

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Dag Vega@EOP@LNGTWY@LNGTWY (Dag Vega@EOP@LNGTWY@LNGTWY [WHO])

CREATION DATE/TIME:23-JUL-1997 10:58:23.00

SUBJECT: PBS: News Hour with Jim Lehrer, 7/22/97

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TEXT:
Message Creation Date was at 23-JUL-1997 10:39:00

News Hour with Jim Lehrer:
"BORDERING ON CANNIBALISM"?

Aired on JULY 22, 1997

Since Speaker Newt Gingrich's ethical problems at the beginning of
the
105th

Congress, a group of conservative Republicans have been working to
oust the

Speaker. Last week, their efforts resulted in a failed "coup" and led
to
the

resignation of the chairman of the Republican Leadership, Rep. Bill
Paxon

(R-NY). Following a background report on the "coup," Margaret Warner
talks

with three Republicans about the state of their party.

SPOKESMAN: The gentleman is recognized for one
hour.

KWAME HOLMAN: Last April, Speaker Newt
Gingrich stood in the well of the House and explained
at length his decision to borrow money from Bob
Dole in order to pay a \$300,000 penalty for violating
House ethics rules.

REP. NEWT GINGRICH,
Speaker of the House: This
House is at the center of
freedom, and it deserves
from all of us a commitment
to be worthy of that honor.
Today, I am doing what I can
to personally live up to that
calling and that standard. I hope my colleagues will
join me in that quest. May God bless this House and
may God bless America. Thank you. (applause)

KWAME HOLMAN: After barely surviving the fall
elections with the Republican House Majority in
place, Gingrich was moving to rebuild his legendary
reputation born of the Republican revolution he
engineered in 1994. But on a handful of occasions in
the months to come a small but vocal group of
dissidents in the ranks variously vexed, criticized, and
even publicly challenged Gingrich's leadership.

The loose affiliation of
independent-minded
dissidents contains at
least these members,

all two- or three-term conservatives, both from the South and West, and with strong approval ratings in their home districts. They voice the concern of other conservatives that Gingrich has become too much of a moderate, too willing to capitulate to President Clinton and the Democrats in budget negotiations and policy matters. But through the dust up with the dissident group, Gingrich maintains the public support of his leadership team.

REP. DICK ARMEY,
Majority Leader: The speaker is running the House. The speaker is the speaker, and he has the respect and the admiration and support of a majority and many people in the minority.

REP. JOHN BOEHNER, Conference Chairman:
Certainly, we've had our share of disagreements, but the family is getting along fine.

REP. TOM DELAY, Majority Whip: The speaker is the speaker. He will continue to be the speaker, and those opponents of Speaker Gingrich, too bad; he's going to continue to be speaker.

REP. NEWT GINGRICH: We believe we're very close to having it worked out and hope in the next few hours to be able to announce and then move a supplemental appropriations bill to provide the flood aid.

decision
high-profile
aid. A few
Wednesday's
dissidents met
and discussed
KWAME HOLMAN: But then came Gingrich's last month to give in to the President in a public relations battle over Midwestern flood weeks later, according to a story in last edition of The Hill newspaper some of the with some or all of Gingrich's lieutenants ousting Gingrich as speaker. The plan was

abandoned,

but reportedly involved Dick Armey, the elected

majority

leader; Tom Delay, the majority whip; John Boehner, the conference chairman; and Bill

Paxon, appointed by Gingrich to chair leadership meetings and reported to

be the

dissidents!, first choice to replace Gingrich. He resigned that post last

Thursday. All four

men have denied backing Gingrich!,s overthrow. Paxon did so Sunday on

NBC!,s

"Meet the Press."

REP. BILL PAXON, (R) New York: At no time have I ever been involved in

effort to

overthrow the speaker that I worked so hard to elect. Tim, the speaker

appointed me

to serve in the leadership to help solve problems. Last week, I tried to work to defuse a problem that you!,ve noted. Mistakes were made. I made mistakes in the way I tried to handle the defusing of this problem, specifically, didn!,t inform the speaker of the problem early enough and certainly didn!,t anticipate when it blew up that it would have the impact that it did on our agenda and on our conference.

KWAME HOLMAN: On ABC!,s "This Week" two of the leading dissidents said they

were willing to wait, but Gingrich!,s lieutenants advocated his immediate

ouster.

Representative Matt Salmon said conference Chairman Tom Delay promised to

support a floor vote against Gingrich.

REP. MATT SALMON, (R) Arizona: There were 17 of us in

that meeting, including Tom Delay, and I can tell you

unequivocally that the 17 members that were in that

room with

believing Tom Delay had that impression; that we walked out

completely that that was Tom Delay!,s intent.

KWAME HOLMAN: Now that it appears to be over for now, the speaker!,s office said today Gingrich

plans no
action

against Delay or the other remaining members of the leadership. For his part, Gingrich said yesterday, at a meeting of business leaders in his suburban Atlanta home district, "You know I don't quit. We are doing fine. We have to calmly keep our eye on the ball." A group that includes many of the rebels reportedly will meet tonight. The full House GOP Conference has its regular meeting tomorrow morning.

MARGARET WARNER: Now, three Republicans assess all this. As we just saw, Rep. Matt Salmon was one of the dissidents seeking the ouster of Speaker Gingrich. He's a second-term congressman from Arizona. Rep. Marge Roukema of New Jersey is serving her ninth term in Congress, and former Congressman Bob Walker of Pennsylvania, who retired last year, is a long-time friend and adviser of the speaker. He is now president of the Wexler Group, a Washington lobbying firm. And Congressman Salmon, starting with you, what brought all this to a head now?

REP. MATT SALMON, (R)

Arizona: Well, I think what brought it all to a head now--and call I can say is what I learned from my involvement in this process--on Thursday night one of my colleagues, who had been part of the 11--the group of 11 that was kind of spawned out of our unhappiness about the willingness of the leadership to raise committee funding, that was a long, long time ago, but one of those colleagues came up to me on the floor and said that a member of leadership had requested that we get together that night to decide about decisive action. I might say--I'd point out it wasn't my time frame, because, frankly, I was in more of a "wait and see" mode to see exactly how things were going to play out.

MARGARET WARNER: But--and the substance of it--I mean, is this--is this a philosophical dispute that you have with the speaker? What is the issue, the No. 1 issue?

REP. MATT SALMON: I don't think it's so much of a philosophical dispute as much as it getting back to the things that we've promised that we would do three years ago on the Capitol steps. We simply want

to get back to the things that are important for the Republican Party, and that is balancing the budget, cutting taxes, getting the federal government off of our backs, and returning power back to the states. That's all we ever wanted. It's not a personality dispute. It's not in my mind that he has so-called become a moderate. It's just about keeping promises. And frankly, I think that last week's efforts may have been the shadow talked about that was required to get the speaker to take this very seriously, sit down with all interested parties, because, frankly, we understand as well. We can't always have our way, but we would like to have a clear leadership strategy communicated, and we would all like to stick to the same plan.

MARGARET WARNER:
Congressman, what's your
take on this, on why your Republican majority's

come
to this

passage right now?

REP. MARGE ROUKEMA, (R) New Jersey: I don't quite
know how to answer that. First, I've got to say that I was
completely out
of the loop,

surprised, astounded, and more than a little ashamed to see how this
whole
so-called

coup hit the press and hit the public. I can't speak for my
colleague
here. He has to

explain his own thought process. But for me looking at the outside,
I'm
saying to one

extent I agree with him--and that is that our party--and I've been
saying
this for a long

time--that if we're going to be a majority party, that we've got
to get
all the elements,

the different caucuses within our party, whether it's the right
conservative or the more

moderate element, such as myself, to pull together, to have
communications, to have

alliances, and to form consensus. We can't be a minority regional
party.

But the real problem, as I see it, is the fact that this erupted the
way it did at a time when the public is looking to ask, to carry
out that agenda that my colleague talked about, and right now
we have the budget agreement and the tax bill that are going
through negotiations. And that was our commitment; that we
would behave like a majority party in a professional and

businesslike way, and get the legislation that belongs to the people passed and signed into law. How can we do this to ourselves? A civil war has erupted and is bordering on cannibalism.

MARGARET WARNER: Congressman Salmon, what's your answer to that? I mean, did you all think about the timing, given what's on the table in terms of your negotiations with the White House and the agenda?

REP. MATT SALMON: Again, I completely agree with what she has said. I don't believe the timing was good. And frankly, my timing all along has kind of been wait and see through the August recess, see if we can get our act together, see if our leaders will lead, and stop appearing to bow down to the pressures exerted by Bill Clinton and the media. I was in a "wait and see" mode, and frankly, as I mentioned earlier in this conversation, that was not my time frame.

MARGARET WARNER: All right. Former Congressman Walker, you've been through a lot of battles, I'm sure, on the Hill, but have you ever seen anything like this, and why do you think this is happening?

FORMER REP. BOB WALKER, (R) Pennsylvania: Well, we haven't seen anything quite like this for a long, long time in the Congress, probably going back into the early part of the century, but I think what's happening here is that you have a period of time in which people are not seeing it all come together in exactly the same way. I believe that the agenda outlined by Matt Salmon a minute ago is exactly what the speaker's attempting to do. He's attempting to get a tax cut. He's attempting to get spending cuts.

He's attempting
to get entitlement reform. He's attempting to balance the budget,
why we do
all that,
but he also recognizes you have to negotiate in a way that brings the
Senate on board
and ultimately the best way to get all that done is to have the
President
sign it. That
means making some compromises along the way, and it has not been
clear all
the time
that people were prepared to do some of the compromising that was
necessary to get
the job done.

MARGARET WARNER: Congresswoman, when you heard your colleague, Mr.
Salmon, Congressman Salmon, outline his view of what he wants and the
way
he wants
Gingrich, Speaker Gingrich to lead, and he talked about standing on
the
steps back
before the 1994 election, the Contract with America, is that
compatible
with what you're
looking for and moderates, if I can call you that, like yourself?

REP. MARGE ROUKEMA: Well, yes and no, I guess.
Perhaps his precise interpretation of what the Contract with
America meant is a little different from mine, but, in general,
we all agreed to that, or at least we agreed to have a full and
open debate on all these issues, and I think that has been
done. It doesn't mean that we can be successful in every
particular. For example, I voted against a couple of them: the
line-item
veto for one.
But we did have a full and open debate.

But I think we've got to move away from that right now and focus on
what
our job is
now and maybe use the example of this disaster relief bill and then
the
NEA, for
example, the National Endowment for the Arts, and the way that was
handled.
I think
we've got to be very careful from the leadership on down where we
draw
the line in
the sand. By that I mean for the general public to understand
politicians
always want to

draw lines in the sand and say this is our last offer; we're not going to compromise beyond this. We've got to be careful when we draw that line in the sand.

I think the disaster relief bill was totally mishandled. No way that I could agree with drawing that line in the sand, and yet, there are wide disagreements within the conference, but in the end, we could not turn our backs on those poor people that are out there suffering.

That's an example of what I mean, but I think that the responsibility is with the leadership to bring us together to have communication. They haven't; they've been playing us against each other, I'm afraid.

MARGARET WARNER: Congressman, what are you looking for now? I mean, is this over, is it over for now? What are you looking for from the leadership?

REP. MATT SALMON: It's never over. We always have responsibility to keep on fighting for the things that we believe.

But I do believe that most of us--myself included--are in a mode of let's try to heal; let's take what happened last week;

let's try to make the best of it. I use the old adage when life

deals you a lemon, try to make lemonade. I think that's where

we're at right now. We have to make something positive come of this.

What's at stake here is not just some political game of chess. The future of our country is at stake here.

We can't afford to let petty differences get in the way.

MARGARET WARNER: All right. But are you open to the kind of pragmatism that

Mr. Walker and the congresswoman are talking about in terms of negotiating

with the
White House and so on?

REP. MATT SALMON: You know something. I hear what you're saying,
but
frankly,

we'll never know if we would have been able to win the fight if we
keep
taking a dive

in the first round. And that's the way I see it. That's the
problem with
the last six or

seven months, is that we have not carried through a fight to its
fruition.

And, frankly, I

look back at one of the greatest leaders in my mind of this
century, and that's Ronald Reagan. If when he went to
negotiate with Gorbachev on the nuclear disarmament, when
Gorbachev said, okay, you do away with SDI and then we'll
talk about nuclear disarmament, if President Reagan would
have said, okay, well, I guess pragmatism should kick in now
and maybe to get something I should give that up, the Berlin Wall
would
still be up.

MARGARET WARNER: Mr. Walker, do you think--David Broder, The
Washington Post columnist, had a column this morning saying, given
the
narrow

governing majority, it's very hard to bridge this gap that we just
heard
from these two
members. What's your assessment of that?

FORMER REP. BOB WALKER: It's hard to bridge the gap because, I
mean,
people

want to get as much as they can, and really within the caucuses you
fight
for that. I was

always one of the people in--among the conservatives on the Hill who
fought
for getting

as much as we could of the conservative agenda. The question is
whether or
not you

move in the right way all the time, and it seems to me when you're
getting tax cuts,

when you're getting a balanced budget, when you're getting
spending
cuts, when

you're getting the entitlement reforms, that's moving in the
right
direction, and you need

to keep the majority in order to do that. And the one thing that Republicans seem to agree on is the fact that they need to be doing those things that ultimately allow them to keep the majority and expand the majority so that they can continue down the path.

The only real pressure on Bill Clinton and Democrats is the fact that there are

Republican majorities in both the House and Senate, that set the agenda and force the country to move in more conservative directions. And hopefully, all Republicans can agree that that is a plus.

MARGARET WARNER: Let me ask you something else, because I know you still talk to the speaker. How

does he personally see this? Does he feel betrayed, and how does he feel it is affecting his ability to negotiate with the White House?

FORMER REP. BOB WALKER: Well, I think he is hurt because of some of the personal relationships on

it, but he is very much focused on getting deals done that he thinks will define the long-term prospects for the party. If we get the tax cut for the American people, if, in fact, we manage to do all those things, he thinks that that is what they will end up focusing on and that those will be the right things to have done.

MARGARET WARNER: But do you think this weakens him and his negotiating?

FORMER REP. BOB WALKER: No. It is strengthening.

In fact, he is strengthened by what took place here because it becomes clear that some of the rest of the leadership wasn't

ready for prime time and that the only people that
the
White
House could really deal with are Lott and Gingrich
at
this point

in hopes of getting the deal. So I think for the
moment
that he is
strengthened by all of this and that the White House will see him as
the
player that they
have to deal with.

MARGARET WARNER: Congressman, you have a meeting, you and your fellow
sophomores, tonight at 8, and there is also a Republican conference,
all
Republican
House members tomorrow. What are you looking for in both of those
meetings?

REP. MATT SALMON: I think we need to have a lot of
open dialogue and we need to get beyond the good-sounding
happy-faced rhetoric; we need to cut down between all the
muck and the mud; and we need to talk to one another. We
need to stand one another, and we need to realize that at the
end of the day we are friends. And we need to realize that at
the end of the day we have the same objectives, and we need to fight
side
by side,
instead of at one another's throats.

MARGARET WARNER: And, Congresswoman, briefly, do you see that
happening?

REP. MARGE ROUKEMA: I certainly will do everything I can to urge that
that
happened. I think that we have got to tell the leadership that
we are all
got--that they
have got to by their own example show us how we can pull together and
get
this
agenda accomplished. And I must say that I think the budget and the
tax
program that
we are working on is a powerful agenda, and it is a powerful
message back
home, and
it is something that we should be proud of. I don't see how we
caved in
on that. I think
it is an accomplishment. And it is about time that we report back
to the

American
people in that vein.

MARGARET WARNER: Okay. Thank you both very much. Mr. Walker, thank you.

FORMER REP. BOB WALKER: Thank you.

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Late Edition with Frank Sesno:

LATE EDITION With Frank Sesno For July 27, 1997

Aired July 27, 1997 - 12:00 a.m. ET

ANNOUNCER: Live, from CNN in Washington, this is LATE EDITION, with Frank Sesno.

SESNO: It's Sunday, July 27, 1997. Welcome to LATE EDITION, seen live every week at this time across the

United

States and around the world.

Week Three of the money trail hearings on Capitol Hill

here
in

Washington, the spotlight focusing on Republicans,

including
Haley

Barbour, former chairman of the Republican National

Committee.

The big question: was overseas money used to fund GOP campaigns back in '94? We'll get the inside view from

two who

were very much in the hearing room.

Then, a roaring economy in the U.S. as the stock market

hits
yet

another high. That and the ongoing budget talks in

Washington. Will

they get a deal, and what will it mean for the

pocketbooks
of U.S.

taxpayers? Q&A with Gene Sperling, chairman of the

president's

National Economic Council.

Later, round the table with Roberts, Page and Blankley.

And Bruce Morton has the "Last Word" on Newt Gingrich

and the

vision thing.

(NEWS BREAK)

SESNO: Following the money trail this week, allegations

that
the

Republican Party funneled money from overseas into their congressional races back in '94. Those allegations took

center stage

in the hearing room. Former Republican Party chief

Halley

Barbour

was on the defense. In a minute, we will talk to two

key

players

who are on that committee. First, some background.

(BEGIN VIDEOTAPE)

SESNO: Barbour went before the committee and insisted

that he

did not know that a loan guarantee to his tax-exempt

National

Policy Forum came from a company in Hong Kong. And he

denied

that the money eventually made its way into

congressional

campaigns in the 1994 elections, the critical elections

that

put the

Republicans in power on Capitol Hill.

HALEY BARBOUR, FORMER CHAIRMAN, REPUBLICAN
NATIONAL COMMITTEE: The first and most important fact is
that the national -- is that everything the National

Policy

Forum did

was legal and proper, everything, and everything about

the

Republican National Committee's relationship with the

National

Policy Forum was legal and proper.

Two weeks ago, in these hearings, it was said repayment

--

this

repayment -- allowed the RNC to finance the Contract

With

America campaign in 1994. A news magazine said the

repayment

allowed the RNC to pay for its late advertising blitz

to win

control of

Congress. Those statements are both wrong.

It was said yesterday that foreign money went to

congressional

candidates. That statement is also wrong.

SESNO: But at the end of the week, former GOP chairman

Rich

Richards said otherwise.

BARON: Did you advise Mr. Barbour at this time in the course of describing the transaction where the ultimate source of the money would come from that would be posted as collateral with the bank?

RICHARD RICHARDS: Well, the only thing I told is the money would be transferred from Young Brothers Hong Kong to Young Brothers USA for that purpose. Frankly, I never thought I would see the time in my lifetime that Republicans won the House majority. But he told me that was the case and said we have a problem. We at the national committee have loaned the Forum three million -- \$3.3 million, some amount in excess of \$3 million, of money that we can use in the campaign. But we've got a problem. We need to be able to take it out of the Forum for our purposes.

SESNO: Well, joining us now, two watching the hearings on the inside and participating -- Republican Senator Bob Bennett from Utah, a member of the Government Affairs Committee, and Alan Baron, chief Democratic counsel to the committee. You saw him questioning a witness just a moment ago.

Gentlemen, welcome to you both. Thanks very much for coming in.

BENNETT: Thank you.

BARON: Nice to be here.

MORE XXX to be here.

National
Barbour.
That's
say,
both of

SESNO: Mr. Baron, let me start with you. Everything the Policy Forum did was legal and proper, said Haley what we heard him just say. That's what you heard him say, all week long. Do you have a problem with that?

Baroody
said
a
separation
proposition
clear
that's
questions as to

BARON: Well, if you accept the premise that, as Mr. in his testimony, that it was a fiction that there was a separation between the NPF and the RNC, and if you accept the proposition that the RNC can't accept foreign money, which seems clear that's where the money ultimately arose, it raises serious questions as to whether this was legal and proper.

wouldn't
laid
it out
wrote a
fairly

SESNO: And he says common sense would dictate that I do something as dumb as this. He's a smart man, and he there, acknowledging that his nephew wrote -- poorly memo, but presenting what would have seemed to many a credible case.

the
president of

BARON: Well, Mr. Baroody I thought was probably one of the most impressive witnesses I've ever heard. He was the president of this organization right from the start.

SESNO: Of the National Policy Forum?

resign
there was
a
Forum. I
think

BARON: The National Policy Forum. And he felt he had to resign after a year because he felt it was a fiction that there was a separation between the RNC and the National Policy Forum. I think that's a pretty powerful indication that something was

wrong.

SESNO: Senator Bennett, does this cause you heartburn?

BENNETT: No, it doesn't. The National Policy Forum was a mistake. I said that in the hearings. It was not one of Haley's better ideas.

But you've started this out with follow the money trail. If you follow the money trail, the money goes from the RNC to the National Policy Forum. Now, the National Policy Forum becomes, as Haley said, a siphon of money out of the RNC. The money comes from the Young Brothers organization, back to the National Policy Forum, and some of it comes back to the RNC.

But when you get at the bottom line and balance the books, this whole activity at the National Policy Forum cost the Republican National Committee well over \$2 1/2 million.

SESNO: The whole...

BENNETT: That doesn't sound to me like a very smart way to get foreign money into congressional campaigns.

SESNO: The whole question here is did that money from overseas come into congressional campaigns here.

BENNETT: The answer is clearly no.

SESNO: The answer is clearly no?

BENNETT: Clearly no.

SESNO: Clearly no?

BARON: I'm afraid I have to disagree. It's very clear that the money in the last couple of weeks before the election, \$1.6

million,
into
the
even if
it was
can
do a lot
they
might

was freed up, made available to the RNSEC. They put it
state parties, and they were able to use that money,
only as soft money. But they can get out the vote, they
of work on behalf of candidates generally, even though
not be able to use it for a specific campaign.

BENNETT: And that's the key. They cannot use it for a congressional campaign.

accounts. If
you
and
allow
federal accounts,
is
involved
deposit slips,
that
very clear.

The money must be separated into two very clear
take any money from the account that's a state account
one dollar of that to leak into the account that's for
the entire second account is tainted. And everybody who
in raising and handling political funds know that. The
the money trail, if you follow it carefully, will make

And I
said to
cause you
to
these
funds.

And I raised that issue directly with Dick Richards.
him, do you have any personal knowledge that would
doubt what Haley Barbour said about the separation of

And he said no.

SESNO: We're going to talk...

himself
oath.

BENNETT: I said, do you think Haley Barbour perjured
when he said it didn't happen. And he said no, under

SESNO: You asked about perjury. So let's talk about

credibility for

a moment. Haley Barbour said -- testified that -- I'm

sorry,
Rich

Richards did testify that Barbour told him that this

loan
was urgent.

Let's talk about Barbour's credibility.

BENNETT: Yes.

between
the

SESNO: Michael Baroody testified that the separation

National Policy Forum and the RNC was a fiction.

the
coast. I

SESNO: Haley Barbour says, sure, I was on a ship off

business was
from

was talking to Ambrous Young. I didn't know his

Hong Kong. Is this credible? Is he credible?

was not

BENNETT: That's not what he said. I think he said he

aware...

citizen,

SESNO: He also thought that Ambrous Young was a U.S.

didn't he?

met. He
--

BENNETT: Which I think he was at the time they first

whole
made
from the

Ambrous Young gave up his U.S. citizenship during this

process. But at the time that contributions had been

Committee,

Young Brothers previously to the Republican National

Ambrous Young was a U.S. citizen as were his children.

testimony,
this
thing out

SESNO: Ambrous Young also told him, according to

that if there was -- that he was going to have to check

with his Hong Kong board of directors.

BENNETT: That's correct.

SESNO: And when it was default time, it needed to be in

terms of
what
known?
conjunction with Hong Kong laws and regulations in
was happening to that money. How could he not have

citizenship
sometime in
the
discussions
were
BARON: One thing's clear. Ambrous Young gave up his
around the end of '93, and the discussions began
summer of '94. So I think that by the time the
under way, he had given up his citizenship.

tell
you
problem.
easy
to
I took Ambrous Young's deposition in London. And I can
that Ambrous Young speaks very good English. I had no
If you read the transcript of the deposition, it's very
understand.

company of
It's very
I spent two days, one day interviewing the man in the
majority counsel also. He speaks very good English.
difficult to believe anybody couldn't understand him.

week
by the
name of
get
at?
SESNO: To the Democrats now and next week. This coming
in the hearings the committee starts to look at a man
Charlie Trie. Who is he? What is the committee going to
Senator.

out of
Bill
himself in his
dollars,
which is
own
pocket.
BENNETT: Well, Charlie Trie is a restaurant operator
Arkansas, Little Rock, who befriended the Clintons when
Clinton was governor, and then ended up either giving
own name or shepherding hundreds of thousands of
clearly beyond what he had the ability to give out his

SESNO: Illegality here, do you believe?

There, I

BENNETT: Well, we're just going to have to look at it.

they
became

think, is certainly some clear irregularities. Whether

illegal or not, we'll have to find out.

SESNO: Mr. Baron, is this giving you heartburn?

was
witnesses.

BARON: Well, I wish I knew a little bit more about what

coming up. We've gotten a witness list of about a dozen

We're not clear who's coming up at what time.

to be
serious
serious
to do
about

But I think there are going to be some -- there's going
evidence of impropriety, things that are going to raise
questions about what went on. And it should be raising
questions in everybody's mind about what are we going
it.

campaign
and
just say, gee,
prosec
uted.

The ultimate end game in this whole process ought to be
finance reform. It's not enough to just point to this
that's a terrible thing. Maybe some people ought to be

White

SESNO: Today in The Washington Post, "Donor Contradicts

caught up in

House," talking to the L.A. Times as well, another man

Chung. Now

the Clinton and the fundraising controversies -- Johnny

administration --

he says that contradicting accounts by the Clinton

\$50,000

I'm reading from The Washington Post today -- one of the
Democratic Party's biggest campaign donors said he gave

response
to

check to the first lady's chief of staff in direct

solicitations.

