying down the

credit for

as fiscally

wiggle room for an economic downturn, for baby

to retire. I think it's really astonishing that

point, and I've been actually critical of the

for almost overdoing the fiscal responsibility,

prudent, as it were. And I think you can make a

liberal that you don't have to pay the national

so fast. So I think it's remarkable that he's

national debt, and I think he deserves a lot of

moving beyond this old stereotype of Democrats

irresponsible.

MARGARET WARNER: Stephen Moore?

Gore
thinking the Pope is
how this
the Reagan
over the last
surpluses today,
did. We've
the key to
expansion
that promotes
this going.

STEPHEN MOORE: Well, I think to think that Al
as being too fiscally responsible is like
not Catholic enough. But, look, if you look at
expansion began, it began in the early 80's with
tax cut, and I think the lesson we've learned
15 years is, the reason we've got these
we grew out of the budget deficit. We really
got... the revenues are coming in right now, and
keeping this budget in surplus is to keep the
going. I happen to believe tax cuts in a way
saving and investment is the best way to keep

they

ROBERT KUTTNER: Well, this boom started when
passed tax increases and some spending cuts...

Bob.

STEPHEN MOORE: This is an 18-year expansion,

ROBERT KUTTNER: Well...

historical
but thank

MARGARET WARNER: Gentlemen, I'm afraid we're
going to... We're going to have to leave the
argument there, and the whole argument there,
you all four very much.