House as
like a
This is a quote from Johnny Chung: "I see the White
subway. You have to put in coins to open the gates."
Senator, what
do you make of this?

I
think
BENNETT: That's a great sound bite for the Republicans.
this is part of the whole pattern that we're looking at
here. And

between
that
I've said right from the beginning I see a dichotomy
which is strictly legal, but frankly, inappropriate and
offensive but
nonetheless legal.

the
selling of the
And it may be that this is in that category. I think
Lincoln Bedroom is in that category. I think it's
probably
legal, but
to me, it's very offensive. And I don't think we've see
n
anything
approaching that in American politics in the past.

is
clearly
Then you get to the other section, which is that which
illegal, and how far does that go. And that, of course,
is
what
bothers me about some of the things that some of the
Democrats are
saying that says we must get beyond this and get to
campaign
finance reform.

that
have gone
Let's not get beyond it if there are clear illegalities
beyond anything we've had in the past, and let's not
paper
over
those and say, well, let's rush to pass a law and not
pay
attention to
that. And that's the question we need to decide, which
side

of the

line this kind of thing falls on.

past
the

BARON: Well, I certainly am not suggesting that we rush

them. I
think that

illegalities and go on to reform without exploring

Glenn's

absolutely has to be done. It's certainly been Senator

game, I
think, is a

position throughout this. But to see that as the end

mistake.

illegalities. I firmly

The Department of Justice will take care of the

believe that.

indictments

BARON: I think we're going to see a whole raft of
coming out this fall.

that
while

SESNO: Mr. Baron, wouldn't you acknowledge, though,

and
maybe

the Haley Barbour show this past week was interesting

one
particular

have been insightful into one particular practice or

Huangs
-- the

incident, that the Johnny Chung, Charlie Tries, John

is
painted on

picture that is painted is predominantly a picture that

on the

the Democratic side, that the problems principally are

will you,

Democratic side, and when are the Democrats -- when

Mr. Counsel -- step up and say, OK, there are problems,
illegalities, and we've got to pay the consequences?

said
that.

BARON: I think the Democrats have said that. They have

And I...

talking
about

SESNO: You're still talking about politics. You're

non-cooperation from the Justice Department. There are a lot of things that people say here are distractions from that fundamental message.

Senator Glenn: BARON: No, I don't really agree with that. I think and the other Democrats recognize that there may be greater abuses coming out on the Democrat side. They have to be addressed. They have to be looked at very, very carefully. And if there are people who have committed illegalities, they should be prosecuted.

SESNO: Is Johnny Chung going to testify?

BENNETT: I don't know. I don't have the witness list in front me and sit any more than counsel does. We gather the night before down and talk the thing through. And Chairman Thompson says to us this is where we are. And frankly, I leave him alone until that happens. He doesn't need any badgering from me.

SESNO: All right, gentlemen. Thank you very much. Alan Baron, Senator Bennett, I appreciate your time today.

Well, when we come back, we shift gears and turn to the latest on the budget negotiations. There may be a tax cut for U.S. taxpayers somewhere in there. And we'll have Q&A with the president's economic policy chief, Gene Sperling.

And later, we'll go round the table with Blankley, Page and Roberts. Stay with us.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

WILLIAM J. CLINTON, PRESIDENT OF THE UNITED STATES: Even though there are differences which are

clearly
and

publicly stated between the White House and the
Republican
leaders and, to some extent, also clearly stated
between the
Democrats and Congress and others, I think we're going
to
get this
agreement.

(END VIDEO CLIP)

SESNO: Welcome back to LATE EDITION. Budget negotiators
here in Washington in the trenches all day yesterday
emerging with a
promise that they were inches away from a final deal on
how
much
they'll spend, how much they'll cut Americans' taxes
and
spending.

Joining us now to discuss the budget negotiations, the
director of the
-- the president's national economic adviser -- I'm
sorry,
let me get
that right, Gene Sperling. Have I got it right?

SPERLING: That sounds fine.

SESNO: OK, just fine. Joining me in the questioning,

Susan
Page,

USA Today. We want to tell you that we'll be taking
your
calls and
questions for Gene Sperling in just a few minutes.

We'll
also be
some
talking to him about the stock market. So if you've got
questions or thoughts, jot down our phone number and
try to
give us
a call.

SESNO: Mr. Sperling, let's start with the budget negotiations. You met all day yesterday. How close to a deal is to balance the budget?

SPERLING: I think on the spending side, on the spending side, on the important issues of welfare, Medicaid, Medicare, I think a significant amount of progress has been made. A lot of issues have been narrowed or closed. There are still some tough issues like children's health care that are out there that are not resolved yet.

On the tax side, there has been a lot of discussion, some progress, but we're not quite there yet. So I can't give you a prediction on timing. We want a good deal.

SESNO: Days, weeks, months?

SPERLING: Our goal is a good deal, a true balanced budget plan that is good to the middle class, strong for education and health care. When we have that good deal, we're ready to sign on the dotted line.

SESNO: A shot across your bow earlier today from Senate Majority Leader Trent Lott. You've been negotiating with him. He was out on one of the programs, talked this morning. Take a look at what he had to say.

(BEGIN VIDEO CLIP)

U.S. SENATOR TRENT LOTT (R-MS), SENATE MAJORITY LEADER: I think right now what we need is the president to engage

some. He has got to be prepared to make some concessions to get

some.

I realize that he's on the West Coast, but we're at a point after our meeting ended last night about 6:30 where the president needs to step in and say, yes, this is important. We're not going to use this for political positioning.

(END VIDEO CLIP)

SESNO: All right, the president needs to engage some, some more presumably. Will he do it?

SPERLING: The president is fully engaged...

SESNO: No, he's out on the West Coast now, says Senator Lott.

SPERLING: Oh...

SESNO: That's not good enough.

SPERLING: Frank, the president is fully engaged. We are in constant conversation with the president. He has delegated to Erskine Bowles, his chief of staff and the rest of us who are on the negotiating team, to do the actual negotiation. But we are there speaking for the president with specific instructions from him on what we can do and what we can't do.

SESNO: Will the president come rushing back to get a deal if that's what it took?

SPERLING: That really should be unnecessary. But I'm sure this

president will do whatever he needs to. He's the one who got this

process started. He's the one who created the atmosphere for bipartisan negotiation -- as you know, made the first gestures on Medicare to break the log jam, got the first negotiations started

initially and has been there every step of the way.

Now, the president sometimes delegates to his secretary of state or

his chief of staff to do actual negotiations because he is the president

of the United States. But he is fully engaged. We spent probably

two hours with him Friday night going over every little thing. When we went back Saturday, we were there speaking for the president.

SUSAN PAGE, USA TODAY CORRESPONDENT: Let's go to some of the specifics that Republicans say are now

settled in these

negotiations. One is the issue of capital gains. The Republicans are

signaling that the issue of -- they're willing to give up indexing of

capital gains if the president is willing to sign on to

a 20 percent

capital gains tax rate. Is that the deal?

SPERLING: Well, Susan, I'm not going to sit here and

talk about

exactly where we are. I think what is the case is that

the president

has made very clear what are the things he has to have

in an agreement. And he has to have the higher education tax cuts...

PAGE: The Republicans say they understand that the president has

a bottom line, but that they have a bottom line, too,
and
that their
bottom line is the 20 percent tax rate. Is that an
acceptable rate on
the president's part?

SPERLING: I think we have to see what the whole deal
looks
like.

I think the president understands that that is probably
the
single-
most important thing to them, and he will take that
into
account. But
we need to make sure first of all that there is no
explosion
in the
out-years.

You know, as we get to that second 10 years, that's
when we
need
all the revenues we can for Medicare and Social
Security. So
we
have to look at the whole package, and make sure when
you
look
at the things that they've been fighting for in terms
of
capital gains or
estate tax and other things, that the whole package as
a
whole does
not explode in the out years.

SESNO: Mr. Sperling, though, isn't...

SPERLING: ... some of the good, the great good that
we're
going
to do with this agreement.

SESNO: Isn't it true though that the president has
accepted
a 20
percent capital gains for the top income earners in
this
country
presuming he gets some of these other things that
you've
laid out?

is
agreed
SPERLING: Frank, nothing is agreed to until everything
to.

and his
SESNO: Hasn't he agreed to that in principle with you
advisers?

SPERLING: Frank, I've spoken.

off
the
more,
SESNO: Turn to Medicare. You've taken the long-term fix
you're
a senior citizen in this country, you pay more for your
health care
coverage.

Go ahead.

And
I'll
premium
SPERLING: Frank, we have not taken that off the table.
say right now, today, here, we want to do high-income
proposal. We think it's the right thing to do.

SESNO: As part of the budget deal?

deal.
If it
the
House, that's
it's OK,
we
advocating
for it. We
SPERLING: We would like to do it as part of the budget
can't get done, if it cannot be accepted by folks in
too bad. But I want to make clear, we not only think
not only would accept it, we support it, we're
think it's a good reform.

this
overall
What it does is it helps keep Medicare together with
package on a long-term sustainable path.

SPERLING: And it says that just our higher-income

Americans

should have less of a subsidy so that we can keep the deficit down and keep the overall Medicare program solvent for the tens of millions of older Americans who rely on it.

SESNO: How about raising the age of eligibility?

SPERLING: Raising the age of eligibility is a serious issue that

unquestionably has to be looked at, I think, for the long term. I think

the proposals put on the table so far have fallen

short, because they have no plan to ensure we don't lose coverage.

We don't want to increase the number of older Americans

who lose

coverage. That's a step backwards. Maybe at some point

in the future there's a way that they can deal with an older retirement age

that makes sure that people 65 and 66 still have health care

coverage.

But until the president is sure of that or have

hearings that make sure

that that's going to work out, we shouldn't take any

risks in that

area.

PAGE: The Senate budget chairman, Pete Domenici, said

this

morning that a cigarette tax is part of the deal. Is

that correct?

SPERLING: We are certainly pressing in every way for a

cigarette tax as part of this deal. There is no question. As you

know, 3,000

kids a day start smoking; 1,000 of them will die a

premature death.

A cigarette tax has its best effect on young children.

They're the ones where the extra 20 cents might deter them from buying that extra pack.

PAGE: Will the money go to the children's health initiative?

SPERLING: Let me just put it this way. We are pressing for a cigarette tax, and we are pressing hard for the 24 billion to cover up to five million in children's health care. I don't care how -- whether you say they're connected or they're just both in there. We should have a cigarette tax to 20 cents to deter smoking of young

children, and we should have a children's health care package of up to 24 billion so we can try to cover five million of our young children who go without needed medical care.

SESNO: Mr. Sperling, isn't it the case that the White House is feeling the pressure to reach a budget deal if you're going to do it, and to do it this week, because if not, there's concern about the signals to the markets and losing momentum, even as your own budget estimates show that the deficit is coming down of its own free will because of this economy?

SPERLING: I agree with part of that.

We're not in any hurry at -- in terms of this. Today, tomorrow, this week, we're not going anywhere. We're here. We want to get a good deal.

If we can get that good deal, then soon, fine. If it

takes a
little

longer, that's also fine with us.

are
some

But you make a very important longer-term point. There

out there who are saying that because the 1993
deficit-reduction

plan the president passed has been so successful in
strengthening
this economy and because we've seen the deficit fall so
much, that

maybe
the

now we should say to the market and everybody, we're
complacent, let's go back and hope for rosy scenarios,

budget will balance on its own.

that
message, we

But what you're saying is exactly right. If we sent

two
years

would be saying to the markets that we're going to have

of gridlock. That would, I think, hurt investment, hurt
interest rates,
and I think that would start to undo this economy.

go up
significantly

Our belief is that without this plan, the deficit will

in later years.

come

SESNO: OK. On that point, we'll come back, and when we

with
Adam

back, you'll be interested in this one. Just in Time

questions

Zagorin on the Wall Street doomsday scenario. And more

take
your calls.

with the president's national economic adviser. He'll

We'll be right back.

(COMMERCIAL BREAK)

want
to hear this

SESNO: And welcome back to LATE EDITION. The president's
national economic adviser is still with us, but he'll

Wall

first. It has to do with that raging bull market on

Street, and

actually on markets around the world.

Zagorin,
from

But this week, Just in Time with correspondent Adam

our sister publication Time magazine.

this
week's

Adam, the Dow's over 8,000, but you were reporting in

issue of Time magazine some anxious planning going on.

What's

going on here in Washington?

ADAM ZAGORIN, TIME MAGAZINE CORRESPONDENT:

Well, around town, very quietly, people are planning

for the
worst

and hoping for the best. They don't like to talk about

it
very much,

but some of the most senior officials in the

government,
Treasury

Secretary Bob Rubin, Alan Greenspan, and others, heads

of the

SEC and CFDC, the Commodities Future Trading

Commission, are

quietly laying the groundwork in case markets should

become

disorderly for whatever reason.

self-fulfilling

No one wants to talk about it. No one wants a

prophecy. But they're getting ready. And they have been

getting

ready for months now.

getting
ready?

SESNO: What does it mean? What does that entail,

What would they do?

would do,

ZAGORIN: Well, they don't know precisely what they

because they always say that each financial crisis has

its
own unique

qualities.

in the
stock

ZAGORIN: But essentially, if there were a major break

raise market, one could expect the Federal Reserve perhaps to
interest rates. What they'd mostly...

SESNO: Raise interest rates or...

particularly ZAGORIN: Excuse me, lower interest rates, and zero in
liquidity on any financial institutions that were experiencing
emergency problems. And they might perhaps be prepared to make
the loans or funds available to those institutions, keep
flow of money going, keep markets open, reduce panic and allow the
market to recover of its own natural equilibrium.

you SESNO: Finally, two points and very briefly, Adam, if
would.

terrible or some First, is there any real anticipation that something
-- or kind of a doomsday scenario is imminent? And secondly
even in the immediate future? And secondly, what about the
circuit breakers that would control this out of the '87 crash?

anyone can ZAGORIN: Well, there's nothing on the horizon that
see. But crises of this nature are by definition almost
unpredictable.

several hundred The circuit breakers can -- the market falls a certain
hour. points, the market will stop trading for a half-hour or

If That can essentially only slow the pace of a decline.
investors are intent on selling, the market will go down.

SESNO: OK, Adam Zagorin, thank you very much. Appreciate
your time.

what Back to the National Economic Adviser. You just heard
correspondent Zagorin had to say.

Talk about this behind-the-scenes planning. As the

national
economic adviser to the president of the United States,
are
you
watching Wall Street and worrying?

SPERLING: Well, first of all, as a result of the 1987
problem, there
were, as you say, circuit breakers and other mechanisms
in
place.

There is a financial markets committee that Chairman
Greenspan is
on, Secretary Rubin, myself as the national economic
adviser
are on.

Certainly, we talk about a whole lot of things, and of
course, try to
make sure that you're prepared for anything that happ
ens.

But that is an ongoing process that happens
periodically.

Those
meetings happen periodically. That has nothing to do --
there's no
urgency or anything new going on because the market's
been
strong.

And quite honestly, I think you could have had the same
conversation when the market was at 5000, 6000, 7000. So
obviously, every investor out there has to make their

best
prediction
on whether they think this bull market would continue.

SESNO: Some say the prettier that Cinderella looks, the
more
you
worry about her turning into a pumpkin.

(LAUGHTER)

Let's go to the phone calls. Susan, we'll let you jump
in
here in just a
minute. But first, a call that seems relevant to both
the
markets and
the budget deal that you're negotiating.

Monterey, California, thanks for calling. Go ahead with
your
question.

QUESTION: Good morning. Despite the economy's performance, could a cut in capital gains taxes affect the market's performance on Wall Street?

do a
3200
in
now. I
think it's
term
in the...
SPERLING: Well, it's hard to know how the market could whole lot better than it did. I mean, it was at around January, 1993, when we took office. It's over 8,000 the first time it ever doubled in a single presidential

are
you?
SESNO: You're not going to take credit for that here,

SPERLING: What's that?

SESNO: Are you claiming credit for that?

SPERLING: Well, you know, it's interesting...

Why
don't
you go ahead back to the question.
SESNO: I don't want to get you off on that. I'm sorry.

gains
tax cut will
that we
are
budget
deal. If
impact, we
would
SPERLING: I think that our view is that the capital not have a major impact on the economy to the extent going along with it as mostly as part of a bipartisan we thought it was going to have a major positive have been proposing it long ago.

linkage,
which is
negotiation
now in these
PAGE: Let's talk about another proposal for tax the child tax credit, one of the issues under

credit budget talks. The Republicans would like this child tax

White House to be available to people of higher income than the
would like. Are you willing to give on that?

for a SPERLING: As you know, we have been pressing very hard
campaign. He child tax credit. The president proposed it in his '92
proposed it. talked about it in the '96 campaign -- actually in 1994
So certainly we want a children's tax credit.

higher, Ours phased out at \$75,000. They would like it to go
cover families who are making 80,000, 90,000, in that area.
I'm willing to say right here that we would support that, absolutely.
That's not a matter of theology. That's a matter of finding the
money.

middle-class But in covering those children for more upper
families, we are going to absolutely insist that lower-income
families -- families making 22,000, 23,000, nurses, first-year
police officers and teachers with two kids -- they have to be covered,
too. They work hard. They pay payroll taxes. Their employers pay
payroll taxes for them. They pay federal excise taxes.

SESNO: So can you say that as a result of...

SPERLING: They need tax relief, too.

then, the SESNO: But can you say that as a result of these talks,
you'd cover, the administration has gone up in the income range that
understanding Republicans have come down, and you've got an

now that this is what this child tax credit will cover,
these incomes?

SPERLING: Frank, I think that's a good place for us to
end
up. I
think that way -- the way we're ending up is we're
covering
more
children.

SESNO: Are you there?

SPERLING: I hope we're going to get there.

SESNO: OK. Well, that's going to be a good place for us
to
end up
right here and right now.

MORE XXX and right now.

SESNO: Gene Sperling, thanks very much for coming in.
As
these
negotiations continue, we hope you'll stay in touch
with us
and keep
our viewers informed as to what's happening.

SPERLING: Well, thanks for having me, Frank.

SESNO: Appreciate it. Well, up next, our political
roundtable of
Blankley, Roberts and Ms. Susan Page will take apart
some of
this.

Stay with us.

(COMMERCIAL BREAK)

SESNO: And welcome back to LATE EDITION. Time now to go
House
for the
round the table with Susan Page, still with us, White
correspondent for USA Today; Steve Roberts, columnist
New York Daily News; and Tony Blankley, CNN contributor,
contributing editor for George Magazine as well.

OK, well, we heard the budget discussion here, that
they're
on the
threshold; maybe, kind of, sort of; they're going to
keep

talking

about it. But they've started to move in this way or

the

other. But the

question really is to who wins out of this and who

needs how

much.

revolted

I am told, for example, that the Republican rebels who

were

livid

against Newt Gingrich a few weeks ago said that they

were

about to

over this indexation thing that Blankley and others

give away and that the 20 percent -- what did I say?

BLANKLEY: You said Blankley and others.

(LAUGHTER)

SESNO: Isn't that awful? I meant Newt Gingrich.

BLANKLEY: I'd never give it away.

(LAUGHTER)

line

now

SESNO: You'd never give it away. But that their bottom

was

that

with Newt Gingrich -- sorry, Tony -- with Newt Gingrich

top-income

they had to have a 20 percent maximum capital gains on

earners. Looks like they're going to get it.

here are

ROBERTS: I think they will get it. Look, the winners

The

White

everybody who's an incumbent who signs on to this deal.

the

things

House wins. The congressional leadership wins. One of

who you

talk

that is amazing to me is these Republican dissidents

about.

Republican bill. It

They can't take yes for an answer. It's basically a

is basically Republican principles embedded in this,

and
they keep

complaining that they haven't gotten everything. But

they've
gotten a

lot of what they've wanted. Clinton's playing on their

turf.

I think

they get a lot of credit for it.

need
it

PAGE: They not only need a deal, want a deal, but they

now. I think they need this to come together this week

before the

Congress goes out on recess, the momentum goes away.

And they

come out with this mid-term deficit forecast in the

middle

of August

that's going to be so low that it's going to prompt a

lot of

people to

say why make a deal.

well,
you

SESNO: But Tony, we heard Gene Sperling here saying,

know, we're not so anxious for this. We'll take it now

if we
can.

BLANKLEY: Let me tell you. I mean, as you know, on this

show
a

couple months ago, I anticipated the president would

eventually veto

the tax bill. I'm still not convinced I'm wrong on

that. The

one group

that doesn't want a deal are the congressional

Democrats.

Now, Clinton doesn't care about Gephardt. I think

that's
pretty

clear. He cares about Daschle. From what I'm hearing,

Daschle is in

a very go slow mood in the negotiations because he

doesn't

want to

have a tax cut, because in fact, for Democrats, they

want to

be able

to challenge the Republican Congress next election.

So...

ROBERTS: If you remember, when you said that, I said
you were wrong. And I still say you're wrong, because...

BLANKLEY: And I hope I'm wrong.

ROBERTS: ... because I think that it's in very much in
the president's interest to get a deal for three reasons,
Frank.
First of all,
like tax
credits on
Sperling
keeps
things
going, you know.

We're
going to
They're saying we're not going to be budget busters.
keep the interest rates low.

And third, he gets to inoculate the Democrats against
the charge that
they're tax and spenders, which -- I had a conversation
with
the president about this recently. He said that the
congressional
Democrats are wrong to take the line they're doing.
He's
right by
saying we need a deal that's politically better.

PAGE: But he inoculates himself and he inoculates Al
Gore...

SESNO: Al Gore.

PAGE: ... but he does not -- the degree to which the
president
cares about protecting congressional Democrats, I mean,
I
think
They're
we've already learned that lesson in so have they.

not even

allowed into these negotiations at this point.

absolutely.

But if

you listen closely to the previous guest, while he was saying, yes, the

of wigg
le room

deal's set on the spending side, he was leaving a lot

when it came to the tax deal.

We'll be
around

He said, well, we have to wait for the right deal.

a
Republican

this week, this month. I didn't sense -- and if I were

language

negotiator now, I wouldn't take any comfort from the

coming out of the administration.

exactly what

SESNO: Well, Tony, I think you're right. I think that's

need
to hear

is motivating Trent Lott to say we're not there yet. We

He's
out

more from the president. The president needs to engage.

Sperling
say,

on the West Coast, but -- and of course, you heard

well, you know, we're...

BLANKLEY: Yes, I'm here in the White House.

(LAUGHTER)

I
think
this is all to

ROBERTS: I think this is all negotiating tactics. I

push the
ball a

say we're not in a hurry. That's a way of trying to

e
bill is going to

little bit farther to their side. I say within a week th

happily.

be passed, and the president's going to sign it

SESNO: Steve Roberts, you wrote something very
interesting

wrote: focusing back on the congressional types again. And you
"Why are so many people in the caucus" -- the Republican
Congress -- "upset with Newt Gingrich is moving
forward. The
real

1998. unhappiness is about their own reelection prospects in

the
year ahead Despite the displays of unity this week, they look at
and see Gingrich as an albatross they can't afford to
carry."

together, ROBERTS: Well, that's a column that my wife and I wrote
and we talked to a lot of people...

SESNO: Who's your wife?

ROBERTS: She's well-known. Actually a little-known TV
performer.

(LAUGHTER)

BLANKLEY: Working for another network.

this ROBERTS: Yes, working for another network. And we did
the column together. We talked to a lot of Republicans on
Hill, and
low. there is a concern. Gingrich's poll numbers are still
They can write the ads right now. They can see those ads, you
know,
this guy is a Gingrich clone, try to link them together.

Gingrich. At The irony here is that the president needs Newt
the very same time the Democrats are talking about running
against him,
weak. And the fact is he needs him. He needs him strong, not
he needs him to make a deal.

congressional SESNO: Tony says -- and let me tell you what one
leadership Republican told me. He said that at a meeting with the

session last week, the day before that big, you know, mea culpa
no one where Newt read from the Bible, but he thundered that
-- if anybody tries to vacate the chair again or pull a move
like that, I will see that they are defeated with our money.

more BLANKLEY: Well, look, I've always thought that Newt was
not of an eagle than an albatross. And in the end, Newt's
popular around the country.

(LAUGHTER)

election cycle. But keep in mind, the Democrats tried that in the last
challenger. They morphed Newt into every Republican candidate
percent of the Republicans still won, still got the Congress, over 50
popular. vote. Yes, Newt would, I'm sure, love to be vastly

quotient? SESNO: But realistically, what's the albatross

BLANKLEY: I see nothing, but eagle feathers.

PAGE: What animal do you think Newt Gingrich is like?

(LAUGHTER)

SESNO: I'm not getting into this. Forget it.

(LAUGHTER)

Is there a reality to this?

is PAGE: There's a historical kind of irony to this, which
this is going to be the sixth year of a presidential term. Every time
that's come up in modern times, the party that holds the White House
has lost big in the Congress, especially in the House.

And it's interesting that this doesn't seem to be in

the
works this

time. I mean, we seem to be looking at a situation
where it's possible that the Republicans could lose their...

while we

BLANKLEY: Wait, you say it's not in the works. Now,
don't know what's going to happen...

works for
'98?

PAGE: Do you think big Republican gains are in the

what's in

BLANKLEY: Well, wait a second. While we don't know

you're seeing

the future, we can't look that far in advance. So far,
the same pattern you saw in the last elections where

the
Republicans

are doing better in recruiting. They've already got 34

opponents for

the 46 key Democratic target districts. Democrats are

doing
bad in

recruiting. They don't have good candidates. They don't

have
as

many of them. Republicans are raising more money.

moving
towards

All the normal indicators is that the Republicans are

a good election cycle.

very
quick

SESNO: OK, I've got to jump in. We've got to take a

table,
after

break. We will come back, one more trip around the

this.

(COMMERCIAL)

here

SESNO: And welcome back. One more trip around the table

with Blankley, Page and Roberts.

state of

Now, to talk about William Weld, a governor from the

certain

Massachusetts, a Republican -- or so he says. He says

things about the medicinal use of marijuana. And then,
the president
says why don't you be my ambassador to Mexico.

Well, Jesse Helms has a little problem with that.
Today,
Trent Lott
said this thing is in big trouble, that Weld has shot
himself on the
foot, comments he made not helpful.

Daschle says, on the Democratic side, we're going to
fight
for this.

ROBERTS: Well, of course, Daschle wants to fight for
it,
because

as Tony points out, the Republicans have been
successful in
recruiting in recent years. They've run good
congressional
campaigns. But one of their biggest potential problems
is
being

labelled the party of right wing conservatives in the
same
way the
Democrats were labelled the McGovernite liberals for so
long.

And when Jesse Helms says to Bill Weld, Republican, good
standing from Massachusetts, he's not my kind of
Republican.
There

are a lot of Republicans, including a lot of women, who
look
at that

and say Jesse Helms is not my kind of Republican.
That's a
big

potential problem for the Republicans.

BLANKLEY: You know, I think this Weld business is
fascinating,
because I don't think he's a fool. I think he
understood
what he was

doing when he was -- when he spoke up.

My hunch is -- I don't know this -- my hunch is that
he's
playing a

very long-term game. He's a young man. He may be looking for 2004, because he can't get the nomination of the president with the current structure of the party. But if the current structure delivers a loser for the third time in a row in 2000, then they may start looking at what do we need to win, and that would be the moment for Weld. So he may playing a much longer-term game than we think.

PAGE: That is pretty long-term. This is sort of a dilemma for President Clinton, frankly, who -- the White House is not inclined to expend a lot of political capital to make sure that Bill Weld gets to be ambassador to Mexico.

But Weld put some steel in the president's back by publicly insisting that the nomination go forward. And in -- but Clinton is not inclined to do recess appointments, to bypass Chairman Helms. I mean, it'll be interesting to see.

SESNO: What are they saying? What are they going to do over there? What are they saying? What are they telling you right now?

PAGE: Well, I don't know what they're going to do, but what they're not going to do is make this their number-one cause on Capitol Hill.

BLANKLEY: I mean, Weld's not going to get it. Everybody knows that...

anti-
other
fish to fry
nominations that

ROBERTS: They want Helms out there, speaking in sort of
Weld terms. They like that politically. But they have
with Jesse Helms. He could hold up a lot of other
they really do want.

SESNO: And there are a lot of...

ROBERTS: And they've got to be careful about.

there.

SESNO: And there are a lot of other nominations out

and
Tony

And with that, I will thank Steve Roberts, Susan Page

Blankley. Great to see you, as always.

When we come back, Bruce Morton has his Last Word.

(BEGIN VIDEO CLIP)

U.S. REPRESENTATIVE RICHARD GEPHARDT (D-MO),
HOUSE MINORITY LEADER: Our new speaker, the gentleman
from Georgia, Newt Gingrich.

(APPLAUSE)

(END VIDEO CLIP)

heavy in

SESNO: The gavel won by Newt Gingrich in 1994 weighs
his hands three years later. We'll take a look.

(COMMERCIAL BREAK)

SESNO: And welcome back to LATE EDITION. Bruce Morton
joins us now with his Last Word, as always. Bruce.

guess,
is

MORTON: Well, Frank, the most analyzed man in town, I

Newt Gingrich. Now it's my turn.

(BEGIN VIDEOTAPE)

tu,
Armey. Et

Newt's in trouble, the town buzzed. Plots thicken. Et
tu, too, DeLay. Well, what a week it was.

to
whom,
loved
by his
is his
job

But amid all the involved explanations of who did what
you may missed the simplest reason why Gingrich, once
Republican colleagues, got to be so unloved. The fact
changed.

poll-tested
winner in
majority

The Newt House Republicans loved was the Newt who had a
vision, the minority leader who came up with a
the Contract With America and saw his troops become the
in the 1994 elections.

articulate a
walls
come

That kind of leadership demanded one set of skills:
goal,
fire up the troops, storm the castle, and watch the
tumbling down.

job.
It involves
members
will
has
three or

Being speaker with a tiny majority is a very different
doing something nice for Fred because half a dozen
vote with him and something nice for Janet because she
four votes, too.

can't
have 100
doesn't
work that
party n
eeds
outmaneuvered
It
involves

It involves teaching firebrand conservatives that they
percent of everything right now, because politics
way. It involves being kind to moderates, because the
to grow in the North and East. It involves not getting
by the wily Democratic politician in the White House.
networking, details.

Tip O'Neill, for instance, was very good at that and

left
the vision

stuff to others. Maybe Gingrich is more like Ronald
Reagan,
who
could preach wonderfully and would then leave the
details to
somebody else.

that
he often

didn't know just what the House was taking up on a
given
day. Then
Senate leader Bob Dole, who was with Gingrich, looked
shocked.

Dole, like O'Neill, was Mr. Inside, adept at making the
place work.

Gingrich, like Reagan, may be best as Mr. Outside,
firing up
the

troops. They are two quite different jobs, and being
good at
one
doesn't guarantee success in the other.

(END VIDEOTAPE)

SESNO: Bruce, Susan turned to me -- Susan Page turned
to me
in

the last discussion and said, "What animal do you think
Newt
Gingrich is?" It's not exactly an animal, but what
about a
phoenix,
rising again?

MORTON: Well, I think his problem is that he really is
impatient
with minutiae of running the House. You know, that's
very
local
politics, a favor for so and so, a favor for so and so.

And
I think he
wants to get out there and lead a grand charge again.

What
they
need to do now is find a couple of issues around which
that
charge
can be led.

he's
got
SESNO: Out of power, he was a bomb-thrower. In power,
to do something different. So does his membership.

Oliver
now.
It
MORTON: Well, that's exactly right. You can't just be
Cromwell's army and say, you know, we win it all right
doesn't work that way. It never has.

some
SESNO: How do you see him fighting back and regaining
public stature?

everybody
can go
will
re-elect a
MORTON: I think if there is a budget deal, then
home and campaign as Mr. Tax Cut. And a rising tide
lot of congressmen.

see.
SESNO: And Newt rides back into town triumphant. We'll

(LAUGHTER)

Bruce Morton, thanks very much.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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Inside Politics Weekend:

INSIDE POLITICS WEEKEND Welcomes Senators Robert Torricelli ,
Thad Cochran and Senior Adviser to the President Rahm Emanuel

Aired July 26, 1997 - 7:30 p.m. ET

WOLF BLITZER, CNN HOST: Thanks for joining us for our
weekend look inside politics -- the events, the issues,

the
battles, the

bytes. If you're looking for the program "PINNACLE," it

can
be

seen at 6:30 p.m., Eastern on Sunday this week with

George

Plimpton.

It was a busy week on Capitol Hill. The Republicans had

their turn

in the hot seat at the Senate campaign fund-raising

hearings. The

target -- former RNC Chairman Haley Barbour. The goal

-- to

show Republicans raised money the same way the

Democrats did

from overseas sources. Did the strategy succeed?

We'll ask two members of the Governmental Affairs

Committee,

Senators Robert Torricelli of New Jersey and Thad

Cochran of

Mississippi. Then we'll look at the latest budget

developments from

capital gains to estate taxes. How do you spell relief?

We'll talk with

senior adviser to the president Rahm Emanuel.

Later, Bill Schneider joins us with the story behind

the

story. And

finally, we'll hear from Political Humorist Mark

Russell.

But first, did Democrats call their first truly high

profile

witness of the

hearings, Haley Barbour? Here's how Senator John Glenn

laid

out

the Democrats' case when the hearing started in early

July.

(BEGIN VIDEO CLIP)

JOHN GLENN, SENATOR, (D) GOVERNMENT AFFAIRS
COMMITTEE: The National Policy Forum was established in

1993

as a think tank to develop Republican ideas and
policies.

Republican officials claimed that it was independent of

the
party

and, thus, would not be subject to the laws and

regulations
that

political apply to the Republican National Committee and other
organizations.

In fact, the National Policy Forum was an arm of the

Republican

National Committee. It was a subsidiary in the words of

a top

Republican official. One way the Republicans used their

subsidiary

was for what can only be described as a laundering of
illegal foreign
money.

(END VIDEO CLIP)

BLITZER: At issue, a loan guarantee from the U.S.

subsidiary
of a

Hong Kong company to the National Policy Forum. The

Forum

used the money to guarantee other money that it owed

the

National

Republican Party. And that in turn, say the Democrats,

allowed the

RNC to spend more money on advertising just before the

1994

Congressional elections.

Barbour emphatically denies he did anything wrong.

(BEGIN VIDEO CLIP)

HALEY BARBOUR, FORMER RNC CHAIRMAN: The fact of
the matter is everything that the Republican National

Committee did

and everything the National Policy Forum did was

perfectly
legal

Hong and proper, whether or not I knew the money had come to
Kong.

(END VIDEO CLIP)

of New BLITZER: And joining me now, Senator Robert Torricelli
Senator Jersey who joins us from our New York Bureau, and
Thad Cochran, Republican of Mississippi who joins us here in
Washington. Senators, thank you so much for joining us

on
INSIDE

POLITICS WEEKEND.

think Senator Cochran, knowing what you know today, do you
loan Haley Barbour did the right thing in organizing this
guarantee to this Republican Party Forum?

THAD COCHRAN, SENATOR, (R) GOVERNMENT
AFFAIRS COMMITTEE: Well, it seems that he was absolutely
right in what he told the committee. The facts do not

support the charges that were made by Senator Glenn at the
beginning of
these

to hearings that the National Policy Forum was established
launder foreign money. That was not the purpose.

to The purpose was to conduct meetings around the country,
get

concerned feedback from citizens about the issues they were

about, and what they thought that that would determine what

they ought to do about it. That was clearly established by the

evidence, and it was not a subsidiary. It was not an arm of the RNC for the
purpose of raising money or funneling foreign money anywhere.

BLITZER: But when it repaid that money that it owed to
the

RNC,
1994
campaign
the
National
Policy Forum, that money would not have been available?

COCHRAN: That was the charge that was made by the Democrats. But it was not supported by the evidence. It
was
clear
that there were ample funds for the Republican National
Committee
to spend in the closing weeks of the campaign in 1994
whether that
loan was repaid or not.

BLITZER: All right, let's hear from Senator Torricelli.
Was
all this as
kosher as Senator Cochran and Haley Barbour insist?

ROBERT TORRICELLI, U.S. SENATOR, (D-NJ): Well, Wolf, it
anybody
could
believe it's proper. When you have the chairman of the
Republican
Party sitting on a yacht in Hong Kong Harbor talking to
a
foreign
national about having his board of directors approve
\$2.5
million to
be sent to an arm of the Republican National Committee,
something
is wrong.

My hope for these hearings is that Democratic and
Republican
leaders would both come forward, admit what was wrong.
We get
all

this out in the open so we can change the laws and fine
those who
are responsible and make sure it never happens again.

I've been urging leaders of the Democratic Party to do
so. I
think
Haley Barbour made a real mistake coming forward and

trying
to
defend these activities. They are not defensible. This
is
\$2.5 million
of foreign money that only weeks before the 1994
elections
made a
real difference in these campaigns.

The filings of the Republican National Committee in
October
20th,
1994 indicate they only had \$700,000 left 19 days
before an
election. They were in financial trouble, and this
money
bailed them
out.

BLITZER: But Senator Torricelli, the money, as far as
you
can tell,
all this was legal with this loan guarantee going to
the
National Policy
Forum.

TORRICELLI: I don't think it's for me to say ultimately
whether or
not it was legal. That's a question for the Justice
Department. It is, I
think, my role and others in the Congress to say this
isn't
how we
want to run national elections. We cannot be having
money
funnel
into the Democratic and Republican parties that are so
decisively
controlling some of our own elections.

BLITZER: All right, Senator Cochran, some of that money
that
the
Hong Kong businessman, Ambrous T. Young lent --
guaranteed to
the National Policy Forum, which was affiliated with
the
Republican
Party -- that was not repaid. It was defaulted. He lost
\$800,000.
Does the Republican Party in your opinion, Senator
Cochran,

does
obligation to the Republican Party have an obligation -- a moral
repay Ambrous T. Young that \$800,000?

Republican
loan. It
was a
Policy
Forum
COCHRAN: Well, you'll have to remember that the
National Committee was not actually a party to that
guarantee of a loan that was extended to the National
by a bank.

lawyers
said
wrong
with it.
There
protect
Young
loan.
The guarantee came from a Florida corporation, and
that this was a legal arrangement. There was nothing
And Haley Barbour indicated that he made no commitment.
was no guarantee. There was no security put up to
Brothers of the Florida corporation who guaranteed the

And
that's
represents
he had
The eventual outcome was a settlement -- a compromise.
the way it stands now. One of the lawyers who testified
Young Brothers, and he wanted the loan repaid because
assured them it was a no-risk loan.

Republican
to
this Mr.
Young?
BLITZER: But morally, do you feel comfortable with the
-- at least Republican activists defaulting on \$800,000

It was
million
that
distortion of
the facts.
COCHRAN: This was a National Policy Forum obligation.
not paid back. They didn't pay back the RNC over \$2
was loaned to it. To say that somehow the RNC benefited
financially from this arrangement is just an outrageous

BLITZER: All right. Senator Torricelli, an outrageous distortion of the facts that the RNC benefited at all from this \$2.1 million loan guarantee. Did the Republican Party -- the RNC benefit at all from this foreign money?

TORRICELLI: Well, I think, Wolf, you have to remember the circumstances. You're 19 days away from the 1994 elections. The entire Congress is now at stake. A decisive national election. The Republican Party had \$700,000 in the bank. Some days in late October, it actually had a negative balance.

It was out of cash. It arranged to get \$1.6 million from the National Policy Forum which was Mr. Young's money, and that money went to 21 different states, influenced 26 Congressional elections. Some of those Democratic members of Congress lost by 3,000, 5,000 and 10,000 votes. You'd have a hard time telling those defeated members of Congress that this money wasn't decisive and made all the difference.

BLITZER: Well, Senator Cochran, didn't the Democrats succeed in what clearly was their strategy -- to show that everyone does it. The Democrats do it. The Republicans do it. In effect, playing down the obvious impact of these hearings which goes against the Clinton Administration's efforts to raise money from overseas sources.

COCHRAN: Well, if this were a baseball game, Wolf, and you said

the Democrats were now up at bat to present the case
against
the
out.
Republicans, you'd have to conclude that they struck

BLITZER: Why did they strike out if...

COCHRAN: There was no evidence of any illegal acts.

BLITZER: But the former...

COCHRAN: No illegal transaction whatsoever was
identified in
the
evidence that was presented this week. There was
absolutely
no
evidence of wrong doing. They can charge this as long
as
they want
to and say these things. Some senators are saying over
and
over
again, but it doesn't make it true.

BLITZER: So there you are, Senator Torricelli, no net
gain
politically for the Democrats this week?

TORRICELLI: Well, you know the facts just out, Wolf.
Yesterday,
you had Mr. Richards, a former chairman of the
Republican
National Committee saying Haley Barbour was told this
was
foreign
money. He knew where this was coming from. The money was
requested because they were getting close to the 1994
elections.

They have a former chairman of the Republican National
Committee
basically contradicting what my friend, Senator
Cochran, is
saying
and totally contradicting Haley Barbour. My regret in
all of
this is if
the difference where we are right now is we had leaders
of
the
Democratic Party come forward. I hope they're going to
admit

what

was wrong, hold those who were responsible and move on.

I

think

the Republicans...

like

COCHRAN: Nobody had come forward voluntarily to testify

saying
that he

Haley Barbour did, and you're criticizing him and

the
Fifth

made a mistake by doing so. There are 50 people taking

talk
about

Amendment or disappearing from the country who won't

the presidential election campaign.

word.

BLITZER: Okay, Senator Cochran, that has to be the last

us.

Senator Torricelli, thanks to both of you for joining

TORRICELLI: Thank you, Wolf.

will be
back.

BLITZER: The subject is not going away. Both of you

White
House

And when we come back, we'll talk with Rahm Emanuel,
Presidential Senior Policy Adviser, and we'll get the

view on the budget negotiations. Stay with us.

(COMMERCIAL BREAK)

been
issues,

BLITZER: Welcome back to INSIDE POLITICS WEEKEND.
White House and Congressional budget negotiators have

meeting this weekend trying to work out several tough

including budget tax cuts.

joins me
now

Rahm Emanuel, senior adviser to President Clinton,

for

with the White House view. Mr. Emanuel, thanks so much

this
week?

joining this weekend. Is there going to be an agreement

RAHM EMANUEL, WHITE HOUSE SENIOR POLICY

what
is in
meeting the
ADVISER: Well, the timing is not so much important as
the agreement. That's what we're working towards
president's objective for a balanced budget agreement.

they're this
will be
an
BLITZER: If you had to place a bet, would you say that
close that within the next 24 to 48 hours that there
agreement at least in principle?

to
place
much as
what we
objectives. He
see
the
wants
to see the
want
s to
EMANUEL: You know betting's illegal Wolf. I'm not going
a bet. I think what's important is not the timing so
get done. The president laid out some very specific
wants to see health insurance for children. He wants to
largest increase in education in thirty five years. He
life span of Medicare extended for another ten years. He
see a middle class tax cut.

(OFF-MIKE)
be
included in
this deal?
BLITZER: Well, let's get to the Medicare question.
Medicare recipients to pay higher premiums. Will that

deal.
He
he
thinks it's
that
this will be
reform
that it be
EMANUEL: Well, it's been clear that he wants it in the
thinks it's very important to be part of this deal, and
also important that as we move forward, if it's not
something in the future as we look to entitlement
part of.

part
of this
BLITZER: So it sounds like there's some flexibility as
deal on that issue.

can't
say it
this
deal. It's
in
preventive
measures,
EMANUEL: Let me be clear. As he said the other day, I
any clearer than the president. He thinks it belongs in
important. That we have accomplished a number of things
Medicare, one is \$400 billion in savings, new
new choices for senior citizens.

contentious
issue -- a
that
will be in
BLITZER: All right, let's move on to the next
cigarette tax. Twenty cent per pack -- do you think
this deal?

should be
accomplishes
two very
teen
smoking.
children's needs.
That's very important.
EMANUEL: Again, let me be clear. The president said it
part of this. He said it just the other day. It
important goals. One, it helps us in our efforts to cut
Two, it will help go for children's health and other

cent
per pack
net
tax cuts.
BLITZER: But if you include that \$15 billion in a 20
cigarette tax, you're not going to get \$85 billion in
You're going to get \$70 billion.

day,
and I
agreement. He
thinks it's important...
EMANUEL: I think the president said it just the other
need not expand on it. He wants it as part of this

BLITZER: So what about the \$85 billion commitment? You

committed to the Republicans there would be \$85 billion
in
net tax
cuts? Are you willing to move away from that
commitment?

EMANUEL: No. We have a commitment toward \$85 billion. We
have a commitment towards a tax cut that represents the
needs of
middle class families, and that's one of our clear
objectives. We
want a tax cut that works within the boundaries of a
balanced
budget agreement, represents the needs of middle class
families...

BLITZER: But will the cigarette tax be outside that \$85
billion?

EMANUEL: Wolf, as you know, they're negotiating right
now.
And
they're negotiating on what the president wants in this
balanced
budget agreement. It's an historic time to accomplish
our
goals. And
as they negotiate, they're going to be very clear that
we
want this
part of the agreement because of what it accomplishes
for the
country.

BLITZER: All right, what about the capital gains tax
cut?
Does the
president support a broad based capital gains tax cut?
The
Republicans want to reduce it from 28 percent to 20
percent.

EMANUEL: Right. The president, as you know, on June 30th
proposed his entire...

BLITZER: Which was a modest reduction -- very modest.

EMANUEL: He proposed his capital gains tax cut. But in
the
context of his entire tax package, that tax package
represented his
objectives in a tax plan for higher education and
helping
middle class

families raise their children.

their
priorities

We had one. We had a gesture. It's clear it's part of

We
recognize

and one of the things they're fighting very hard for.

bottom
line that a

that. But one of our priorities is making sure in the

is
helping them

tax cut represents middle class family needs, and that

raise children and send them to college.

inflation,
percentage
that

BLITZER: If they're willing to eliminate indexation for

would you be willing to meet them halfway on the

you'll go for a broad based capital gains tax cut?

not
going

EMANUEL: That's for the negotiators to handle, and I'm

to negotiate...

BLITZER: Is indexation going to be in this agreement?

his
views

EMANUEL: The president's been clear about what he --

of indexation. He wants a balanced budget....

BLITZER: Will he veto if it's in there?

EMANUEL: A tax cut has to be...

BLITZER: Will he veto if it's in there?

boundaries
of

EMANUEL: Wolf, the tax cut has to live within the

difficult.

the balanced budget agreement. Indexing makes that very

BLITZER: So he will veto if there's indexing?

EMANUEL: He makes the judgment on vetoing -- not me.

\$500
per

BLITZER: The Republicans have been insistent that the

child tax credit should not go to those families where
the
families pay

no federal income tax. You want those people to get

that,
and the

Republicans say that's simply more welfare. Where's the

room
for a

compromise on the \$500 per child tax credit?

EMANUEL: Well, there's a number of places. First of

all,
let's go

back to a little history on...

BLITZER: We don't have much time. We only have less

than a

minute.

EMANUEL: We believe the law enforcement officers and the
nurses and teachers who earn in the area of \$18,000 to

\$28,000

deserve a family tax cut. They have children. They need

the
support

from this tax cut. They have worked hard. They....

BLITZER: But don't they already get it under the earned

income tax

credit? They don't pay any federal income tax?

EMANUEL: Well, it was also in the Contract With
America. And

as other Republicans have said, these are people who

are hard

pressed, and if we're going to have a tax cut the hard

pressed

working families of this country deserve it.

BLITZER: So where is the compromise on the \$500 per

child tax

rate?

EMANUEL: Our principles are clear that we think the

middle
class

families and those middle class families deserve a tax

break, and

they deserve a per child tax cut.

BLITZER: Do you think the Republicans will cave on that

issue?

they're
objective,
and that's
EMANUEL: Well, I'm not going to tell you what I think
going to do. I can tell you what I think is our
what we're going to seek through in this tax plan.

BLITZER: OK, Rahm Emanuel, good luck in these
negotiations.

EMANUEL: Thank you.

the
White
BLITZER: Thanks again for joining us. We'll see you at
House during the week.

Story." Let's
And up next, Bill Schneider has the "Story Behind the
hear it for the rational exuberance mode. Stay with us!

(COMMERCIAL BREAK)

political
BLITZER: Welcome back to INSIDE POLITICS WEEKEND.
Joining us now as he does every weekend, our favorite
analyst, Bill Schneider.

was
Is Haley Barbour in any trouble because his testimony
contradicted the next day by another Republican?

whether
he
WILLIAM SCHNEIDER, POLITICAL ANALYST: Well, the
word is, the Justice Department may be looking into

may
be
deliberately misled Congress. Contempt of Congress, you
surprised to hear, is a federal crime.

about
that
BLITZER: And speaking of Republicans in trouble, what
Newt Gingrich? He had a problem a week ago. Has he put
problem to bed?

and
his
being.
And those
SCHNEIDER: Well, the Republicans had a revival meeting,
position as leader is apparently secure for the time
are a lot of conditions he's got to deliver to his

fellow
Republicans,
and that's why he wants to deliver their cherished tax
cut.

BLITZER: All right, let's take a look at the economy
for a
second.

The president wants credit for the booming economy. The
Republicans want credit, but Alan Greenspan deserves
some
credit
too, doesn't he?

SCHNEIDER: Well, remember last December when Greenspan
played "The Grinch Who Stole Christmas." He talked
about the
irrational exuberance of the stock market and stock
prices
promptly
took a tumble.

Well, this week, he testified before the House and
Senate
Banking
Committee's, and he sang a new tune. Let's look at the
"Story
Behind the Story."

(BEGIN VIDEOTAPE)

ALLEN GREENSPAN, FEDERAL RESERVE CHAIRMAN:
The recent performance of the American economy,
characterized by
strong growth and low inflation, has been exceptional.
And
better
than most anticipated.

SCHNEIDER (voice-over): Sounds like rational
exuberance. In
December, it was widely believed Greenspan was trying
to
send a
message: Cool it! What's Greenspan's message now?

Remember back in early May, when the White House and
Republican Congressional leaders struck a balanced
budget
deal?
That deal happened because the Congressional Budget
Office
announced \$225 billion in extra revenues as a result of
stronger than

expected economic growth.

Well, now the White House and Congress are putting together the

details of that budget deal. Once again, rosy economic scenarios are making it much easier.

Suppose Greenspan had stuck with his irrational exuberance line, or called for higher interest rates to slow down the economy.

That would not only have shaken up the stock market, it would have endangered the budget deal in its delicate, final stages. And one thing Greenspan does not want to do, is endanger a budget deal.

GREENSPAN: A fiscal policy oriented toward limited growth in government expenditures, producing smaller budget deficits, and even budget surpluses would tend to lower real interest rates even further, also promoting capital investment.

SCHNEIDER: Sure enough, Greenspan's remarks propelled the stock market to a new record high as if to say, "yeah, we got the message."

Congressional negotiators got the message too.

NEWT GINGRICH, HOUSE SPEAKER: I think we're on the verge of getting the balanced budget agreement.

(END VIDEOTAPE)

SCHNEIDER: But, some people are asking if the economy is so strong, why not do nothing. Why do we need a budget deal at all.

The deficit will disappear on its own as the revenues come

rolling in.

insurance Well, the White House says a budget deal would be, "an policy," just in case the economy slows down.

for That's a long way from the argument we've been hearing

years.

then If we don't get a budget deal, they've been saying,
we're all going to go to hell.

next BLITZER: Thanks, Bill Schneider, we'll see you again
politics. weekend. And coming up next, Mark Russell's view of
Here's a preview.

an MARK RUSSELL, POLITICAL HUMORIST: The movie
audience. "Contact" is all about a network's attempt to contact

(COMMERCIAL BREAK)

BLITZER: And now time for Mark Russell.

are a RUSSELL: And we're back at the Monocle. You know there
few lot of motion pictures filmed in Washington in the past
years, and in none of them does the city come off well at all.

smash. Remember Independence Day last year, big box office

were Why? Because Washington, New York City and Los Angeles
totally obliterated.

for You give the people what they want and they'll turn out

it. Right now, there's a Steven Spielberg thriller being filmed

here called, "Deep Impact." As I understand it, it has
in town something

to do with a comet plowing into Washington, D.C., doing

almost as
much

damage as the mayor.

Foster
and 13

And, then there's the movie "Contact," starring Jodie

unethical.
Yes,

CNN correspondents causing the critics to yell,

CNN

indeed, the critics are stuck for a word. And so, the

management has ordered all CNN correspondents not to

appear
in

all of
us who

any more movies, which is really a disappointment to

kind of looked upon John Sununu as the next Jimmy

Stewart.

The
Lambs,

And, do you remember the Jodie Foster movie, Silence

played
by

and that sinister character Hannibal the Cannibal was

Anthony Hopkins. That's because my friend Bob Novak was
unavailable.

(LAUGHTER)

thought
it was a

So the president, the president of CNN says that he

sort
of a

good idea at the time to put his people in the movie as

audiences

promotion opportunity here in the summer when the news

are, well, a little bit down.

Fund-Raising

How down are they? Well, the Senate Committee on

may have to go door to door.

(LAUGHTER)

time
we

BLITZER: OK, Mark Russell, thanks again. That's all the

Sunday at

have for this edition of INSIDE POLITICS WEEKEND.

noon, "LATE EDITION WITH FRANK SESNO" looks at the
latest on the budget deal.

That's Sunday at noon. For now, thanks very much for watching.

Enjoy the rest of your weekend. I'm Wolf Blitzer in Washington.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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CREATION DATE/TIME:28-JUL-1997 09:04:10.00

SUBJECT: CNN: Evans & Novak, 7/26/97

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Evans & Novak:

EVANS & NOVAK Speak With Former Republican
National Chairman Haley Barbour

Aired July 26, 1997 - 5:30 p.m. ET

campaign
ROBERT NOVAK, HOST: I'm Robert Novak. Rowland Evans
and I will question a major Republican figure in the
fundraising investigation.

ROWLAND EVANS, HOST: He is former Republican National
Chairman Haley Barbour.

(BEGIN VIDEO CLIP)

controlled
campaign
EVANS: Political sparks flew as the minority Democrats
three days of hearings in the Senate problem of alleged
fundraising illegalities.

a 1994
National
A top Republican swore there was nothing illegal about
Hong Kong loan to a Republican think tank called the
Policy Forum.

everything the
HALEY BARBOUR, FORMER RNC CHAIRMAN: The first and
most important fact is that the National -- is that
National Policy Forum did, was legal and proper.

that.
EVANS: The senior committee Democrat was having none of

money
and that's
JOHN GLENN, SENATOR, (D-OHIO): We can dance on the
technicalities of this, but it came in. It was foreign
it.

Senator
EVANS: That angered Republicans, one of whom attacked
Glenn.

you know
PETE DOMENICI, SENATE BUDGET COMMITTEE
CHAIRMAN: You muddled up as if this was illegal when
it wasn't illegal.

EVANS: But Barbour's denial, that he knew the loan would come from Hong Kong, was contradicted by the very Republican who arranged.

UNKNOWN: The only thing I told him is the money would be transferred from Young Brothers, Hong Kong, to Young Brothers. U.S.A.

EVANS: And even Chairman Thompson, referring to the close relationship between the think tank and the Republican National Committee, was skeptical.

FRED THOMPSON, SENATOR, (R-TN): And the fact that you provided the seed money would make any appearances of any foreign involvement that much more radioactive.

(END VIDEO CLIP)

EVANS: Mr. Chairman, the Washington Times, not known as a Clinton liberal apologist, had a headline on Saturday morning this "Haley Barbour sought use of foreign funds for the GOP," unquote.

In retrospect, sir, don't you regret just a little bit, going to Hong Kong for that money for the NPF?

BARBOUR: Rowlie at the time the loan was made to the National Policy Forum by Signet Bank and it was guaranteed by Young Brothers Development, Florida. Young Brothers Development, Florida, had been a contributor to the Republican National Committee for years, long before I was chairman of the RNC.

At the time, my understanding was that they were allowed, that they were eligible as an American company to make contributions to the RNC. I said that at the time. That was the fact that we

thought --

you know all the witnesses that the Democrats chose,

not to
call

yesterday -- during this week, all told them the same

thing,
that

that's what they thought, that's how we proceeded.

Mr. Denning, Mr. Reed, Mr. Fierce, all whose names were
mentioned, they all said the same thing I said. The

fact of
the matter,

though Rowlie, either way, it was perfectly legal.

Either
way it was

perfectly legal. If it had come from Hong Kong or not

come
from

Hong Kong, it was legal. That was not the point. The

point
is what

did I know. I just had to tell the truth.

EVANS: So, no regrets?

BARBOUR: Oh, look...

EVANS: OK, that's all...

BARBOUR: You never like to be on television -- people

chasing

you around, trying to get people to contradict you. But

the
fact of

the matter is, everything that the Republican National

Committee did

and everything did the National Policy Forum did, was

perfectly

legal and proper. Whether or not I knew the money had

come
from

Hong Kong, which is something I actually learned this

year,
that's

irrelevant but the fact is I didn't learn it until this

year.

EVANS: Mr. Chairman, the man you appointed to head the
National Policy Forum, Mr. Michael Baroody, testified

this
week.

He had a slightly different view than you have. Let's

take a

look at

that.

(BEGIN VIDEO CLIP)

MICHAEL BAROODY, FORMER PRESIDENT OF NPF: I thought using foreign money to fund NPF would be wrong.

And

sharply

two, I thought the lines between NPF and RNC were not enough drawn and made separation between the two seem a fiction...

(END VIDEO CLIP)

Baroody is
a

well-known figure in town. Is he crazy?

in
his

BARBOUR: No, and he's a fine guy and he also said later

was
legal, that

testimony, more than once, that raising foreign money

good
idea. Nobody

he disagreed with it, that he didn't think it was a

of
the

ever asked Mike, but the fact is while he was President

raised, even

National Policy Forum, no foreign money was ever

though it was legal and as Mike said, it was legal.

fiction," he
testified

The other thing that Mike said about "seemed a

separate
function,

under oath that this was a separate organization,

he d
id not

separate operations, separate management, that at times

creditor,
the sole

like the fact that the RNC, which was the biggest

management
of the

creditor, to the National Policy Forum, that the

hings,

RNC pushed hard on the management of NPF to do certain t

so they could pay back the money that the RNC had

loaned
them,

but he said himself that it is a separate organization.

And
let me just

say Rowlie, it is, was and at every time, a separate

orga
nization

from the RNC.

NOVAK: Mr. Barbour, as you are well aware, the Democrats
claim that you used this money from the Young

organization,
as a

conduit for money to win control of the House of
Representatives in
1994.

Sir, their point is to make this winning of the House of
Representatives look illegal. Now, it's one thing for

the
Democrats

to say this, but the president of Ambrous Young in

Florida,
who

arranged this, a former chairman of the Republican

National

Committee, Richard Richards, had this to say at the

Senate

Committee hearings. Let's take a look at it.

(BEGIN VIDEO CLIP)

RICHARD RICHARDS, FORMER RNC CHAIRMAN: Frankly,
I never thought I would see the time in my lifetime

that
Republicans

won the House majority, but he told me that was the

case and
said

we have a problem. We at the national committee have

loaned
the

forum \$3 million, \$3.3 million -- some amount in excess

of \$3

million -- of money that we can use in the campaign.

But
we've got a

problem. We need to be able to take it out of the forum

for
our

purposes...

(END VIDEO CLIP)

NOVAK: That's pretty incriminating. You're a good lawyer, besides being a politician. That's, that's kind of a smoking gun, isn't it sir?

Dick says in his National million or the books, on a monthly fact in the lend the half way BARBOUR: Bob, let me just say to you, first of all, testimony, that as you just played, that the Republican Committee had loaned the National Policy Forum \$3.3 something. Now the fact is if you go back and look at which were filed with the Federal Election Commission basis, that's not even close to being true. The one statement that you just played, how much did the RNC National Policy Forum? He's not even -- it's not even close. It was about half as much as he said.

Committee The fact of the matter is that the Republican National could not by law, did not and you can see it from our books, and we've made those books available to this committee, did not do that at all. And you noticed that the Democrats chose not to put on anybody from the accounting department, chose not to put on anybody who could validate and just confirm exactly what I said.

testimony, he Instead they put on a witness who said himself in his didn't know what happened to the money.

Dick Richards contradicted himself from his letter,

from his deposition, from his affidavit from his testimony. I mean, the real -- yesterday was really about Dick Richards versus Dick Richards. But the Democrats want to put on anybody who contradicts me, because they've given up on the idea of saying the Republicans did something wrong. Now they just want to make it personal and try to smear me personally.

NOVAK: Just briefly, Mr. Barbour, you're not under oath here, but you are on television, and you're talking to two reporters...

(LAUGHTER)

... let me just ask this, you mean when you made this deal with Young Brothers, you never had in your mind the idea that this would be money that would enable you to finance indirectly, the '94 campaign?

BARBOUR: Bob, as you know, under the federal law, all the money that we spend for federal elections, has to be non-federal money. It can't come from a corporation. It can't come from a loan repayment by the National Policy Forum or corporate money. I said in my testimony and the records are right there, in black and white. Time Magazine said this money went to pay for the late advertising blitz. The fact of the matter is not one penny of it did. It all came out of our federal account by law.

They said this paid for Contract with America. That is simply not

true. John Glenn said that in his opening statement.

Just
simply not

true. Not one penny of this money went to that --

couldn't
and

didn't. And the other thing that I said that the

Democrats
hated to

hear, because they want to have this phony, baloney

game that

somehow the Republican control of the House is tainted,

which is

not tainted, is that they said that the RNC had to have

this
money

for the campaign. We didn't. If we had not gotten this

money, we

had millions to spare. And I showed that in my

testimony on

Thursday.

take a

EVANS: Mr. Chairman, we just have a minute before we

would be

break. Mr. Richards told Mr. Young that you as a debtor

back. I
believe

safe as the church -- all that money would be paid

the
chairman of

debt still is \$600,000, which has not been paid. And

about
that.

the Senate committee, Senator Thompson had this to say

(BEGIN VIDEO CLIP)

money. I
say

THOMPSON: When you step back from it, this gentleman
Ambrous Young, it looks to me like we owe him some

we, I mean, the Republican National Committee...

(END VIDEO CLIP)

back and

EVANS: Mr. Chairman, is that money going to be paid

when?

chairman,

BARBOUR: The Republican National Committee doesn't owe
Young Brothers anything. But in fact what I did do as

Young Brothers, because the National Policy Forum was

unable
to

pay and defaulted on the loan, Young Brothers lost a
\$1.5
million.

After the election, I reached out to them and said, I

told
you I'd try

to help. We've already put in more than a million, but

I
will ask the

Republican National Committee and the Republican Nationa

I
Committee will lend the Policy Forum half of what you

lost.

They

said, fine. We settled it. Their lawyer testified

Wednesday
that it had

been settled. The Republican National Committee lost

\$2.5
million...

EVANS: So, you're not going to pay it back...

BARBOUR: ... \$700,000 and something thousand of it
because we

chose to say, look, we don't want you to be left out

totally
like this.

And we'll lend the Policy Forum the money to split the

difference. I

think I've gone way above and beyond what should have

been

done.

NOVAK: OK, I get the answer. We're going to have to

take a
break and when we come back, we'll talk about what John

Glenn
thinks of Haley Barbour and maybe what Haley Barbour

thinks
of

John Glenn.

(COMMERCIAL BREAK)

EVANS: I covered that campaign, Haley. And I must say

you
look

a lot better today than you did then. Back to the

business
at hand.

really
undercut
the
Bill
Forum?

Do you think, sir -- don't you think that you have
your party's campaign on this issue of Asian money and
Clinton/China connection by this Hong Kong loan to the

who
got
defense,
have
can do
to try to
of
1996 which
scandals.

BARBOUR: Well, there's no question that the Democrats,
caught with their hand in the cookie jar and had no
said, well, this is the only thing that we Democrats
distract attention from the campaign finance scandals
were totally Democrat scandals -- totally Democrat

this to
say
in the

So you're right that the Democrats are trying to use
everybody does it, or, yes, you caught me with my hand
cookie jar; look over there.

about
given up on
that
this was
Forum was
a sham
they're
reduced
personally
by
witness or
that
any
of the

The fact of the matter is, though, I believe they've
saying the Republicans did anything illegal, saying
illegal. They used to say that the National Policy
organization. They've thrown in the towel. And now
to nothing more, Rowlie, than trying to smear me
saying Haley's not telling the truth because this
witness said something difference. But they don't call
witnesses that say exactly what I said.

EVANS: Mr. Chairman, as you said this week in your testimony, appearances are everything in politics. And your great friend, Richard Richards, isn't he right when he said to you, "I think we run the risk of some very adverse publicity." Isn't that what you did in your party today, sir?

BARBOUR: First of all, I don't know that Dick Richards ever told me that. If he said he told me that, I don't doubt him. I don't know if there's any reason for me to remember it. But look, no matter what happened here, the Democrats have no defense. So no matter what it was going to be, they were going to find something to say that the Republicans did something wrong.

Of course, what they're doing here is that this is like the Republicans there accused of jay walking when the Democrats are up for armed robbery. But the fact is if the press plays along and tries to say these are equivalent, then that helps the Democrats.

The truth is, Rowlie, this is not equivalent. There is nothing illegal or improper about what the Republicans did. And what we have here is what the country demands of bipartisan investigation. I think they're getting it. But the investigation is showing this is not a bipartisan scandal.

NOVAK: Mr. Barbour, when these hearings began three weeks

ago, the ranking Democrat on the committee made a
remarkable statement. And let's take a look at it.

(BEGIN VIDEO CLIP)

SENATOR JOHN GLENN (D-OHIO): It's a story of greed and
of trust betrayed, as I see it, of the national
chairman who
betrayed
the
American
laws
of
the trust of a wealthy foreign donor, his own party and
people when he tried to circumvent the campaign finance
this country.

(END VIDEO CLIP)

NOVAK: Sir, how do you feel when a hero, an astronaut, a
Korean War ace, great test pilot, long time senator,
presidential
reaction? candidate says you've betrayed your party? What's your
What's your personal feeling about that?

BARBOUR: Well, you know, Rowlie...

NOVAK: Bob.

BARBOUR: I mean, Bob, I'm sorry because I can't see you
all.
When Senator Glenn was being investigated for the
Keating
Five
scandal, he said on one of the Sunday shows that his
integrity was
all he had, and if people were trying to say he had
done
something
resented
it with
wrong in this, that it was flat wrong, and that he
every fiber in his body.

And for somebody who said that under those
circumstances to
turn
around and make those sort of reckless, baseless,
untrue,
personal,
it. And nasty smearing comments, you better believe I resent

I noted
a in the hearing on Thursday Senator Glenn never asked me
question.

be
bipartisan.
were more
that
presided
NOVAK: How do you feel, sir, about Chairman Thompson's
handling of these hearings? He has obviously tried to
He's critical of you. Would you have wished that he
supportive of the former national chairman of his party
over the great Republican victory of 1994?

obligation
ago
this ought
is
bending
investigation.
BARBOUR: I think Fred Thompson feels like he has an
to the country to be bipartisan. I just said a moment
to be a bipartisan investigation. I think Fred Thompson
over backwards to try to make it a bipartisan
investigation.

expense. But
Thompson
feels like
think
that that, in
nothing
National
legal
and
proper.
And, yes, I think to do that sometimes, he did it at my
I don't take any issue with it. I think Senator
I'm a big boy, and I can take care of myself. And I
fact, is the case because Senator Thompson knows that
done by the National Policy Forum or the Republican
Committee was illegal or improper, that everything was
proper.

Thompson. In
fact, I
a
bipartisan
is fuzz
it up to
try to make it look like something it's not. They're
So I don't have any ill feelings toward Senator
respect the way the Republicans are trying to make this
investigation, and all the Democrats are trying to do

trying
to make it
look like a bipartisan scandal when they know full well
it's
not one.

EVANS: Mr. Chairman, there's been a mess over in the
Republican
side of the House for the last several months starting
with
the
speaker's trouble with ethics. Last week and the week
before, as
you know, there was a move to remove him as speaker.
Has this
party mess really damaged in terms of the 1998
Congressional
election and presidential election 2000 your party?

BARBOUR: Well, I think the likelihood is the
Republicans will
make gains in the 1998 elections, Rowlie. I mean,
nobody
likes the
fact that there's -- this is going on over in the House
side. But I think
it probably is blown out of proportion. I think it is a
lot
less there
than meets the eye.

The truth is that this Congress is about to pass a
balanced
budget
with a fair sized tax cut. Now, you and I both know
that in
1995 the
first Republican Congress in 40 years passed a balanced
budget and
a much bigger tax cut, a much better budget that
Clinton
vetoed.
And this time we're having to not get as much as we
ought to
because we're having to do something in the hopes that
Clinton will
veto it.

NOVAK: We have to take another break. And when we come
back, we will have that big question for Haley Barbour.
Mr.
Barbour, you heard Senator Thompson say the other day
in the
hearings that campaign finance reform is a total mess.

Based
on

what has been coming out for months, don't you think it

was
time

now finally for the Republicans to get behind campaign
reform?

finance

good

BARBOUR: Well, I think the Republicans ought to be for
campaign finance reform, Bob. But the biggest problem

we
have in

campaign finance today is the way the unions can take

the
dues

money

law,

of their members which the members are forced to pay by

money for

compelled to pay, and then the unions use that dues

percent of

political purposes all to help Democrats even though 40

the unions members vote Republican.

total
elimination

NOVAK: If that is correct, then would you be for a

of soft money?

used
in

BARBOUR: I think soft money should not be allowed to be

tell
you is

federal campaigns. And what the Democrats don't like to

cannot be

that's the law today. That is the law today. Soft money

used in federal campaigns.

real.

That's another red herring. This union thing is for

And the other

thing that is a serious problem -- it's got First

Amendment

connotations is the use of issue advocacy advertising

in the
last

campaign by both parties and the unions in a much more

political

way than anybody ever envisioned.

This is something new.

ROWLAND: Sir...

BARBOUR: I don't know what's going to come of it.

ROWLAND: We just have 30 -- we have 20 seconds. Give me

a

law
in this

prediction. Will there be a serious new campaign reform

or the next Congress?

BARBOUR: I don't anticipate this Congress passing a

bill
because

the Democrats will never accept limiting the unions to

the
rules that

everybody else is certainly under.

ROWLAND: All right, we have to take a break. And when we
come back after these messages, my partner and I will

have a

comment. In a moment.

(COMMERCIAL BREAK)

NOVAK: I'm Robert Novak.

EVANS: I'm Rowland Evans.

NOVAK: Just ahead at 10:30 a.m., "RELIABLE SOURCES"
media coverage of the Cunanan story. And if you haven't

had

state of

enough of me, I'll join the panel to talk about the

conservative journalism.

And at noon Eastern on "LATE EDITION," Frank Sesno
interviews the President's Economic Policy Chief Gene

Sperling for

the latest on budget negotiations.

EVANS: And that's all for now. Thanks for watching.

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

CREATOR: Dag Vega@EOP@LNGTWY@LNGTWY (Dag Vega@EOP@LNGTWY@LNGTWY [WHO])

CREATION DATE/TIME:30-JUL-1997 10:16:54.00

SUBJECT: PBS: News Hour with Jim Lehrer, 7/29/97

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TEXT:
Message Creation Date was at 30-JUL-1997 10:00:00

News Hour with Jim Lehrer:
ANALYZING THE BUDGET DEAL

Aired on JULY 29, 1997

Balance the budget in 5 years, give \$91 billion in net tax breaks and change

Medicare. The Congress and the White House appear to have a deal.

Following a

background report, John Kasich (R-OH), House Budget Committee Chairman,

and Gene Sperling, the White House National Economic Advisor, discuss the

merits of the plan. Economists then scrutinize their analysis, after which

Kasich

and Sperling return to rebut criticisms.

CHARLES KRAUSE: Last night's deal was the culmination of seven months of tough negotiating between the White House and Republicans on Capitol Hill.

SEN. TRENT LOTT, Majority Leader: We have reached a tentative agreement with the administration on the Balanced Budget Act and the tax relief package.

CHARLES KRAUSE: The agreement contains a plan to balance the federal budget by the year 2002. It also promises the first major tax cuts in sixteen years--a total of \$91 billion over the next five years. The agreement comes amid a booming economy and increased tax revenues that have driven the deficit down in recent years.

There are some observers who've argued that with the economy growing, a balanced budget isn't necessary and could even be counterproductive. The White House and Congress, however, felt the budget plan was needed. Today, Congressional Democrats traveled to the White House to hear President Clinton praise the deal.

PRESIDENT CLINTON: This agreement meets my goal of balancing the budget in a way that honors our values, invests in our people, and prepares America for the 21st century. It is very, very good for our country. It's a victory for every parent who wants a good education for their

children, for every child in a poor household who needs health care, for every immigrant struggling to make it here, for every family working to build a secure future. It is the best investment we can make in America's future.

CHARLES KRAUSE: On Capitol Hill, the GOP leadership also claimed victory.

SEN. TRENT LOTT: Today we celebrate the beginning of a new era of freedom. We have joined the President, and we have come to an agreement that will lead us to less Washington spending, to tax relief for working Americans, to security for our senior citizens, and less dependency on the government, more responsibility, and opportunity for individuals, communities, and states.

This truly is a great moment.

We made a decision earlier this year that we're going to work together to get this victory for the American people. And that's what it's really about. It's not about partisan politics. It's not about who's President or who's in the Congress. It's about returning the government to the people.

CHARLES KRAUSE: There were only a few dissenting voices, among them liberal Democrats, who say the plan favors the wealthy.

DEFAZIO: It seems too good to be true and you know what, it is, it is. This is not a new day in Washington, DC. This is business as usual, cutting up a fat hog, make wildly optimistic assumptions about the economy and revenues, cut social programs a little, don't take a penny out of the Pentagon, and give a host of generous tax cuts slanted toward the most wealthy in America and the largest corporations.

CHARLES KRAUSE: And at least one tobacco state Republican tempered his overall support for the plan by objecting to a proposed increase in cigarette taxes.

COBLE: The inevitable tobacco tax, that, as you know, this

has
been discussed on this Hill for several weeks now.
And we
from
the tobacco belt were waiting for the other shoe to
drop,
and it!,s
dropped.

CHARLES KRAUSE: Both the House and Senate are expected
to debate the budget agreement before leaving
Washington
for the
August recess.

JIM LEHRER: Two key players in all of this are with us now. Gene
Sperling
is
President Clinton!,s national economic adviser, and Republican
Congressman
John
Kasich of Ohio chairs the House Budget Committee. Gentlemen, let!,s
go
through the
main parts of this one at a time. First: tax credits for children,
\$500 per child under age 17, \$110,000 income limit for couples,
low-income families qualify. Mr. Sperling, what is this designed to
accomplish?

GENE SPERLING, National Economic Adviser: Well, this is
designed to help average working families who I think both Chairman
Kasich
and I
would both agree have not seen their after-tax incomes go up as much
as
any of us
would like over the last ten or fifteen years.

A family making \$40,000 with two kids, this is giving them \$1,000
more in
after-tax,
disposable incomes. That means a lot to a family. And it also says
that
after we balance
this budget and get the deficit reduction down,
we!,re
giving a
bit of dividend, and giving a bit of that dividend
back
to the
American people in terms of the tax relief, but
most
importantly
in continuing the lower interest rates and the

strong
investment

level expansion that we've had in this economy

since
1993,

when the President decided to take some leadership

and
bring

this deficit down, and in the last year when we've been able to
work
together with

Republicans to do it in a bipartisan fashion.

JIM LEHRER: Congressman Kasich, on the low income families being able
to
qualify,

now that was a compromise. You didn't want that in there at the
beginning, did you?

REP. JOHN KASICH, Budget Committee Chairman: Well, it was actually in
our

Contract with America, and the problem was we had limited amounts of
tax
cuts to

give. Fortunately, the package actually increased the amount of
tax relief that Americans would give. I, myself, am personally
very happy that this has worked out this way because I think
we're always interested in helping working Americans. And those
people who are at the lower income levels, you know, they can
go one of two ways, really. They can fall off the curve and find
themselves on welfare, which we do not want, or they can have a dream

of
being able
to get ahead.

And so I think that all working families being able to benefit under
\$110,000 in income,

with this child credit, is wonderful. It was part of the Contract
with

America. I put it in

the first budget in 1993, and it's designed to help families.

It's

designed to send some

power into people's pockets and is a shift away from Washington and

a
shift of some

influence and money back home. It's a good provision.

JIM LEHRER: Now, the capital gains tax cut. The
current rate is 28 percent. The deal under the

new
rate is

20 percent for assets held one to five years,

percent

for assets held more than five; 8 to 10 percent

for

incomes below \$41,200. Now, Congressman Kasich, this has been something you Republicans have

wanted

for

a long time. Why was it so important, and is

this

exactly

what you wanted?

REP. JOHN KASICH: Well, we wrote it in 1993, again, Jim, and we were also--had

it in the Contract with America, and we're glad this is being enacted for a couple of

reasons. One is for the--a lot of Americans now are involved in investment income. In

fact, they estimate up to 50 percent of all households. And it's risk-taking. It's

designed to say that if you take a risk, you ought to get a reward.

If we

make the

rewards of risk taking too high, it's common sense. People won't take risks.

We believe this will result in more investment and better job creation. And, frankly, if you have a pension that is at all dependent on mutual funds, for example, it's going to increase the value of your pension. So there's no panacea--any single magic bullet--but we think that it's something that's good for virtually all Americans.

JIM LEHRER: Now, Mr. Sperling, the President and other Democrats have opposed

this for as long as the Republicans have been pushing it. And yet you agreed to it.

Why?

GENE SPERLING: Well, we are clearly pushing our priorities in the tax cut bill. Our

priorities were a \$1500 tuition tax credit for higher education, a 20 percent tuition tax

credit, a \$500 per child tax credit. Those were the core tax credits that

help middle

class and working families. Those were our priorities, but this is a bipartisan budget

agreement. And they made very clear from the start that this was a

priority they had to

have; that they were going to go along with the increases in education spending and the coverage of children's health care that we wanted very much.

again, I do think if we were going to do it, which, it wasn't, our priority, but if we were, I think putting a focus on more patient capital, more longer-term investment, is probably a sensible way to do it. And, in fact, I think this is going to consider having the holding period for 18 months, which in many ways could promote longer-term investment and give less of an incentive for more churning and speculation.

JIM LEHRER: So in order to get what you want to get, you had to give them this.

That's the bottom line, right?

GENE SPERLING: You know, if you're doing a bipartisan budget agreement, you have to give the other side some wins, if you want to get the things that are important to you.

JIM LEHRER: All right. Another one was the estate tax. Sec. Rubin said on this program right after all of this began that this was also something the administration did not support, and, yet, here it is. Why?

GENE SPERLING: Well, I think that we supported--

JIM LEHRER: Let me point out what this says.

GENE SPERLING: Yes.

The JIM LEHRER: Let me make sure that people understand. would current exemption of estate taxes is \$600,000. That right increase to \$1.3 million for farms and businesses

now, and it

would increase to \$1 million--the exemption
would--for all
estates

over the next 10 years. Okay. Go ahead. Why did you
go for
this?

GENE SPERLING: Well, we always favored some form of estate tax cut
relief.

Nobody believes that somebody who owns a family-owned business, a
small
business,
a family farm, should be forced to sell it to pay taxes. Everybody
agrees
that!,s wrong.

We had a more limited way of doing it initially, but we understood
that
that

principle--what we were most concerned about however, was not having
an
overall tax

cut that was going to have exploding costs in the second ten years.
That!,s the 10 years

when all of us should agree that we should be
focusing on
long-term entitlement reform. We don!,t want to be
draining
money away from the Treasury when we need that to
shore up
long-term Medicare and Social Security. What Sec.

Rubin
and
others of us who were negotiating focused on was
making
sure

the overall package was stable and kept the deficit
in
good shape

by dropping the capital gains indexing and by having some more
reasonable
restraints

on the IRS. We felt the overall package was good. The estate tax
relief

was probably a
bit more than we would have preferred.

JIM LEHRER: Then you, Republicans, Congressman Kasich--some--

REP. JOHN KASICH: Can I say one thing about that?

JIM LEHRER: Sure.

REP. JOHN KASICH: Because that's really a blow to liberalism because when you die today and you've spent a lifetime building something, you don't just visit the

undertaker, but you visit the IRS at the same time. And I think this is an idea that when you work a lifetime, you ought to be able to pass some of what you've built onto your children. So it's almost a cultural thing in a way, Jim. But all of these tax cuts really represent a shift from the power of government.

And we have reduced the size of government and let people keep more of what they earn. And that's what this is all about--the best example of us entering an era now where we can begin to recognize the limits of government and the importance of people.

JIM LEHRER: But some of you Republicans wanted the estate tax eliminated altogether. This is also--this also represents a compromise on both of your parts, correct?

REP. JOHN KASICH: I think so, look. But, Jim, this is what we were searching for, and we're very pleased about it. Our people feel good, and it's not just the estate and it's not just the capital gains. We're very happy with the program the President brought to us to provide for help for education, for moms and dads, single moms can educate their kids easier if, you know, mom doesn't have to go out and work as hard to send their kid to college to help her husband educate the kids. We love that. We love the child tax credit. It's a balanced package. The most important thing is it's paid for and it's part of an overall balanced budget.

JIM LEHRER: Now, the cigarette tax was one of the taxes you raised. That was easy, right, Congressman?

REP. JOHN KASICH: Well, I personally am not happy with it not because I'm for the cigarettes. I just don't want any more revenue coming into the government, but this cigarette tax passed in the United States Senate, and it is part of this package and, you know, that's just part of it.

JIM LEHRER: Yes.

REP. JOHN KASICH: But our next cuts are \$91 billion, which is, obviously, \$6 billion above the \$85 where we started.

JIM LEHRER: It's now 24 cents a pack. That'll go to 10 cents--or it will increase 10 cents in the year 2000 and 5 cents more in the year 2002. Now, the President wanted that, Mr. Sperling, right?

GENE SPERLING: You bet he did. We wanted it to be 20 cents. And I'll tell you why. It's not just because it raises revenue that can be used to provide up to 5 million children or help to provide up to 5 million children more health care. It's because 3,000 children a day start smoking, and 1,000 of them will die prematurely because of tobacco. And the best deterrent effect that a tobacco tax has is on preventing young children, young teenagers, from starting to smoke.

So we think that it was the revenues it took in for children's health care were positive, but the deterrent effect it has on young teenagers from starting to smoke is a positive thing, and the President absolutely supported it.

JIM LEHRER: Now, Mr. Sperling, the children's health insurance part of this, which is \$24 billion, will be through block grants to

the states. Now that will be financed partly by this cigarette tax, is that right?

GENE SPERLING: Well

JIM LEHRER: Yes and no?

GENE SPERLING: As you know, money is fungible. You can say it is financed.

You

could say it any way you want. The fact was the President wanted \$24 billion. He

wanted enough so we could try to cover 5 million children who don't have

insurance

today. 80 to 90 percent of them are in working families. And we wanted to

make sure

there was a meaningful benefit package.

We're not trying to put unnecessary strings on states, but we want to say that when states get this money to provide coverage for children, it needs to be a meaningful package. It should cover vision and hearing, and the things all of us would want for any child of ours to have when it comes to health care.

JIM LEHRER: Now, Congressman, does that create a new system, a new plan, a new

program, a new type of program?

REP. JOHN KASICH: Well, Jim, you know, it is important to note that the Republican

governors across this country have had a great passion to be able to cover more

people who do not have health insurance and those are generally the people who are

the working poor. They have asked the administration to give them more flexibility on

Medicaid so they would have more dollars to cover more people.

Frankly, I don't

think we ought to have these waivers. I think we ought to let the governors cover

people in the best way that they know how.

JIM LEHRER: Wait a minute. Let me explain that.

REP. JOHN KASICH: This is additional help.

JIM LEHRER: Excuse me. Hold on just one second. We just want to explain when you say waivers. Now the way the system works, that the state wants to come in and apply for a waiver from the federal government to do it differently.

REP. JOHN KASICH: Right.

JIM LEHRER: I just wanted to explain that. Go ahead.

REP. JOHN KASICH: I'm sorry about that. That's Washington talk.

JIM LEHRER: That's okay. That's all right.

REP. JOHN KASICH: But, look, this is additional help to the governors--

JIM LEHRER: Okay.

REP. JOHN KASICH: --to be able to give them additional resources to cover the people that they've been passionately interested in covering, and I think it is a flexible enough program, is not an entitlement. It is--

JIM LEHRER: But you're happy with \$24 billion. That's doesn't--that's okay?

REP. JOHN KASICH: Well, I think we should have been at about 16, so there is

a--there is a give on this. The Senate Republicans passed 24, and that's where we

ended up. Unfortunately, the extra \$8 billion will be phased in over a period of time, and then we'll take a look at how this whole program is working at some point in the future. But we're really moving into uncharted territory when it comes to how many people will actually be helped. That is the impact of this program.

JIM LEHRER: Now, on education, Mr. Sperling, this was one of the President's main

things--up to \$1500 per year college tuition credit for two years; a 20 percent tax credit for the first \$5,000 in school expenses for years three to

four. Why was this so important and what will this actually accomplish, Mr. Sperling?

GENE SPERLING: The President wanted to send both a signal and a financial

incentive to everybody in this country that you need two years of higher education, just

like people need 11th and 12th grade before. And so this says that for everybody who

wants to go to at least a community college or to a regular four-year college, that you

can have up to \$1500, a \$1500 education tax credit for your first two years of school,

and if you go on to your third and fourth year, to grad school, for lifetime learning,

education any time in your life, you can deduct 20 percent.

What that does is it reforms our tax code to say that we

believe that investing in education is the right thing for

working families. It is the right thing for our economy. It is

the right way for people to get ahead. And

we are going to

try to give people an incentive to do it, and if

a family is

doing the right thing and sending their kid to

college, we

want to make it easier for them to do the right

thing for their

child and for this economy.

JIM LEHRER: Congressman, is that going to work?

REP. JOHN KASICH: Well, Jim, we are pleased that as Republicans that we are going

to continue to emphasize education. We, of course, don't want to just

focus on higher

education, but we like to have education choice, so that moms and dads can

force

competition at elementary and secondary level, and I think we all recognize we have a

severe problem in our country with not all children being able to benefit

from public
education. But education is a key.

Our only objection to the President's package was the way in which
he put
it together,
and, frankly, there was concern on both sides of the aisle up here
about
the nature of
that package, and I think we've come a long way in shaping it in
the
right way, and
education is a key in a changing world, where technology is so
important,
technology is
real power, and it really translates into better wages for all
Americans.
We need this.

JIM LEHRER: All right. Now, finally, Medicare. It cuts payments to
health
providers
by \$115 billion over five years; Medical Savings Accounts,
demonstration
project. But
what it does not do, there's no change in the age of eligibility, n
ot
means-testing for
wealthier seniors, no co-pay for health--for home health visits, very
small changes,
Congressman, right?

REP. JOHN KASICH: Well, let's not--Jim, in 1995, we
essentially proposed this package, and we were hammered
all over the country about this, and it has essentially been
adopted, and the level of savings and entitlements, Jim, is
going to be about \$340 billion over the next 10 years. It's
just a staggering number and will preserve Medicare for 10
years.

And we give seniors more choice. We permit hospitals and doctors to
be
able to offer
services to our senior citizens, and we've made an adjustment
between the
rural and
the urban areas, so there will be more opportunity, more competition,
more
choice for
our seniors. So let us not sell short the significant changes in the
program, but we also
have a commission that says that we will do a lot more heavy lifting,
because, as you
know, as the baby boomers start to retire, we're going to have a

crisis
between the
generations.

And I am very hopeful we will have a good commission, a good report,
and
we will have
even additional changes to this program. I would like to have seen
them
happen now.

I supported them, and I argued for them. But I think we should be v
ery p
leased and

very happy with the level of changes and the amount of savings, and
the
extension of

the life of Medicare in this package. Let us not take it for
granted.

Let us not take it for
granted. Let us have a little celebration about this.

JIM LEHRER: Mr. Sperling, how would you characterize the gravity of
the
changes in
Medicare that this program has?

GENE SPERLING: Well, here is one point that John
Kasich
and

I agree on. People need to look at this package. I
actually think
John--it is about \$400 billion in savings over 10
years.

REP. JOHN KASICH: I am sorry. There is a nickel
and a dime
there, Gene. You are right.

JIM LEHRER: Missed it by a bill or so. Go ahead.

GENE SPERLING: I don't agree that it is like the plan in 1995, but
I
think what it is,

and I think it was an honorable compromise between the balanced
budget
plan the

President had in 1996 and where the Republicans were, and this is a
signi
ficant amount

of savings. It restores the Medicare Trust Fund. So you are talking
about
\$400 billion

over 10 years, but more importantly, we are restructuring the
payment

systems in the

places where you're having exploding costs, like home health care, skilled nurse facilities. There's things in here that prevent home health care fraud.

There's more choice. I think this is one of the true places where the

President worked

with Democrats and Republicans to break gridlock and do something significant. So I

agree people need to look at how significant this Medicare savings package

is. It's a

big first step. Again, I agree, we need a long-term process to do more,

but I also think

a long-term process to address the long-term Medicare problems for the baby

boomers, retirement, as well as for Social Security, but I think there's

things we could

do without waiting for a commission, and one of them is a high income premium increase.

The President supported that. It took political courage. I think a lot of

Republicans and

Democrats want to go along. That's something that we could get done; it

would add

some additional savings; and would be a good structure--restructuring for the future.

REP. JOHN KASICH: Jim, it's fair to say that Gene Sperling and I are both committed as baby boomers--to not only fixing Medicare on a long-term basis but also beginning to solve the problems related to Medicaid and Social Security--what we needed to take this first step to gain a little confidence with the public, we could actually manage entitlements without harm coming to them. So I think that this is the reason to be very happy.

JIM LEHRER: Okay. Don't go away, gentlemen. We're going to come back to you in

a few minutes, because we want to get some contrary views now to this deal, and we'll

come back and let you respond.

(Break)

MARGARET WARNER: And for a more critical

perspective on the budget deal we're joined by William Niskanen, chairman of the Cato Institute and former chairman of President Reagan's Council of Economic Advisers; and Robert Kuttner, economics writer and editor of the American Prospect. Mr. Niskanen, your overview on this budget deal.

WILLIAM NISKANEN, Cato Institute: In the name of balancing the budget, our political leaders have done what they most like to do, which is to increase spending and reduce taxes for favored constituencies. It's much more important for the American public, however, to realize what is not in this budget deal. It does not reduce the deficit faster than if there were no deal.

It does not increase economic growth. It does not control entitlements. In fact, it added two new entitlements: one for kiddie care and one for college education. It does not restructure defense to reflect the realities of the post Cold War world. And it does not move toward tax reform. And it does not limit the relative size of government in the United States. Those are major objectives that most Republicans have shared for a long period of time, none of which they have even moved toward in this agreement.

MARGARET WARNER: All right. Mr. Kuttner, briefly, your overview on this deal.

ROBERT KUTTNER, American Prospect: Well, I think it's a very Republican deal, and I think Mr. Clinton played a weak hand rather well tactically, but his hand was weak because he had embraced so much of the Republican program going in, so that to mix the metaphor, when the other shoe dropped, it was hardly a surprise that the Republicans have gotten--had gotten most of what they wanted.

Clinton did succeed in a few things: defending Medicare, making sure that some of the tax benefits went to lower income people, as well as

higher income people. But when you realize that he embraced the goal of budget balance a year ago, as well as significant cuts in capital gains, and cuts in entitlements, and estate tax relief, this was a mostly Republican budget, and he did so at the expense of his own party.

It contrasts rather dramatically with Ronald Reagan's presidency, where Reagan for much of his term had the Democratic Congress. But he succeeded moving the ball in his direction, and Clinton really moved the ball in the direction of the opposition party.

MARGARET WARNER:

Okay, Mr. Niskanen, back to you and the conservative critique. Now, you said--let's go into a couple of these specifics--does not promote economic growth. We just heard John Kasich say these tax cuts are going to stimulate investment and move power away from Washington.

WILLIAM NISKANEN: Well, you have to reduce marginal tax rates to increase economic growth. And some elements of this package actually increase marginal tax rates, like the phase-out provisions of the child credit. The capital gains cut by itself is not likely to be very helpful if you don't correct other features in the tax code. It's important to cut capital gains taxes but only as part of the general tax reform.

Cutting capital gains taxes, itself, can lead to a mis-allocation of capital and will be perceived as being an unfair tax cut to the rich.

MARGARET WARNER: All right. Now, another critique you made was that you said

it essentially doesn't balance the budget faster than would have happened with nothing.

Explain that.

WILLIAM NISKANEN: If Congress went home, the budget would be balanced faster than with this deal. The budget this--the budget deficit this year will be in the order of 40 to 50 billion dollars. It would be easy to balance the budget next year, not in the year 2002, if either the President or Congress, or preferably both, were at all serious about it.

In fact, what this budget deal does--it puts--the budget until the year 2002, rather than what would be an easier task if they were serious about it to balance it in the year 1998. I tend not to pay much attention to promises by politicians that are two congressional elections and one presidential election away in which most of the presumed budget cuts will be made in the years 2001 and 2002, years beyond that of many existing politicians.

MARGARET WARNER: You also said it doesn't control the growth of entitlements; yet, we just heard Gene Sperling and John Kasich say it is a 360 to 400 billion dollars worth of savings in Medicare.

WILLIAM NISKANEN: Those Medicare savings, those presumed Medicare savings are a consequence of continuing to squeeze the providers.

MARGARET WARNER: Doctors and hospitals.

WILLIAM NISKANEN: The doctors, nurses, hospitals, orderlies, medical assistance, and so forth, who provide medical care for the aged--under the Medicare program. I think that process cannot continue very long without either physicians and hospitals withdrawing from the service of Medicare people, or moving one way or the other to providing second or third class service to this group.

You have to change the benefits structure of Medicare in order to preserve it over a longer period of time. They backed away from that at the last minute. This is not a serious reform. They are going to have to balance--address the reform

ag
ain in a matter
of a few years. They have--by accounting conventions they have
extended
the life of
the Medicare trust fund, but in no way that particularly affects the
budget.

MARGARET WARNER: You also said--I didn't jot down
those words--but essentially it doesn't control
the
growth of
government. Now, again, John Kasich, this is a big
Republican
ideal and goal--said this helps transfer power and
money away
from Washington.

WILLIAM NISKANEN: I don't understand how they do that. It increases
spending
even relative to what President Clinton proposed earlier this winter.
And
the federal
budget typically falls a lot, after the end of each military buildup.
It did
not do that after
the Vietnamese War-- we spent that money on domestic programs. It has
done
that
with the big draw down of the Reagan build-up, we were down maybe
\$100
billion
from the Reagan peak, that money is being spent, rather than returned
to
the people.

MARGARET WARNER: All right. Mr. Kuttner, your critique. Tell me--I
mean, we
heard Gene Sperling say a lot of this was designed to help low and
moderate income,
hard working, ordinary Americans, these tax cuts, for instance, the
tax
credit, the
education credit. You don't see it that way.

ROBERT KUTTNER: The big ticket item is capital gains, and almost 50
percent of the
stocks and bonds in this country are owned by the richest 1 percent
of
families. So I
think the administration really gave the store away, after
fighting for decades and decades against the idea for the
capital gains relief. This is an economy in which the stock
market has doubled in two and a half years. It's doubled

again in less than a decade, and if there isn't any group that doesn't need icing on the cake, I mean, it isn't people who have large capital gains.

MARGARET WARNER: But what about--I mean, if you look at the--in the aggregate--the child tax credit is going to cost the government a lot more than this capital gains cut, at least in the early years. Are you saying that isn't useful to low and moderate income?

ROBERT KUTTNER: I think especially for the working families that Gene Sperling talked about that isn't a very good thing. The standard deductions and exemptions have not kept pace with inflation, and working families certainly deserve more tax relief. I don't think it was necessary to go all the way up to \$110,000 family income. And neither did the President, but he gave that one away too.

MARGARET WARNER: All right. Now, on the spending side, what do you make of the spending priorities?

ROBERT KUTTNER: Well, I think a lot of educators justifiably criticized a tax credit for college in the sense that it goes to people whether or not there isn't a financial need. Some people think that this is just going to result in higher tuitions. Some people think that it isn't just going to replenish state budgets because they will just turn around and raise junior college tuition. Most educators I have talked to said it would be much better to target this money by increasing Pell grants to people who really need the money.

MARGARET WARNER: I see. And then also Gene Sperling pointed to--and the White House has actual new spending programs for low and moderate income people, such as the 24 billion dollars for additional health insurance for poor kids or kids from

poor families. What about that?

ROBERT KUTTNER: Well, I think that it's a very worthy objective. I think it is,

unfortunate that this particular program creates an even more fragmented health system.

If you look at a low income working family, one year the breadwinner may be a job that provides health insurance, the next year that person may lose a job, and be in this new program.

The third year they may be still poor; they may be in Medicare, so that the child is

shuttled from one health insurance system to another. It would be much better to simply

have a comprehensive program that covered all kids, but this

does at least provide health insurance for kids from poor families.

Give the President some credit. He did fight for priorities that made this less of a tax program for the rich. I'm just concerned

that he gave away a lot of principles going on. And in that sense,

most of the outcome was foreordained.

MARGARET WARNER: All right. Thank you both very much.

(Break)

JIM LEHRER: Now, back now to House Budget Chairman John Kasich and White House Economic Adviser Gene Sperling. Take that, Kasich and Sperling. Let's begin with you, Mr. Sperling, and what Mr. Kuttner just said. He said the President just gave it away to the Republicans, gave away the store, capital gains, the whole thing.

GENE SPERLING: I'm kind of torn between which of the two I disagree more with. Bob Kuttner is a friend. He's done a lot to advocate the interest of working class Americans, but, you know, John Kasich and I are here. We're here dealing with reality, which is we have a Democratic President, Republican Congress, and we decided to try to work together and get something done. And we have \$24 billion here for low income children, 5 million children. That's a lot of children to get health care coverage. We have nearly \$20 billion to families making under \$30,000 for the child tax credit.

We restore \$12 billion for over 350,000 legal immigrants. All of that stock, all of that helped lower income families--would not have happened if this President was not willing to engage in a bipartisan budget agreement. So you want to get those things done. You have to work with the other side. I think it was a good deal for the President, a good deal for progressives, but I obviously had to have some of the wins and some of the priorities of people that have some different philosophies. That's how you get things done.

JIM LEHRER: Speaking of the other side, Congressman Kasich, Mr. Niskanen said it would have been easier to balance the budget without doing anything.

REP. JOHN KASICH: Well, in the amazing words of Ronald Reagan, to some of the critics of this agreement, "There you go again." Look, there are no new--the problem is the gentleman is factually incorrect. First of all, we cut the President's budget by about \$9 billion in the first year and by about \$115 billion over these five years. He said that we actually spent more than what the President requested. He is wrong. Secondly, he said there were new entitlement programs. That is false.

There are no new entitlement programs in this. He said we would balance the budget by 1998. According to the last Congressional Budget Office numbers, the deficit in 2002 would be about \$100 billion if we did nothing. In addition, he says, there were no significant changes in any entitlements. Medicare alone is \$430 billion. And,

as I pointed out throughout this week, hospitals are making about 15 percent profit on every person that they treat. So it is absolutely--

JIM LEHRER: You !,re not squeezing it. This doesn !,t squeeze them.

REP. JOHN KASICH:

We !,re not squeezing them. That !,s why they didn !,t come up here and raise Cain. We !,re going to have to do more with the individuals in the next round, but boy, this is far from squeezing them in Medicaid. We !,ve given the governors more authority. They !,re going to be able to cover more people. They !,re not going to have to have this Boren Amendment, which negotiates the rates that we pay hospitals, dictated from Washington.

And, in fact, we have a balanced budget, and for the first time I !,ve actually heard a conservative say he doesn !,t like the capital gains tax cut. Look, what you have is the first balanced budget with conservative economics. It will hold the growth of the programs that run Washington to the growth of @ percent a year, as compared to a growth rate of 6 percent a year over the last decade, and the entitlement savings are the greatest in history, so we !,ve done something that hasn !,t been done in modern times.

We are balancing the budget and providing tax relief, and I think it !,s good and our guests ought to be happy. This is a reason to be in a good mood.

JIM LEHRER: All right. But, Mr. Sperling, Mr. Niskanen said this does not reduce the size of government.

REP. JOHN KASICH: Well, sure it does. Let me tell you what

it

does.

JIM LEHRER: Okay. Let me ask--let me let Mr. Sperling speak to that.
Just
a minute,
Congressman.

GENE SPERLING: With all respect to Mr. Niskanen, someone on my staff
looked
back and found that five years ago on August 3rd, as we were about to
pass
the 1993
deficit reduction plan, the deficit was \$290 billion. He said the
deficit
would go up; a
recession was likely; and would probably be at \$400 billion. Well,
the
deficit !,s come
down dramatically.

That deficit reduction has worked. And our projections show that even
with
a better
economy, the deficit will go down a little lower than we expected
this
year, and then
will shift back up. Without this deficit reduction plan, I don't th
ink
we can get the confidence in the economy to keep interest rates
low and the expansion going. So I think there !,s been a clear
connection between deficit reduction, lower interest rates, and a
stronger economy, and it makes sense for Democrats and
Republicans to come together and keep the strong economy
going.

JIM LEHRER: All right. And speaking of going, we can !,t go any
further.
Thank you
both very much for explaining this and being with tonight. And our
thanks
also to Mr.
Niskanen and Mr. Kuttner.

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Late Edition with Frank Sesno

Aired August 3, 1997 - 12:00 a.m. ET

(BEGIN VIDEO CLIP)

BENJAMIN NETANYAHU, PRIME MINISTER OF ISRAEL:
... not really words of consolation from the

Palestinian
Authority,

from its leader. What we expect is action.

(END VIDEO CLIP)

JEANNE MESERVE, CNN: In the wake of suicide bombings in
the Jerusalem market, what's ahead now for the peace

process?

And in Washington, a banner week. Congress agrees to

balance
the

budget. A special interview with House Republican

leader Dick

Armey.

All straight ahead, on LATE EDITION.

ANNOUNCER: Live from CNN in Washington, this is LATE
EDITION with Frank Sesno.

MESERVE: It's Sunday August 3, 1997. Welcome to LATE
EDITION, seen live across the United States and around

the
world.

I'm Jeanne Meserve. Frank Sesno is off.

Earlier, he sat down with a man very much in the middle

of
things on

Capitol Hill lately, House Majority Leader Dick Armey,

a
major

player in the budget talks, which produced the balanced

budget
week.

agreement, passed by both houses of Congress this past

Mr. Armey, according to many accounts, was also right

in the

middle of the recent attempt to unseat House Speaker

Newt

Gingrich. He will talk about both those things in our

interview.

Also today, renewed violence in the Middle East, with this week's marketplace bombings in Jerusalem. We'll talk about the peace process once again in grave jeopardy with Dore Gold, Israel's newly appointed ambassador to the United Nations, and Chief Palestinian Negotiator Saeb Erekat.

Later, round the table on the week's politics with Roberts, Brownstein and Blankley. And Bruce Morton's Last Word on a kind of special strength.

(NEWS SUMMARY)

MESERVE: Just as negotiators in the Middle East peace process were making their way back to the table, bloodshed in Jerusalem. This time, twin bombs in a busy open market killed 15, including two suicide bombers. The terrorist group Hamas is taking credit for the attack.

Israeli Prime Minister Benjamin Netanyahu, who won the election on a plank of peace with security, denounced Yasser Arafat for not preventing the violence. He then suspended peace talks, sealed off the West Bank, and increased Israeli police patrols. Arafat is calling the security clamp down a "declaration of war" on the Palestinians.

So what does all this mean for the peace process? Joining me now from Jerusalem Dore Gold, Israel's new ambassador to the United Nations, and chief Palestinian negotiator Saeb Erekat. Thank you both for joining us here today.

Mr. Gold, let me start with you. Hamas, in claiming responsibility for the bombings, set a deadline for the release of prisoners, which will pass, I think, about an hour from now. What do you expect will happen after that deadline comes and goes?

GOLD: Well, we haven't been able to necessarily authenticate this warning, but the key question is whether Mr. Arafat will begin to deal with the Hamas with the same seriousness as other Middle Eastern leaders deal with their fundamentalist opposition. It is absolutely necessary now to take apart the military infrastructure of Hamas in order to prevent these kinds of outbreaks of terrorism, of killing of innocent civilians from occurring.

MESERVE: Mr. Erekat, what can you tell us the Palestinian Authority has done vis-a-vis terrorists since these bombings?

EREKAT: What I think the Palestinian Authority had dealt a severe blow to terrorists or would-be terrorists. Regardless of what you said about Hamas, Hamas has officially denied any involvement in this activity.

So far, we don't have a shred of evidence or proof in who perpetrated that act. But Mr. Netanyahu, instead of accepting President Arafat's offer to join him in fighting terror and the enemies of peace, he declared a series of collective-punishment measures against the Palestinian people, and today three million Palestinians are suffering, suffocating under siege of food, of

medicines
and so

on. People are stranded at the international passages.

the
foot and

And we urge Mr. Netanyahu to stop shooting himself in

order
to fight

to accept President Arafat's offer to join together in

and so
far

the enemies of peace. Terror should not be rewarded,

that's
what the

Mr. Netanyahu has suspended the negotiations, and

the

terrorists wanted. He breaks down the relation between

Palestinian Authority and Israel.

mind of

And also, he is making the idea of peace dying in the

said,
are under

Palestinians, because three million Palestinians, as I

siege. As one...

Palestinian
terrorism?

MESERVE: Let me ask again, what exactly has the

Authority done in the days since the bombing to stop

ministership

EREKAT: Well, let me tell you something. On Monday, last
Monday, Mr. Netanyahu was saying that in his prime

Palestinians
understood

no terrorists activities occurred and that the

that these would not be tolerated with terror.

the
Palestinian

So, in the lines of this statement, he was saying that

President

Authority did -- there were major breakdowns on terror.

violence
against Israelis

Arafat said that he will not tolerate terror or

purposes of
the

or Palestinians regardless of the motives or the

individuals behind it.

MESERVE: But these bombings would seem to say that the

measures that were taken were not sufficient.

EREKAT: Who did these bombings? We don't have a shred of evidence or proof at who did these incidents. And yet,

Mr.

Netanyahu was offered by President Arafat to join

together
in order

to find out who is behind these terrorists activities

and in
order to

stop the repetition of the occurrence of another

terrorists
activity.

That's the most important thing.

MESERVE: Mr. Gold, do we know who these people are,

where

they come from, what country or group may have been

behind

them?

GOLD: Well, we have considerable evidence that points

in
certain

directions. But let me just say one thing. Terrorism

doesn't
spring

out of the middle of nowhere. It doesn't occur because

somebody's

GNP per capita has dropped or because somebody's

refrigerator

isn't working.

Terrorism springs up because there is an organization.

There
is

infrastructure. There is somebody who is mobilizing

activists, who is

paying off families of suicide bombers, who is scouting

an

area to

see what time there is a large population gathering in

a

particular site

in Jerusalem.

This organization is what we call infrastructure. There

is an

infrastructure of Hamas. There is an infrastructure of

Islamic Jihad.

Now, if Mr. Arafat had indeed made a 100 percent effort

and

understand
that he
the
last six
terrorists
being seized
somehow a unit had slipped through, one could
had made an effort. But in this case, what we have over
to eight months is a constant revolving door of
and then let out into the streets again.

working
in
Muslims. I'm
explosives,
I'm not speaking about activists who are involved in
mosques and in helping day care centers of righteous
speaking about people who are trained in the use of
people who have been trained in Iran in some cases.

MESERVE: Mr. Erekat...

now
allows
these
GOLD: These people are now on the street. And they are
organizing. And this creates the infrastructure that
terrorist attacks.

Arafat
that he is
Israel,
like he's
the
absolutely
clear on
Israel.
One thing is clear. Some people may be telling Mr.
now in the Lebanon refugee camps, that he's fighting
fighting the Christian Falangists. We will not permit
Lebanonization of Israel. And that is something
the part of Mr. Netanyahu, the prime minister of

Arafat
to help track down the source of these bombers?
MESERVE: Mr. Gold, have you spurned an offer from Mr.

cooperation
with
of
Oslo. And we
are ready to resume that core bargain...
GOLD: Well, we have always said that security
the Palestinian Authority is part of the core bargain

MESERVE: Mr. Erekat says he's offered that. Mr. Erekat says that

has been offered and that it was spurned by the Netanyahu government. Can you respond to that?

GOLD: Well, I don't think that's exactly correct. One of the problems we've had -- for example, the head of preventive security

of the Palestinian Authority in the West Bank, Mr.

Jibril Rajoub,

right before these explosions occurred, stated that

Israel would not

get any security cooperation with the Palestinian Authority.

Israel

would not get security unless it made certain tangible concessions.

Security for the peace process to work must be a constant.

It must

not be contingent. It must not be dependent on Israeli concessions.

Security for the peace process to work must be a constant.

It must

not be contingent. It must not be dependent on Israeli concessions.

We believe that we can make the peace process work even though

it is an impaired peace process. But serious security

steps must be

taken to create confidence between the parties. That is

how we

made peace with Egypt. That is how we made peace with

Jordan.

And that's how we want to make peace with the Palestinians.

MESERVE: Mr. Gold, you acknowledge that you don't know exactly where these terrorists come from or who might

have been

behind them. And yet, your government has indeed imposed

West Bank and security restrictions on all the Palestinians in the Gaza.

declared war on Have you, in fact, as Mr. Arafat says, in essence the Palestinians?

Palestinians. You GOLD: Well, we haven't declared war on the know, all these months that we've had difficulties while the Palestinians have been holding back -- the Palestinian Authority has been holding back security cooperation with us -- we didn't put in closure. We allowed Palestinians to work in our economy, to bring home a day's pay, to be able to improve their conditions.

bombings, But when our people are threatened by these kinds of when hundreds of Israelis can be exposed to these kinds of bombings in our major cities, we have a right to defend ourselves.

Palestinians GOLD: And if in defending ourselves we won't allow into our economy for a period of time while we track down these terrorists, that's the price.

Mr. MESERVE: Mr. Erekat, are these limitations to how much Arafat can do to crack down in the extremists? Does he risk looking like a collaborator with Israel?

He's 100 EREKAT: Mr. Arafat's committed to the peace process. percent with us. We did not blame the Israeli government when one of their soldiers massacred 30 Palestinians in Hebron. We did not

blame the Israeli government when one of their soldiers again started shooting at people in Hebron at the beginning of this year.

But once again, we urge the Israeli government to resort to sanity, wisdom and courage. It's not time to assign blame. Mr. Netanyahu's policies of settlements in lateral steps, confiscation of land, non-implementation of the agreements are very well-known.

But now the most important thing is not to have a repetition of the terrorist activity of Jerusalem last Wednesday. And this requires joint Palestinian-Israeli efforts. Mr. Netanyahu, instead of accepting the offer which is a valid offer, I'm saying it right openly in my capacity as President Arafat's negotiating delegation in order to investigate together of who did these terrorist activities, and at the same time, to prevent another occurrence.

Now if Mr. Netanyahu wants to export his crisis to us, Mr. Netanyahu, by taking these steps of not allowing medicine, food, supplies, the money transferred to the Palestinians was 60 percent of the total budget of the Palestinian Authority -- I mean, Israel has no right whatsoever to apply collective punishment that would affect the lives of three million Palestinians.

MESERVE: What would you have Israel do? These things have happened in waves in the past. Would you have Israel

sit on
its

hands and wait for the next bombing?

EREKAT: No one is tolerating what happened last
Wednesday. As
a matter of fact, President Arafat openly condemned the
attack. We
condemned these attacks, and we are offering to
cooperate
with
Israeli security authorities and with Mr. Netanyahu in
order
to find

out who is behind these activities.

like
to

MESERVE: I do want to move on to the peace process. I'd

and
get the
with
you.

ask each one of you what you are willing to do to try

peace process moving again. Mr. Erekat, let's start

exerted to
and
to put

EREKAT: I think now every possible effort must be
restore confidence and credibility to the peace process

as
far as

the peace process back on track. I think Arafat's offer

And
I hope

cooperation security with Israelis is valid and stands.

and
this war

that Mr. Netanyahu will stop these collective measures

against the Palestinian people.

Egyptians will

And I hope that the American administration and the

process
back on

continue their efforts in order to put the peace

signed and

track by achieving the implementation of the agreement

lost
due to the

by restoring the confidence and credibility that was

Israeli lateral step of settlement building,
confiscation of

land,
demolition of homes and non-implementation of their
agreements.

MESERVE: Mr. Gold, let me ask you, what specifically is
your
government willing to do right now -- not what the
Palestinians will
do -- what will your government do to get this peace
process
moving?

GOLD: Well, I think we have to go back to the core
bargain of
Oslo that existed when our late Prime Minister Yitzhak
Rabin
shook
hands with Mr. Arafat back in 1993. And I'm afraid that
does
require as a first step building confidence in the area
of
security.

The Palestinians were supposed to give security. Israel
was
supposed to address Palestinian aspirations. That was
the
core
bargain.

In the meantime, we've had a green light to terrorism
back
in March.
We've had Brigadier General Ghazi Jabali, one of the
heads
of the
Palestinian police force, who we have definite evidence
is
linked to
terrorist cells -- the man should not be running free.
He
should be
grabbed.

If we had a high-level officer in our army who was
involved
in any
kind of terrorist act against Palestinians, we'd let
him run
free? It's
ridiculous.

We have had incitement in the city of Hebron. We've had
violations

adhere to our on the together and we map of how for the of a protocol we've put together. Let us first of all respective commitments. Don't impose other commitments parties. Let us follow when Mr. Erekat and I sat spoke about a note for the record, a post-Hebron road the agreement would develop. Let's go back to the note record.

Unfortunately, MESERVE: We have to leave it there, I'm afraid. we've run out of time.

us from Dore Gold and Saeb Erekat, thank you both for joining Jerusalem.

joining me now Dean Fischer, "TIME" diplomatic correspondent, is here in Washington.

of hope in You heard these two gentlemen. Did you hear a glimmer what they had to say?

put back DEAN FISCHER, "TIME" CORRESPONDENT: There's a long-term hope that somehow the peace process can be on track. But I really think myself that it's imperative that the Clinton administration take a much more active and aggressive role than they have done in recent months.

MESERVE: Specifically, would you recommend they do?

that be going back conclusion FISCHER: Well, they have -- the president did announce Dennis Ross, the special Middle East negotiator, will out to the region at the end of this week at the conclusion

of the

seven-day mourning period.

MESERVE: And what will he be carrying in his hands?

FISCHER: He will be going there, according to what I am told, to

becoming ascertain the extent to which the security situation is

stabilized. Secondly, he will try to do his best to do

what

his

purpose was in going originally, which was to resume

negotiations

over certain issues that were left outstanding from

previous

talks.

MESERVE: Is Mr. Ross in some jeopardy? I understand your reporting has uncovered something in that regard.

FISCHER: Well, it's not surprising that he has been the suspected target of a number of assassination reports.

FISCHER: None of them have been described by administration officials as what they call "near-miss events." I think

this

probably

goes with the territory. And when you become that

visible

and that

involved and that engaged in peacemaking, you do in

fact

become a

target for extremist activity.

MESERVE: The administration has talked about the need

to

rebuild

trust between the parties. How does it do that?

FISCHER: Well, I think the plan is that after Mr. Ross

goes

out

there, they would like to send Secretary of State

Albright

out at the

end of the month, or early in September, to build on

whatever he is

able to accomplish when he is there. I also think,

though,

that it's

important that the president take an even more active
role
than he
has heretofore.

It might even be worthwhile considering the appointment
of a
special
negotiator, someone of the caliber and reputation of
Jim
Baker, the
former secretary of state, who managed to get the two
parties
together at Madrid, which laid the basis for the peace
process that
we're now seeing.

MESERVE: Do you know if that's under active
consideration by
the
administration?

FISCHER: I've heard a lot of speculation around town
about
it, but
I cannot honestly say that the administration is
seriously
considering
it.

MESERVE: And we have to leave it there. Jim Fischer of
"TIME"
Magazine, thanks for coming in.

FISCHER: Thank you.

MESERVE: When we come back, the landmark budget deal,
and
the future of Newt Gingrich. Frank Sesno sits down for
a
special
interview with House Republican leader Dick Armey,
next.

(COMMERCIAL BREAK)

(BEGIN VIDEO CLIP)

U.S. REPRESENTATIVE NEWT GINGRICH (R-GA): Look at
this as a promise that you ain't seen nothing yet. Even
more...

(APPLAUSE)

Thank you.

(END VIDEO CLIP)

MESERVE: Welcome back. Congress has cleared out of Washington for their summer holiday with a major achievement

under their belts, passing the balanced budget

agreement.

Before

they left, Frank Sesno sat down with one of the key

figures

in getting

that done, the House's Republican leader, Dick Armey.

FRANK SESNO, HOST, CNN LATE EDITION: Congressman, thanks very much for joining us.

ARMEY: Well, thank you for having me.

SESNO: The budget deal is done. John Kasich,

Republican, says

that it's another Berlin Wall coming down, it's a dream

come

true.

The president, Democrat, calls it the achievement of a

generation.

It's good. It may be the best you could have gotten.

But is

the job,

in your view, of cutting government -- is that job

finished?

ARMEY: No, I, you know -- and of course politicians do hyperbole. That's what their stock in trade is. But the

fact

is what

they're doing's important.

SESNO: Is that what they're doing?

ARMEY: They are doing it. And it is important. And we

ought

not

to lose sight of it. There are people like myself,

Senator

Gramm and

others who've said that the real problem is the size of

government

and we need to focus on that and there's more work to

be

done.

But getting to a real balanced budget, getting tax

reductions for the
American family, saving Medicare at least from the
immediate
death

throes of insolvency that it was -- faced, these are
important things,
and they are things, as you know, that were difficult.

SESNO: Congress is out on break. When it comes back, do
you
go
back to the business of cutting government?

ARMEY: I think what we -- we've got a lot of work to
do. We
have got to go back and shore up welfare reform. I

think one
of the
very important pieces of legislation we're going to
have to
do is sort
of plug the cracks with respect to labor standards that
make
work

-- from welfare to work. That of course is cutting
government at the
federal level. We've got other areas where we can make
an --
a
greater emphasis on the greater effectiveness of the
private
sector.

SESNO: Following this balanced budget deal and tax cut,
we
took

a poll, CNN took a poll, and we found that 45 percent
say
they

now approve of the way the Congress is handling its

job.
This is
really historic. It's the highest approval rating for

the
Congress since
Richard Nixon resigned, since the '70s. What do you
believe
Congress needs to do to make this stick?

ARMEY: I think we need to continue doing good work for
the
American people, and we need to also have them
appreciate not
only the work we do, but the way we handle ourselves in

doing the work. I think, for example, if we come back now with a package of -- that focuses on the inner cities with things like enterprise zones, greater emphasis on encouragement to the faith-based charities as they work in the inner communities. And people see us caring and working on behalf of helping people improve their lot -- school choice, I think, is a very, very big thing that's become elevated from this last week's work.

SESNO: Now again in this poll, we asked who was more responsible for the budget agreement -- 41 percent said the Congress, Republicans; 32 percent said the president. Do you think Republicans are getting the credit because they compromised with this Democratic president?

ARMEY: Well, I think what they saw is we worked with the president. This was our -- our whole budget was built on the principles of the Republican Party.

ARMEY: The president said: I want in on the action. I want a legacy. I want the people to love me as much as they love this kind of program that I campaigned on. So I must govern. He managed to interject some of his details into the package of our principles.

But I think the nation clearly saw this has been the Republicans agenda all along. It was in their Contract With America. The president resisted it and found himself not too popular in the effort.

And now he wants his legacy, so he's joining us.

I think they correctly understood we took the lead here

and
the
point... president followed us along the way to get to the

SESNO: But the lesson...

ARMEY: ... of the nation.

Republican
Democratic
SESNO: ... as far as you're concerned is that the
Congress needs to continue to compromise with the
president?

lead
the
and
saying,
important to
willingness
working with
a
deaf ear to
some of
your
compromise the
ARMEY: Again, I think if we are willing to continue to
nation by accepting the values of the American people,
these are the principle's of governance we know to be
the American people. And then, demonstrate that with a
to say to the president, we want you to be in the deal
us, and you have some details, we're not going to turn
you, we want you to be along. And if you want to put
details into the package, along as it doesn't
principle, we'll do that.

off on
talk
They
feel
reason to
turn out,
SESNO: A lot of conservative Republicans are sounding
radio, and they say that you've compromised too much.
that the conservative base is not going to have a
perhaps, in the next election.

They're disappointed. What do you say to them?

enemy to the
government, big government in particular. Today, we're
ARMEY: Well, I was laughing at "we conservatives." I'm a
conservative. A conservative is almost by definition an

the
government. So conservatives are going to be unhappy
with
us.

But the fact of the matter, if the conservatives look
back
and say
what is it the things that we value -- getting a handle
on
the growth
of government spending, entitlement reform, welfare
reform,
reduction in taxes -- we have done all these things
that
conservatives
have been wanting to do for years and have been
frustrated in
liberal, Democratic Congresses not doing.

They say, we need to do more. I agree. We need to do
more.
But
it's better to put your shoulder to the wheel than it
is to
simply stand
and complain about the fact we didn't get the whole
thing in
the first
swoop.

SESNO: When can the American people expect the real.
ticking
time bombs to be defused, specifically Social Security
and
Medicare?

ARMEY: I think we're very close to Medicare. We will
have the
Medicare commission, and I think we'll be able to do
some.

Social Security: the American people want serious
public
policy
addresses to Social Security. The American people have
to --
got
to say to politicians on both sides of the aisle, stop
the
demagoguery, stop the politics of fear, give up all of
these
cheap
campaign tricks and get serious about the policy.

the And in particular, when the Democrat Party hears from
Social American people, we're done with you trifling over our
serious Security for your political purposes, then we'll have
advances in that whole area.

this SESNO: You've got a Medicare commission written into
bill.

for And it will tackle such questions as raising premiums
people who can pay more, who make a lot of money, or make money,
seniors, and raising the age of eligibility. That's going to be
a tough job. You
commission? got anybody in mind, for somebody to head that

mean, ARMEY: Well, there are all kinds of folks. You know, I
I think Bob Dole would be a perfect choice, and I don't
know if he'd want to take that on. It's a big job of service. Bob
Dole's a big enough man to do it.

that But I would have a lot of confidence if he would accept
responsibility for the American people.

recent SESNO: Let's move on to another point. For all of
past, the Republican Party has thrived on a big idea --
anti-communism,
taxes. balanced budget, big-time welfare reform, cutting

things. Essentially, the Republican Party has achieved those
What is the next big idea for the Republican Party?

already out ARMEY: Well, I think the first big idea we have that's
there and alive in public discourse is a new tax code,

to
get rid of
flat
tax. Simple,
average
tax code as we know it. I think the best ideas is a
direct, honest, neutral tax code, understandable by the
American citizens on a small form.

big
ideas out
insurance,
another
That's the first, best, big idea. But we've got other
there, too. For example, choice in automobile
initiative of mine.

idea
up there
SESNO: Is that a big idea, Congressman? Is that a big
with anti-communism, up there with cutting taxes?

point is,
if
got
to start
ARMEY: No, not up there. I mean, you know, but the
you knock off all the Goliath's in the world, then you
taking on the rest of the problems.

Party --
do
world?
SESNO: No, but that's the point. Has the Republican
you think you've knocked off all the Goliath's in the

ARMEY: I think we've done a great deal.

SESNO: Don't you need a big idea, though, to...

another
very, very
monopoly
Education
select that
their
children is
ARMEY: I think the flat tax is a big idea. I think
big idea is school choice. And I think breaking up the
control of the American schools, vested in the National
Association by the government, and allowing parents to
school at K through 12 that best meets the needs of
a big idea, is very big with the American people.

right
SESNO: OK, Congressman, take a quick break. We'll be
back.

(COMMERCIAL BREAK)

think
have
been
recent
weeks.
SESNO: And welcome back to LATE EDITION. Our guest,
House majority Leader Dick Armey. Congressman Armey, I
as most of our viewers are probably aware, you yourself
caught up in the politics of the Republican Party in

within
the party
referred to
conflicts
or
Earlier this week, you characterized the differences
as personality conflicts. House Speaker Newt Gingrich
personality differences. What are the personality
differences between you and Speaker Gingrich?

differences.
to
one
ARMEY: I don't think there are any conflicts. There are
Newt and I have always accepted that we are complements
another. He's skilled...

lie
differently,
political
focused on really
the work of the House.
SESNO: Well, Newt's skills and talents and interests
more in the range of vision, more in a broader range of
activity or public policy activity. I tend to be more

of
given an
enormous
And in consequence of that, we've had a great division
responsibilities, where I've pretty well have been

movement of
amount of authority as majority leader to manage the
legislation through the House.

we
We feel like it's been a good working relationship, and

will

continue working that way.

SESNO: Do you feel you have his full trust and confidence?

And do

you feel that the members whom you coordinate have your trust and confidence?

ARMEY: Yes to both questions. I don't think there's a

problem

there at all. I think the speaker's been very candid in

his

expression

of his trust and confidence in me quite publicly, and

it's a

shame that

he's been brought to a point where he felt the need to

make

those

public statements.

But I also have found myself working with all other

members

on a

variety of legislative items, and I see no difference

in our

working

relationship.

SESNO: I was told by a Republican House member that at

the

leadership meeting a week or so ago, the speaker

thundered in

anger that if anybody tried to vacate the chair, kick

him

out of his

job again, he would make sure they'd pay the price and

he'd

use,

essentially, campaign funds to make sure they didn't

come

back. Is

that appropriate? And is that going to happen?

ARMEY: Well, first of all, I think this was a very

out-of-

character

comment for Newt Gingrich. Newt Gingrich is not a mean-

spirited

person. He's a very generous person.

SESNO: But he threatened -- he threatened those

members.

ARMEY: He was angry. He was upset. He was disappointed.

And

I think he was hurt. We all have these incidents. We

have
them

within our own families. He -- the speaker gave

expression
to that.

Immediately he understood that, one, it was not
appropriate.

Two,

he was sorry he had made that kind of an expression of

his

disappointment and hurt. And three, that he set the

record
straight --

this does not happen; I don't do these things; and I'm

sorry

I even

felt the urge to do so.

SESNO: Would you favor using party funds?

ARMEY: I do not believe in reprisals against people,

and I
think

that we have a pattern, a very good, generous,

consistent
pattern in

the Republican majority of supporting one another on

the
campaign

trail and for election. We always do that. We've done

it
well. We do

it very generously.

You know, we will raise about \$1.5 million among

ourselves
as we

contribute to support our colleagues that get in

difficult
races. The

speaker leads in that effort. And when somebody's in

difficulty, he

doesn't say what's their ideology? How do they feel

about
me? He

says, do they have difficulty. Let's go there and let's

help
them.

SESNO: Does this majority leader want to be the next speaker?

ARMEY: I think the speaker will be the speaker for a long time.

You can't be in the House without wanting that. If it's of service to the House, I would accept that responsibility. In the meantime, I have a big job right now, and I'm given more responsibilities than the majority leaders in the past have had. And it takes all my time and energy to do that job.

SESNO: Fellow Republican William Weld. Nominated to be ambassador to Mexico. Fellow Republican Jesse Helms says you're not even going to get a hearing in my committee. How do you feel about that?

ARMEY: Well, I don't know. I'm still mystified.

ARMEY: I cannot understand anybody who says I will give up being the governor of a state in order to pursue being ambassador to Mexico.

SESNO: Should he have the hearing?

ARMEY: Well, you know, I think that's...

SESNO: The Constitution says it's the Senate's prerogative to advise and consent.

ARMEY: It's the Senate's business. It's the Senate's business. I am still, as I say, I'm somewhat amused at anybody willing to make that kind of a trade. And you know that -- I'm watching with some curiosity, but I think they'll work it out over there.

SESNO: Does he qualify to be ambassador, in your view?

of
all, I'm
not sure the qualifications for ambassadorship are all
that
big a thing.

I
understand
he's done a good job, I'm sure he can be the
ambassador. I
just

trade
down that
don't -- again, I don't understand why he's willing to
way. It's curious.

again
for
just a moment. He's going up to New Hampshire at the
end of
the
month for fund-raising purposes. But is he running for
president
already?

what
we
ARMEY: My guess is Newt's going up there to do exactly
talked to a minute ago, help the Republican Party in New
Hampshire, help our good people up there, for example,
Charlie
Bass, a very valued member. I'm sure he's up there to
help
Charlie,
and well he should be.

does, put
ahead
of any
And I'm -- my guess is Newt will be doing as he usually
the needs of the party and the needs of his colleagues
consideration he has for himself.

budget
indeed,
the
SESNO: Let's end where we began, on the budget and the
deal. When would you tell the American people, and
world,
that the United States budget for the first time since

1969
will slide

once it
does, it

into balance, and can you sit here now and say that

will stay there?

year
2002

ARMEY: It will be in balance probably now before the

economy
since

because of the enormous growth in confidence in the

now
going

we took over the majority. And yes, it will be. We are

going
to be a whole

into an era of the politics of surplus budgets. It's

new...

SESNO: The politics of deficits is over?

ARMEY: I believe...

SESNO: That has defined American politics for years.

expect
to

ARMEY: It -- unless we have a configuration of Democrat
president and Democrat majority in Congress, I do not

see deficits again in my lifetime.

SESNO: And we hope that's a very long time.

ARMEY: So do I.

much.

SESNO: Congressman Arme, thank you. Thank you very

Appreciate your time today.

Dick

MESERVE: Frank Sesno interviewing House majority leader

us.

Arme, in the Capitol. When we come back, our political
roundtable, Blankley, Roberts and Brownstein. Stay with

(COMMERCIAL BREAK)

and

MESERVE: And welcome back to LATE EDITION. Time now to
go round the table with Tony Blankley, CNN contributor

columnist

contributing editor for George magazine; Steve Roberts,

political
three, for
for the New York Daily News; and Ron Brownstein,
correspondent for the Los Angeles Times. Thank you, all
joining us.

First the budget.

BLANKLEY: Yes.

they?
MESERVE: The Republican Congress and the president would
make us believe that they have saved the nation. Have

You
have
been
RON BROWNSTEIN, LOS ANGELES TIMES
CORRESPONDENT: They've done something good, actually.
know, the economy made this a lot easier than it would
otherwise.

years of
pretty
every
major
agreement,
the two
has
an
has
the -- I
in that
not a
bad
thing.
But the fact is that we had, before this deal, four
much unremitting partisan warfare in Washington over
issue. And in fact, despite all the flaws in this
sides were forced to come together and make a deal that
awful lot of good things in it for each side, and which
think the most direct effect of increasing confidence
Washington can make good decisions, can come together.
Approval ratings up for Clinton and Congress. That's

here,
that the
had a
few
conservatives
ROBERTS: Very, very important that the center held
extremes were not allowed to dominate this debate. You
liberals like Senator Wellstone voting against, a few
like Senator Gramm voting against it. Most people in

the
middle saw

the value of accommodation, finally. Compromise has
returned
to

Washington as a noble idea and not a dirty word. That's
a big
accomplishment.

MESERVE: But is it going to stay?

BLANKLEY: Wait a second. You say the extremes didn't
have
their role. We wouldn't have gotten to this balanced

budget,
even
with the growing economy, if we hadn't had the fight.

We
saved \$57
billion in spending in '95 and '96. The -- Clinton, as

late
as the
winter of '95, was predicting a deficit of \$200 billion
forever.

We needed that fight. We -- just squeezing the money
out. The
money that was saved by those kind of partisan fights

were
exactly
what paid for the tax cut, and we wouldn't have had the

balanced
budget with a tax cut if we hadn't had the fight in the
squeezing of
the budget.

BROWNSTEIN: And that's very much true. But also the '93
arrangement, the '93 deal that Clinton pushed through

at
great
cost...

BLANKLEY: No.

BROWNSTEIN: And the '90 budget that Bush put through.

BLANKLEY: But both of those...

BROWNSTEIN: All of these things led toward a position
where
they were able to get over this hump without it being

nearly
as high
as they thought earlier.

balancing
\$200-billion
1980
where we
statistic --
budget

BLANKLEY: But both of those tax-increase efforts of the budget resulted in, as late as late '95, projecting deficit. It was -- this is the first time since before we actually got -- we've shrunk down -- one second, good we've shrunk down the size of domestic spending in this budget from 21 percent of the economy to 19 percent.

ROBERTS: I thought...

think
two

BLANKLEY: It's the first time we've had a shift in I generations.

MESERVE: But there are still some very high hurdles...

ROBERTS: Yes.

MESERVE: ... to be jumped.

also
sends a
serious,
which they
thought you
were

ROBERTS: We -- this is an important deal because it signal to the financial markets that Congress is have not had reason to believe in a long time. I

because in

going to take your chance to admit that you were wrong, this very seat last week...

(LAUGHTER)

MESERVE: Doubtful, very doubtful.

bill.

ROBERTS: ... you said Clinton was going to veto this

(LAUGHTER)

all
right, I

ROBERTS: I said he was not going to veto it. But that's don't want to say I told you so.

told BLANKLEY: Wait a second. You're wrong. You did say, I
you so.

(LAUGHTER)

months I was delighted he didn't. I had been warning for
that if Republicans didn't negotiate very carefully, Clinton
was going to take the opportunity to veto. They did negotiate
carefully. They didn't give him the opportunity, and he didn't veto.

was not ROBERTS: But let's mark the most important thing that
question of accomplished. And that was not taking the long-range
saying let's entitlements seriously. The Senate did do a good job by
that deal with Medicare by means testing premiums. I thought
was a good idea. The Republicans -- Clinton came out for it.
The Republicans flinched because they are afraid of
Democratic demagoguery.

whether BROWNSTEIN: The big question out of this though is
this kind of deal does in fact provide a building block for
going on and doing things like that. And if Congress sees its
approval rating rise by making deals, if Clinton sees its approval rise by
making deals, they don't have to be a rocket scientist to figure out
that what they're doing is closer to what the country wants than what
they have been doing over the last few years when they've been sort of
like this.

these And that can provide some momentum towards dealing with
politicians to turn long-range problems. It's easier in many ways for
have away from problems when things are good. But they also
more space to do so, if they're willing to take that risk.

show in MESERVE: I want to talk for a minute about the best
town.

and It may not be the "thrilla in Manila," but this Weld
Helms showdown is a lot of fun for Washington.

in ROBERTS: It is a lot of fun. It's the best summer movie
town.

The heck with Air Force One and Contact.

downside risk But what's really important here -- and there is a big
the to the Republican Party, because while the Weld wing of
northeast. It's Republican Party is not huge, it's important in the
important in the upper middle west.

Massachusetts, a And when Helms says, Bill Weld, the governor of
duly elected Republican governor, is not my kind of
Republican, that
is a big problem, because remember a lot of Democrats

quite said in the '70s and '80s, I didn't leave my party, my
rightly
party
left me.

And I think there is a danger that progressive
Republicans
are going
to look at this fight and say: That's not my party.

Jesse
Helms is not
my party.

MESERVE: I do want to show you a piece of videotape. Joe
Kennedy was asked about the Weld situation earlier
today.
This is
what he had to say.

(BEGIN VIDEO CLIP)

U.S. REPRESENTATIVE JOSEPH KENNEDY (D-MA): I can't believe that somebody would give up what I consider to

be
the best

job in America, to be governor of the state of
Massachusetts, to go
off to Mexico. But in the words of my cousin-in-law
Arnold,
you
know, hasta la vista, baby.

(END VIDEO CLIP)

MESERVE: And no one would rather say hasta la vista
than Joe
Kennedy.

(LAUGHTER)

BROWNSTEIN: That may have been the original motivation
here,
to get Bill Weld out of Massachusetts so the state
house
would
open up for Joe Kennedy. But I think Steve is exactly
right.

If you look at what Bill Clinton has done electorally,
the
most
important thing has been to realign the suburbs of the
northeast, the
Midwest and the West Coast toward the Democratic Party.

A typical voter out there is someone who is fiscally
conservative,
like Bill Weld, socially moderate, like Bill Weld. And
many
Democrats are sitting back and saying this is a no-lose
situation for
us.

Either he goes to Mexico for the president, we have a
symbol
of
bipartisanship, or we have a protracted fight that
really
pushes at the
central fault line of the Republican Party to the most
conservative
activist Southern base and these northern suburbs that

are
drifting

away at the national level.

MESERVE: Tony, dying to say something here?

BLANKLEY: This is the most overcovered ambassadorial nomination in history.

(LAUGHTER)

MESERVE: And Bill Weld is glad of it.

lot
been
looking

BLANKLEY: And what these gentlemen have said tells me a
about what this is all about. Washington reporters have

back as
long as

for the great division in the Republican Party going

not
a major

I've been in Washington, which is 17 years now. This is

robots or

fissure. But either we're lockstep, either we're Reagan

Republican

Newtoids or we're about to have civil war. In fact, the

it a
wing; I'd call

Party is vastly united with a small -- I wouldn't call

it a few feathers...

(LAUGHTER)

the
public cares

... that disagree on a few issues. And I don't think

loves
the idea of

about this. I think this is a Washington story that

spotting a phony schism.

government

BROWNSTEIN: Tony, Weld is in that consensus. That's the
problem. Weld is really right in there with that small

the
'90s. And to

consensus which is what holds this party together in

the
parties on

effectively sort of say, we're going to read you out of

you're

these other issues has got to be damaging because

saying that

is not enough.

or
is he

MESERVE: Steve, let me ask you -- is Weld being stupid,

being foxy with all of this?

think
he's

ROBERTS: Foxy? I wouldn't say he's being either one. I

wants the job,
being a little dense in some ways, because if he really
he's handling it in a very bad way.

job.

BROWNSTEIN: Well, clearly, he really doesn't want the

actually
gets

ROBERTS: Some people say his big problem is, if he

actually

the job, then he has to go to Mexico, you know, and not

deal here.

bad
way. He

I think, if he wanted to job, he handled it in a very

Senate say

might disagree with Jesse Helms. But the customs of the

And
the rules

you've got to pay attention to the committee chairman.

of the Senate gives these people great...

MESERVE: But is that his own game?

if it
is -- if

ROBERTS: It certainly would not appear to be, because

right
way.

he really wants the job, he's not going about it the

MESERVE: And when we come back, one more trip around the
table. Stay with us.

(COMMERCIAL BREAK)

accomplish?

MESERVE: Welcome back. The first installment of campaign
finance hearings is over. Tony, what did they

BLANKLEY: Well, I think we in this last week saw one

significant

back

vote

with the

event, and that was that the White House was so holding

information that they finally drove the Democrats to

Republicans to issue subpoenas.

little

bit. You may

the

facts.

So I think that maybe the chemistry is changing a

finally have both sides of the aisle trying to get to

MESERVE: Have we learned anything?

pretty

we

also

lot

of corners.

few

corners

ROBERTS: Well, we've learned that the Democrats were

desperate for money. I think we knew that already. But

know that they cut a lot of -- we've learned they cut a

The Democrats cut a lot of corners. Republicans cut a

-- not as many as the Democrats.

Fred

Chinese had

China

money in

But the big issue has not been proven -- and Senator

Thompson has admitted that. He said I still believe the

a plot. But they still haven't proved that there was

the American system.

he's

have

here. I

point

of

fund

raising

BROWNSTEIN: The China issue is important. But in a way,

diverting attention from what is the strongest issue we

mean, it's clear that we have irresponsibility to the

recklessness on the part of Democrats in much of their

in 1996.

that

And Fred Thompson is reaching for an espionage scandal

may
September, or may not be there. I think when they come back in
campaign they're going to be focusing a lot more directly on the
calls, the finance activities of the White House, the fund raising
will be Lincoln bedroom, issues like that. And the question
whether that generates some momentum for campaign finance
reform which
Senate, Fred Thompson wants, but very few other members of the
want. Republican Party, not even all the Democrats in the

MESERVE: Likely?

not
going to be ROBERTS: I think there's still the odds that there's
the soft campaign finance reform. They might get a small bill on
themselves money. But Ron's right. The Republicans can shoot
in the foot politically. If the hearings are successful,
people might want to change the system. Republicans don't want it because
they run the...

BROWNSTEIN: None of the Democrats want it either.

Tony, Ron, MESERVE: And we have to leave it there. I'm sorry.
back, Steve, thank you all for joining us. And when we come
we return to the Mid East and questions about the future.

(BEGIN VIDEO CLIP)

the end (UNKNOWN): This moment it will be the end -- must be
of this bloody peace protest.

(END VIDEO CLIP)

word
--
MESERVE: Will it be the end? Bruce Morton has the last
next.

(COMMERCIAL BREAK)

MESERVE: And welcome back to LATE EDITION. Bruce Morton joins us with his last word.

Bruce.

and
MORTON: A couple of words this week, Jeanne. Strengths
shame.

(BEGIN VIDEOTAPE)

of the
like the
suicide
ashamed of
honorably
people
MORTON (voice-over): The late Eric Sevareid wrote once
special strengths of the shameless. He meant people
bombers in Jerusalem this past week. If you aren't
killing the innocent, you have a strength more
lack.

about
terrify.
And at one
do
more
between
Israel
Why do they do it? Franz Fanon (ph), who wrote a lot
terrorism, said once the purpose of terror is to
level, that's true. But the Jerusalem bombers wanted to
than terrify. They wanted to stop the negotiations
and the Palestinians, and they succeeded.

start
Israelis
wondering
whether
if
he does
Palestinian
They can probably always succeed. Acts of terror will
wondering if the Palestinians really want peace,
Yasser Arafat really wants to end the terror, wondering
want to but can't, does he really speak for the

people or
does Hamas, which sends the killers into the streets.

Almost any Israeli prime minister confronting all those
doubts will
decide to stop negotiating. A prime minister who didn't
might well
be forced from office by angry Israelis who think he's
caving in to
terrorists.

So the outlook is bleak. Arafat probably can't stop
suicide
bombers. They take their orders from Hamas, not from
him. And
this kind of terror is so simple logistically as to be
almost
unstoppable. Spotting a squad of Palestinian commandos
is
something the Israeli Army is good at. Spotting one man
with
a
concealed bomb is much harder.

And the United States? It can urge negotiations, but it
can't really
make them happen. Only Israel and the Palestinians can
do
that.

And if a sizable block of Palestinians is against
negotiating and
shameless about the tactics they use, they will have a
lot
of that
special strength Severeid wrote of a generation ago.

(END VIDEOTAPE)

MESERVE: Much talk, and rightfully so, about the peace
process
and its future this week. Is the grim conclusion that
peace
process or
no peace process, there will be terrorism?

MORTON: Well, I think as long as the terrorists want to
disrupt the
peace process, which clearly is their aim, there will
be
terror. And
as I said, I think the odds that they're succeeding are
very
good
because it's so hard to stop this kind of thing.

body. I One man in baggy clothes with a bomb strapped to his
wonder if you can control that.

the MESERVE: Certainly, the solution has not been found in
Middle East.

MORTON: Not so far.

us. And MESERVE: Bruce Morton, thank you so much for joining
we'll be right back.

(COMMERCIAL BREAK)

tonight MESERVE: And that's it for this LATE EDITION. Tune in
for more insight into this week in politics on CAPITOL

GANG SUNDAY at 7:00 p.m. Then in the crossfire, new
subpoenas in
the

CROSSFIRE case of Bill Clinton versus Paula Jones. That's
Sunday at 7:30 p.m. Eastern.

Meserve in For now, thanks very much for watching. I'm Jeanne
Washington. Enjoy the rest of your weekend.

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FOX NEWS SUNDAY
AIRED ON SUNDAY, AUGUST 3, 1997
WITH HOST: TONY SNOW
INTERVIEW WITH:
HOUSE SPEAKER NEWT GINGRICH (R-GA)

MR. SNOW: Three-and-a-half years ago, Newt Gingrich became House Speaker. At the time, he was the hottest property in politics and Bill Clinton was in hot water. Well, now the president is enjoying stratospheric approval ratings, and the Speaker's numbers are plunging earthward. So, why is Gingrich smiling? Well, let's find out. One year after his first appearance on Fox New Sunday, we're joined from Atlanta with Speaker of the House Newt Gingrich.

Mr. Speaker, before we begin we want to thank you for joining us, but also wish happy birthday to your wife Marianne.

REP. GINGRICH: Well, let me just say, I'm delighted, and appreciate her approval of my spending part of her birthday with you instead of her. I'm smiling because we cut taxes, reformed welfare, balanced the budget, and saved Medicare, and that pretty much, in terms of what the Contract with America started in 1994, that's a historic achievement to be able to come back and continue to work towards goals the American people want. And I think the bills we passed this last week are truly historic.

MR. SNOW: Mr. Gingrich, I want to talk in more detail about those. But, first, I want to play off this morning's headlines. The Hamas, the Islamic separatist group, has said that it is -- it plans more violence against Israel unless Israel releases political prisoners later today. What's your reaction to that?

REP. GINGRICH: I think the Israelis have every right to protect themselves. I think they have every right to go after Hamas wherever they can reach it. I think the Palestinian Authority has been tragically lacking in its willingness to live up to its part of the agreement. Congressman Jim Saxton of New Jersey has an amendment which would cut off all money going to the Palestinian Authority unless they begin to actively pursue terrorists. And I think the United States should come down firmly on the side of protecting innocent citizens and opposing terrorism, and flatly let it be known in the Middle East that we will be supportive of steps needed to protect innocent Israelis.

MR. SNOW: Mr. Gingrich, as you know, the House is out for the next month, so nobody can act on that particular piece of legislation. If the situation us

unchanged four weeks from today, is that the first item on your agenda when you return?

REP. GINGRICH: It will certainly be in the first week or so when we get back. That amendment has, I think, broad and growing support. I think the clear evidence that Yasir Arafat and the Palestinian Authority have not only not stopped terrorism, but they've actually had people in their organization helping terrorists, the fact that Israelis have been dying, and I think the very fact that the Hamas is as bold as it is in its new statements, indicates that the United States needs to be prepared with a new and tougher, and more anti-terrorist strategy for the Middle East.

MR. SNOW: You had breakfast the other day with the president. Is there any indication, at least from what you could glean, that the president is ready to take the same sort of stand that you've just outlined?

REP. GINGRICH: Well, let me say, I'm not going to comment on anything about the private breakfast we had and the things we discussed. But I will say, in general, I think the administration is very concerned about what's happening, and I think there is a growing sense in the administration that the Palestinian Authority is not doing its job. And certainly Hamas' announcements today, I think, will be condemned by President Clinton.

MR. SNOW: Israeli Prime Minister Benjamin Netanyahu has been under fire in his own country. And, as you know, President Clinton did not support him when he was running for Prime Minister nearly a year-and-a-half ago. Do you think the United States might be gaining strange new respect for the Israeli Prime Minister?

REP. GINGRICH: Well, first of all, I don't think Americans have the right to pick prime ministers for Israel or any other country, so -- but Netanyahu won an election fair and square in a free and open society. The only truly open society in the Middle East. And he deserves the respect of all Americans as the chosen leader of Israel.

In addition, I think once we now realize how deeply embedded terrorism is, and how overtly the Palestinian Authority is prepared to support terrorism, including killing Palestinians simply for selling land to Israelis. I think

it's becoming increasingly clear that the PLO -- Palestinian Authority has not given up tacit support of terrorism, and maybe there's a growing sense of awareness of the challenges that Netanyahu faces in preserving the security of Israel. And, frankly, saving the lives of innocent Israelis.

MR. SNOW: Is it, therefore, time to shut off peace talks until the Palestinian Authority changes its ways and maybe kicks out some people?

REP. GINGRICH: I don't -- I think the issue is not so much cutting off peace talks as it is imposing steps that are necessary to protect innocent people.

And if that includes raids into Palestinian territory, if that includes, frankly, arresting some of the Palestinian Authority leaders who, themselves, have engaged in terrorist acts, whatever steps have to be taken ought to be taken, and the Palestinian Authority should know that it's only going to survive within a framework of security. It is not going to survive supporting and tacitly helping terrorists undermine the security of innocent Israelis.

MR. SNOW: So you would support official Israeli action, including military strikes, in West Bank areas controlled by the Palestinian Authority, if that were necessary to knock out what you call terrorists?

REP. GINGRICH: A key provision in the United Nations charter is the right of any state to protect itself. It is clear that terrorism is being sustained in the Palestinian territories. Israel clearly has the right to protect its own citizens. It is innocent Israelis who are being killed. And I think any American would understand a government that took active steps to protect the lives of women and children in marketplaces.

MR. SNOW: Has Yasir Arafat lost all credibility as a leader as far as you're concerned?

REP. GINGRICH: He has in the Congress. I think there are very few people who believe anything he says. And I think that he has squandered what was a great opportunity to build genuine peace in the region, and now the question is, where do we go from here?

MR. SNOW: All right. Mr. Speaker, another foreign policy issue, Bosnia. The president has set a June deadline for removing American troops, but recently seems, well, to say that that might be more difficult than he thought, and maybe our troops would spend more time there. Should our troops be removed on time next June, come what may?

REP. GINGRICH: I think we ought to look very carefully and cautiously at the region. I think that it's clear that right now, in a way, we're becoming a hindrance to a solution because the Serbs and the Croats and the Bosnian Muslims are all sort of waiting for us to do something instead of doing their own job. It is tragic how the hatred and the bitterness and the bloodshed has blocked even, for example, connecting the telephones, and has weakened the economy of the region.

I think that, on the one hand, if we don't indicate a willingness to back out and to make them solve their own problems, they could be sitting there 20 years from now. On the other hand, we have to move very cautiously because I don't think it would take much for the war to start again, and for us to be right back in the bloodshed of just a couple years ago. So, I think we ought to be very cautious and careful, and not make any automatic assumptions.

MR. SNOW: So, you're saying there should be no guaranteed, automatic June removal day?

REP. GINGRICH: I'm also saying there may be a way where we can have forces in Hungary and forces off the shore on the Adriatic, and support a NATO contingent that stays there. There are a lot of ways to look at solving it. I'm just not sure that we should be precipitously create a power vacuum in a region that would start a war again.

MR. SNOW: Do you think we have a big enough defense budget?

REP. GINGRICH: No. I think that there are very real challenges. However, I would also say, we ought to reform the Pentagon. There's too much paperwork, too much middle management. It takes much too long to build new weapons systems. We ought to be applying the lessons of major corporations of Microsoft, of Wal-Mart, of General Electric, of Ford Motor Company, places that have modernized to the information age. And we ought to develop a much leaner and much more efficient Pentagon. Within that framework, maybe there's enough money, but currently there clearly is not enough money both to sustain what we're doing, to train our troops, and to buy the new weapons we need for the 21st century.

MR. SNOW: There is a story today in the Dallas Morning News that the military is going to take another look at the Don't Ask/Don't Tell policy towards gays and lesbians, in part, because the military has kicked out more gays in the last year than ever before. Your response?

REP. GINGRICH: Well, I think that we have to look at the entire issue of sexuality in the military. The military has become sort of a laboratory and public, on national television every night, and we have to somehow, I think, take a deep breath and take a step back, and whether that requires a commission, or what it requires, to look at the whole issue of sexual relationships.

You know, you don't hire a military as a social laboratory. You hire a military in order to save your country, in order to fight in a war, in order, if necessary, to believe to die for your country. And I think that the demoralization of the military right now is significant based on a whole series of activities and incidents over the last six or eight years that have consistently kept the military psychologically on the defensive, and been very, very, I think, demoralizing to the active duty personnel that are trying to figure out, how do you recruit and train a force that's prepared to fight in combat in a country which is rapidly changing its own norms.

MR. SNOW: Mr. Speaker, it has been argued that it was much easier to integrate the military racially than sexually. Do you think it's a mistake to get women too near the combat zone?

REP. GINGRICH: I think that it is inevitable in a modern combat environment, which does not have a front line. That if you're going to have a significant number of women in the service, they're going to be in combat. An ammunition truck driver with a mobile force is in combat. A helicopter pilot for a medical evacuation helicopter is in a very dangerous zone. A woman aboard a ship at a time of real combat is in combat.

We just have to confront the reality that if women are going to be allowed to serve their country -- and certainly with modern weapons evolving, there's no reason that women can't play a major role in defense -- they're going to be at risk, and that's a reality. That's not what's causing the problem. What's causing the problem is the same thing you're seeing in corporations, the same thing you're seeing across the board.

You know, we had a proposal last week, for example, to allow private sexual harassment suits for welfare trainees who are leaving welfare. I mean, there's a pervasive sense now of trying to litigate and restructure human

relationships

in ways that I think we haven't finished sorting out as a society, so it shouldn't surprise us that we haven't finished sorting them out for the military.

MR. SNOW: Let's now turn to what you discussed at the outset of this show, the budget agreement you reached last year -- last week with the president.

REP. GINGRICH: I know it seems like a long time.

MR. SNOW: You've described it as a great triumph. Nevertheless, that feeling is not shared by some of your Republican colleagues. Let me read you a quote from Jack Kemp. He says: "This tax bill is making the tax code a nightmare of tax credits and Washington directed social engineering." Are you happy with the tax bill?

REP. GINGRICH: No. I'm -- but I'm more happy with this tax bill than with current law. First of all, Jack Kemp headed the commission that Bob Dole and I appointed him to where he reported back that taxes are too complicated, and that small businesses spend more to keep track of taxes than they do to actually pay the taxes. So, Jack and I are in agreement on simplification. Second, I wish Jack Kemp were the vice president. If Jack Kemp were vice president and Bob Dole were president, we would have a dramatically deeper tax cut. We'd have indexing of capital gains. We'd have all the things Jack believes in. But Jack didn't win.

So part of what we're faced with is, three-and-a-half years of working with the president who did win, and trying to find a way to get bills signed that move us in the right direction. And I sympathize with Jack's frustrations, but the fact is, this bill does cut capital gains tax. It does have a \$500 per child tax credit. It does have educational tax breaks so children can go to college and vocational/technical school. It does have an improvement in the death tax benefits so that family farms and family businesses will be able to keep more of their money and not be sold just to pay the taxes. And I think those are all things that Jack Kemp, I hope, believes are useful things.

MR. SNOW: Mr. Speaker, you sound as if you're lecturing conservatives who complain that this budget spends too much and taxes too much. Are you telling them -- I think you are, I want to summarize, I've done everything I can do as House Speaker with a Democratic president. So back off?

REP. GINGRICH: No. I'm telling them, this was a fairly good bill which, overall, moves in our direction, which saves Medicare, actually cuts spending,

it does not increase spending, there's a \$600 billion reduction in entitlement

spending in this bill. It also cuts taxes in

a direction conservatives have always said mattered, including the tax cut that

Jack Kemp always said was the most important, the capital gains tax cut.

But it also has \$500 per child as a tax credit, educational tax credits

for

college and vocational/technical school, an improvement in the death tax

benefit, which every conservative says they agree with, and other tax

breaks

that are good for job creation and productivity. But let me go a step

further.

Bill Archer is chairman of the Ways and Means Committee. We're going to

move

another tax cut in '98.

My point to conservatives would be, take this half loaf, you know, put

some

jelly and jam on it, enjoy it. Now, let's bake another half loaf in '98,

then

let's win the '98 election, pick up 20 or 30 seats in the House, four or

five

in the Senate, let's come back in '99, have another tax cut, come back in

2000,

have another tax cut, these four tax cuts, all signed by Bill Clinton,

will

move us towards a country with smaller government, lower taxes, more

growth.

It seems to me that's what conservatives stand for. And while we may

not get

everything every day, as long as we're moving in the right direction,

let's

keep pushing forward. Let's not sit around and gripe and complain because

we

only got half a loaf when we really wanted to have the whole loaf.

MR. SNOW: Mr. Speaker. We'll get back with more tips from Chef Gingrich

in

just a moment. Stay with us.

(Announcements.)

MR. SNOW: We're back with House Speaker Newt Gingrich. And I'm joined

by our

panel, Juan Williams of the Washington Post and Fox News, Mara Liasson of

National Public Radio and Fox News, and Andrew Ferguson of just the Weekly

Standard. Brit Hume is off today.

Mr. Speaker, I want to continue the line of questioning we started, and

then

we'll open it up to everybody. You've talked about what a triumph this

particular budget is for Republican principles. Let me read you a quote

from

Representative Mark Souder of Indiana. He says, where do we go from here?

We

took the taxes-balanced budget thing off the backs of the liberal Democrats, we delivered on some of our promises. People are going to be asking us, why should I vote for you rather than a Democrat?

You've just talked about picking up a lot of seats in the House and Senate next year. What is going to persuade voters that it makes any sense to elect a Republican in 1998?

REP. GINGRICH: Well, let me start by saying, I often criticize the Atlanta Constitution and Journal that they spent today an entire section, this is an eight page section, just explaining how many things there are in the tax cuts, and how they affect real families and do things for real people. I think that's important to remember.

Now, you have proof that a Republican Congress does make a difference. Every family with children is going to have real proof in January. Everyone who saves and invests is going to have real proof beginning May 7th of this year. Everyone who has a small family farm or a family business is going to have real proof when they do their estate planning.

MR. SNOW: Mr. Speaker, I understand that, but --

REP. GINGRICH: Okay. But, the point I'm making, this is a launching point, that I think Mark Souder, frankly, who's a very bright member, needs to just integrate into his thinking. Now it's not just rhetoric, now in the real world people are better off. In 1998, as I just said, we're going to offer another tax cut. It's going to be a substantial tax cut. And we're going to pit tax and spend foolishly, not just tax and spend, but tax and spend foolishly against cutting taxes.

Let me give you the examples just from this summer, the Earned Income Credit under the Clinton administration has \$5.3 billion a year of waste, fraud and error. That's their own number from the Internal Revenue Service. The Medicare, according to their own report, under the Clinton administration has \$23 billion a year of waste, fraud and error. There was a report out last week that home health under the Clinton administration has a 40 percent error rate, 40 percent error rate, which you're paying for unnecessarily.

The Internal Revenue Service, if you send in a paper form, 22 percent of all paper tax forms have an error, 11 percent by the citizens, 11 percent by the Internal Revenue agents under the Clinton administration. That means you're paying an IRS agent a full time salary to mishandle every 10th tax return that they're dealing with. Now, my point is this --

MR. SNOW: Mr. Gingrich --

REP. GINGRICH: I'm not trying to filibuster, I'm trying to create a framework here. The Republican Party next year is going to run as the party that wants to cut out waste, error and fraud, in order to reduce your taxes.

We're going to have a substantial tax cut in 1998, in addition to having welfare reform implementation, in addition to having other steps to decentralize government back home, and we think that people are going to prefer lower taxes, a smaller government, less waste, fraud and error, compared to the Clinton administration's big bureaucracy approach.

MR. SNOW: Well, of course, what you'll get -- let me back up. You talked about all the triumphs in this bill. I hazard to guess that the same newspaper will carry poll results, like many others, that indicate that people think the president deserves more of the credit, and people are approving of his handling of the economy more than Republicans.

REP. GINGRICH: Actually, CNN on Friday came out with just the opposite numbers. So I'll let you choose your pollster. But, your competitor's poll on Friday said, people gave us the advantage in terms of who did -- got the best job done. People gave Congress the highest rating, according to their poll, since 1974. So we'll wait and see.

My point is, as people see in their pocket that they have more real spending power, the Republican Congress will have more meaning in their lives. And if we then continue this September with welfare reform implementation, with cutting out waste, fraud and error, with shrinking the federal government's unnecessary bureaucracies, with reforming the Pentagon, as I mentioned earlier, and we then have another tax cut in '98. I think it begins to be very clear that having a Republican Congress does make a difference.

MR. SNOW: Mr. Speaker, I'm going to ask you one last question and then turn it over to my colleagues. You just mentioned welfare. I spoke with Senate

Majority Leader Trent Lott earlier this week. He said that he accepted a conservative critique. He said, this bill keeps in place regulations, Labor Department regulations, that make it virtually impossible for people like Tommy Thompson in Wisconsin, and other highly touted Republican and Democratic governors, to maintain their present welfare reforms, because the Labor Department has ruled that you have to pay them basically standard union wages and benefits,

REP. GINGRICH: It would be more accurate to say that this bill says nothing about that. And we will be moving a bill in September, which will be the Welfare Reform Implementation Act. I'm calling on every governor, all 50 of them, to come out publicly and indicate the changes they need. We'll have a task force led by Clay Shaw and Jim Talent, and Bill Goodling that will be developing the bill. And we hope we'll have every governor in the country strongly supporting the bill.

I don't believe the president can veto that bill when it's clear that it's the key to implementing welfare reform, because I don't think the American people want the labor unions and the liberal bureaucrats to destroy welfare reform.

MR. WILLIAMS: Mr. Speaker, you were talking earlier about poll numbers. And part of those poll numbers indicate that most Americans view the budget deal as unfair. That is to say, that if you look at all the provisions in that budget bill, where the breaks come, they disproportionately go to people who are wealthy, the top 1 percent of the country, especially in terms of those inheritance tax breaks.

REP. GINGRICH: Juan, that's just not true,

MR. WILLIAMS: Well, I think it is true.

REP. GINGRICH: The fact is, the vast majority of this bill, the overwhelming majority of this bill, is the \$500 per child tax credit, which is a middle-class tax credit. The second biggest part of this bill, some \$40 billion, is educational tax breaks, which go overwhelmingly to the middle class for college and vocational technical school. And those are the two biggest areas of the tax bill. So those two parts of the tax bill are about three-fourths of the entire tax bill, and they go overwhelmingly to people earning \$75,000 a year or less.

The fact is the liberal Democrats, many of whom voted against the bill, were effective in their propaganda and some people in the news media picked up on it. But, it's not factually true. The factual truth is that this bill,

with its \$500 per child tax credit, and its educational tax credit, is very, very favorable to the middle-class.

MR. WILLIAMS: But, Mr. Gingrich, I think it's factually true that Republicans are going to be waving the flag and saying, to their Republican constituents, look, we got you a tremendous break when it comes to what? Capital gains, capital gains, are available only to the very richest of Americans. And I think the second thing to say here --

REP. GINGRICH: That's not -- again, that's not true.

MR. WILLIAMS: The second thing to say here is that when you look at this deal that the Republicans are celebrating and Republicans are known for their fiscal responsibility, it's a surprise to me that there would have been a balanced budget if you had done nothing. But, now there's going to be a five-year delay, given that you've handed away all these tax breaks.

REP. GINGRICH: Well, now you made two different points. I'm going to try to handle both of them quickly. First of all, the president himself said flatly, that if you look at the real numbers, you would not have had a balanced budget without the \$600 billion in entitlement reforms, because beginning next year the deficit would start increasing if you didn't do something to entitlements.

So I think we needed this bill to get to a balanced budget.

Second, on capital gains, the most popular middle-class cut in capital gains is simple, if you sell your house and you have up to a \$250,000 for an individual, or \$500,000 for a couple, you don't pay any capital gains tax on it. That is a huge middle-class tax break.

But there's another part that liberals seem to miss. Almost half the country now has some stock, is involved in some investment. Thirty-two percent of seniors said the most important tax cut they wanted was the cut in the tax on savings and investing capital gains, because that's what they've done all their lives. And now they're at a point in their life where when they sell their stock, or they sell whatever assets they have, they don't like paying the government all that extra taxes.

So I think you'll be surprised to find that there are a lot of people who are glad they're not going to pay a tax when they sell their house, and that's going to be a very popular tax cut that affects the middle-class.

MR. WILLIAMS: Well, I think everybody is happy when they don't pay taxes.

I'm happy if you give me candy. But, at the same time don't you think that at a time when the stock market is hitting 8000, going crazy, that we as a

society,
as an affluent society, should have some sense of fairness about people
who are
hard-working people, you know, people who might not even have job, about
making
sure that some of that money goes to them?

REP. GINGRICH: Well, first of all, you have the lowest unemployment
rate
you've had in a quarter-century, and the lowest, for example, black
teenage
unemployment rate that you've had since 1969. So part of our goal in
welfare
reform is to get more people trained to go out and get a job, because we
think
they should have a job.

Second, this tax cut includes \$500 per child for anybody who has a tax
liability. So we think that whether you're the working poor or the
middle-class, that \$500 tax credit per child is going to be a big asset to
you,
and is going to help you in terms of being able to take care of your own
child,
rather than have a bureaucrat do it for you. We think that's a very
important
social policy, and that's the largest single tax cut in this bill.

MS. LIASSON: Mr. Speaker, you say that this budget deal saved Medicare.
In
fact, most of the experts say it merely put off reckoning with Medicare.
Trent
Lott said that he's ashamed of the House of Representatives, he's ashamed
of
the president for not stepping up to the plate on reforms like means
testing,
or raising the eligibility age or whatever. Now, is the House going to
show
some courage next year and do something about long-term Medicare reform,
or is
it just going to have this commission put off the problem until after the
next
election?

REP. GINGRICH: Let me just suggest to you, as a matter of courage, it
was
the United States House Republicans in 1995 who created the Medicare reform

bill with medical savings accounts and provider sponsored networks, which
gave
more choice to senior citizens so they had the right to choose, like their
children and grandchildren. And we did that bill at a time when the unions
were
about to launch thousands of ads. We did it at a time when people said it
was
much too radical. And in terms of courage, we stuck with that bill. And
this
week it got passed by overwhelming majorities in both the House and
Senate. So

I think we've proven the courage issue.

But, there's something deeper here. If your mom or dad goes in the hospital and the doctor comes out and says, well, we've saved them for another 10 years, you don't say, gee, you didn't do much. You say, that's really pretty tremendous. Medicare was on the verge of going broke. We saved it for 10 years and we established a commission, appointed by Senator Lott and the president and myself, which will look at how to save Medicare for the baby boomers and their children.

I think there's a little industry in Washington right now that says, well, okay, so you saved it for a decade, that doesn't count. Okay. So you balanced the budget, that doesn't count. Okay. So you cut taxes, that doesn't count. I know there's a sort of passion and need for cynicism in some parts of the city, but the fact is, saving Medicare for a decade was hard work and a big deal and it changed the whole dynamic of that issue.

Getting the AARP, the American Association for Retired Persons, to support it was a very important step in the right direction towards reform. We took every major step we could this year. We'll be back again in 1999, when the commission reports and we'll take more steps. My hope, is we'll pass a Medicare reform bill in 1999. And I think that's a very important direction for us to go in.

MR. SNOW: Andy.

MR. FERGUSON: Mr. Speaker, I think as Tony mentioned earlier, you're now, by acclamation, the most unpopular politician in America. The new Wall Street Journal poll has your approval rating below 20 percent, which I think is significantly lower than President Nixon's was right before he resigned.

REP. GINGRICH: That's actually -- Andy, that's actually not accurate. If you look at their total poll, my job approval rating is up in the mid-30s.

MR. FERGUSON: Okay. Well, mid-30s isn't going to set the house on fire. But, I guess the question comes is, you've always said the Republican movement to reform government and so on was more important than any one man. Does there come a time when you might be -- serve the movement better by stepping aside, letting someone, going into this next election, lead the Republicans, who is more popular?

REP. GINGRICH: Let me just ask you, Andy, since the same Wall Street Journal poll showed that people favored a Republican Congress by 6 percentage points over the Democrats and showed that Congress had its highest approval rating since 1974, at what point will you and your magazine decide that maybe we're doing something right?

I mean, doesn't it strike you as ironic? We have a six-point lead Friday, in terms of which party would you favor. We have the highest approval rating since 1974. We passed a tax cut bill, we saved Medicare, we balanced the budget. And, in fact, the poll itself showed that my approval rating was better than it had been in October or November of 1995. They didn't print that part of the poll. They printed a totally different question that had nothing to do with whether or not people thought I was doing my job.

MR. SNOW: Okay. Mr. Speaker --

REP. GINGRICH: Doesn't that just -- don't you just find that sort of fascinating. And let me go one step further. The real fight in Washington is Dick Gephardt, who voted against his president, who split his party, who had a tiny minority, 52 on the spending bill and 42 on the tax bill. The Republican party was totally unified, 226 voted for the tax cuts, 1 voted no. Don't you find it difficult to sustain this story about how much trouble we're in, when on vote-after-vote we're winning, and on vote-after-vote we're unified. And doesn't that give you some pause to your basic premise?

MR. SNOW: Mr. Speaker, hold that fire. We'll be back in just a minute with round three with House Speaker Newt Gingrich.

(Announcements.)

MR. SNOW: We're back with House Speaker Newt Gingrich, and our panel, Juan Williams, Mara Liasson, and Andy Ferguson. Andy, you pick up the questioning.

MR. FERGUSON: Yes. Mr. Speaker, if I could just follow up on this last question. If I could put it in sort of raw political terms, you've got a number of Republicans, some of them even publicly saying that you're a drag on them in their districts because of your unpopularity. Now, if you were a Democrat and you were running next year, wouldn't you run, prefer to run, against a Congress, a Republican Congress, being led by Newt Gingrich rather than

one
being led by a much less unpopular leader?

REP. GINGRICH: Andy, let me just suggest to you that you read Michael Barone's Almanac of American Politics that came out about a month ago.

Barone

is probably the best student of politics in this country today. He makes the

point that in 1996, they tried what you just said. They had 120,000

negative

ads in the country attacking me. They made it a referendum on me. And, as

Dick

Armey pointed out a few days later, there was a referendum on Newt

Gingrich,

the press all piled on, they all said it was a referendum. We won. We kept control for the first time in 68 years.

Now, at some point, I think you all are just going to just relax and conclude that if you have a team that won for the first time in 40 years, that's 1994. They won for the first time in 68 years in keeping control, that's

1996. They kept their word on the Contract with America and passed a balanced

budget with lower taxes and saved Medicare. That's this last week. Maybe that

team is doing pretty well. And, in fact, if that team votes pretty

consistently

on the floor, maybe despite all the soap operas and situation comedies

that you

guys help create, the fact is, on balance, this party is doing very well.

It's the Democrats who have Dick Gephardt in rebellion. It was the

Democrats

who were split on the vote last week. And I just find it fascinating that somehow, you know, Gephardt manages to vote against his own president, to vote

against his own party, but he made a speech in Iowa, I think, on Saturday

saying they were really unified, while he voted no. We actually are

unified,

and your focus is on whether or not people are grumbling behind the unity.

MR. WILLIAMS: Well, let me just jump in for a second and ask you about the

District of Columbia. This week, there was a major bill passed, and I

think I

want to congratulate you on it as a resident of the District of Columbia.

It

puts a lot of money into the District, retires pension problems that were here.

But, at the same time, it has exposed Delegate Eleanor Holmes Norton to a lot

of criticism, and a lot of people who say, well, Home Rule has been squandered,

and it created a sense among some people that a black population is now being

dominated by a white, predominantly white, Capitol Hill led by you, and you

really don't care, you just want to take away democratic rights from the

District of Columbia.

REP. GINGRICH: Well, first of all, as Delegate Norton has said, Home Rule includes the word "rule". I think if the Washington City government had cleaned itself up, we have them two-and-a-half years to get the job done, and instead of going off on foreign trips and failing to get the job done, if they had focused on getting the job done, I think you wouldn't have this bill. But the fact is, the citizens of Washington deserve better government. The children of Washington deserve better schools. And the people of America deserve a national capital they can be proud of.

MR. WILLIAMS: So you want Mayor Barry to step down, is this all directed at the Mayor?

REP. GINGRICH: No. No, it's not. The City Council, frankly, has not been as helpful as it should be either. The fact is, we are temporarily turning a great deal of power over to appointed officials in order to clean up the mess which the city government allowed to evolve. Now, I think, that the country deserves to have a capital it can be proud of. It was a very reluctant step on our part. We don't like doing it.

As you know, I have defended and protected the city's home rule for the last two-and-a-half years, but if we were going to get the scale of reform we needed, including enterprise zones and zero capital gains tax for investment, and other steps designed to really make sure the city could grow and attract people back into the city, then we had to, I think, also have some management reforms.

I thought it was very sad situation, but I think the city council, and the Mayor, by their failure to act responsibly, forced us into basically what the city of -- the State of New Jersey has done in the past with cities. It's not unusual for a state government to have to step in when a city government does a terrible job. That's the problem we found ourselves with.

MS. LIASSON: Speaker Gingrich, I want to ask you about Congressman Jay Kim, who has just pled guilty to some finance -- campaign finance violations. Do you think he should resign his seat?

REP. GINGRICH: I don't know enough about the case at this stage to comment in any detail. I think it has to be thoroughly reviewed, and I think that

will
happen in September when we come back.

MS. LIASSON: Let me ask you a follow-up about this. You know that Congressman Shays is planning to move forward with campaign finance reform.

He's someone who has been very loyal to you. Do you owe him one? Are you going
to back him up when he comes forward?

REP. GINGRICH: Well, I've told Chris that I want to work with him on campaign reform, but any campaign reform which does not include the unions

--
remember, the unions already this summer are running commercials which clearly
violate the common cause model of campaigns, and which have not yet been subpoenaed by the Senate, and have not yet been looked at in terms of finance
reform. So, I would simply say, any reform which moves, ought to include the
unions. And we ought to look at exactly how the reform would work in the real
world.

MS. LIASSON: So, you're not going to back him up?

REP. GINGRICH: I think -- I hope he's going to look at this whole issue
and
help us move forward in a positive way. But I think one of the things
people
need to realize is, we're only in the opening stages of an investigation
which
will teach us a great deal more about what actually happened in 1995-1996,
and
I think it will be useful to know who broke the law, what laws were
broken,
before we rush off in order to change the laws, since much of what
happened in
'95-'96 was breaking existing law.

MS. LIASSON: Well, Senator Thompson hasn't been able to come up with a smoking gun. Do you think that Congressman Burton is going to be able to
do
better when his hearings begin?

REP. GINGRICH: Well, let me say, first of all, I think Senator Thompson
has
come up with some very troubling facts, and some very troubling admissions
by
people. There clearly was more money laundering in 1996 by the Democrats
than
any time since 1972. We've never seen this scale since the reforms of the
late
'70s. I think we'll learn more things as the hearings go on. I think that
Chairman Burton's committee is involved in a very deep, thorough
investigation
of law breaking, and I think that they will reveal some very troubling
things.

MR. WILLIAMS: What about the question of whether or not Janet Reno
still has

the trust of the Congress?

REP. GINGRICH: Well, I think Senator Lott said it well the other day. I think that there is a very deep sense that there should be an independent counsel, and a great deal of trouble that the Justice Department has been blocking, for example, allowing the Buddhist nuns to testify. There's no reason to stop them from testifying, and it certainly looks like she is politicizing the Justice Department.

MR. SNOW: Mr. Speaker, Human Events reports this week that Bob Barr, a Republican from Georgia, is going to introduce a motion to call Janet Reno to the Hill and explain herself. Do you support that?

REP. GINGRICH: I think she should have to explain why they're taking many of these steps. I think, frankly, we should be looking at, if necessary, subpoenaing documents that indicate, what are the trail of decisions here?

I find it very troubling that you can have this much evidence of clear law breaking, and still have --and law breaking which extends very high up, and still have no independent counsel, and have the Justice Department acting as though it was shielding the White House from the Senate investigation rather than helping the Senate.

MR. SNOW: You think she's -- you think she's running a cover-up?

REP. GINGRICH: I didn't say that. I just said it's troubling. I think what Congressman Barr is trying to do is get at the underlying facts of why is it happening, and whether or not it is a cover-up. We don't presently know enough to say it is, but it certainly is not an active, aggressive effort to get the truth out in the open.

MR. SNOW: Mr. Speaker, nearly four weeks have passed since some members of the House -- well, I don't -- plot may be too strong a word -- talked about replacing you. Do you have any confidence that you're not going to have at least one more attempt at your leadership or speakership before the end of the year?

REP. GINGRICH: Let me just say, we have the narrowest majority since 1954.

And I said the day after the election, it will be very tricky to lead a majority of only 10 or 11 members with a Democratic president in the White House. On the other hand, the fact is that well over 200 members of the House favor my being speaker under any circumstance. You know, I think I probably have more support than O'Neill did as a percentage of my conference. I have

more support than Wright or Foley did as a percentage of my conference.

And I

think there that there are a handful of people who gripe occasionally, but there was never a coup. It was all exaggerated.

People have the right to complain, and I don't run a machine. I

encourage

dissent. I encourage openness, and I encourage people to be able to get out in

the open what they're concerned about. That, then, sometimes I think gets hyperventilated, and goes into sort of a soap opera. But the fact is, on every

vote that mattered, we won.

On every vote that mattered, we were unified. And, as a party, we are achieving the goals we set out to. We are cutting taxes. We are balancing the

budget. We are saving Medicare.

MR. SNOW: Mr. Gingrich, finally, a last question. Based on all those triumphs, you're going to New Hampshire during your break. Are you going to run

for president?

REP. GINGRICH: I don't think so. I think I'm going to New Hampshire simply

to be able to be with Charlie Bass and John Sununu and do some fundraisers, and

maybe once again go and see if we can see one or two moose, which we did very

successfully in 1995.

MR. SNOW: Okay. House Speaker Newt Gingrich, thank you so much for joining

us today.

END