

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Roger V. Salazar (SALAZAR_R) (WHO)

CREATION DATE/TIME:11-JAN-1996 23:05:30.06

SUBJECT: TV News Analysis 1-11-96

TO: Jill M. Blickstein (BLICKSTEIN_J) (OMB)
READ:NOT READ

TO: Lisa M. Caputo (CAPUTO_L) (WHO)
READ:NOT READ

TO: Joseph W. Cerrell (CERREL_J) Autoforward to: Remote Addressee (Joseph W.
Cerrell@LNGATE@EOPMRX) (VPO)
READ:NOT READ

TO: Steven A. Cohen (COHEN_SA) (WHO)
READ:NOT READ

TO: Daniel P. Collins (COLLINS_D) (WHO)
READ:19-JAN-1996 10:00:44.61

TO: Amanda Crumley (CRUMLEY_A) (WHO)
READ:NOT READ

TO: Anne M. Edwards (EDWARDS_A) (WHO)
READ:NOT READ

TO: Rahm Emanuel (EMANUEL_R) (WHO)
READ:NOT READ

TO: Christa T. Robinson (ROBINSON_C) (WHO)
READ:12-JAN-1996 10:23:51.33

TO: Karen E. Finney (FINNEY_K) (WHO)
READ:NOT READ

TO: Jeremy M. Gaines (GAINES_J) (WHO)
READ:NOT READ

TO: John Gibbons (GIBBONS_J) Autoforward to: Remote Addressee (
gjack@ccmail.ostp.eop.gov@inet) (STP)
READ:NOT READ

TO: Mary Ellen Glynn (GLYNN_M) (WHO)
READ:NOT READ

TO: Julia R. Green (GREEN_J) (WHO)
READ:NOT READ

TO: Daniel J. Gunia (GUNIA_D) (OA)

READ:NOT READ

TO: Brenda I. Hilliard (HILLIARD_B) (NSC)
READ:16-JAN-1996 12:29:19.94

TO: Elgie Holstein (HOLSTEIN_E) (OPD)
READ:NOT READ

TO: Heidi Kukis (Heidi Kukis@EOP_OVP@CCGATE@EOPMRX)
READ:NOT READ

TO: Payne, Julia M. (Julia M. Payne@EOP_OVP@CCGATE@EOPMRX)
READ:NOT READ

TO: Angus S. King (KING_A) (WHO)
READ:16-JAN-1996 09:03:17.77

TO: G. N. Lattimore (LATTIMORE_G) (WHO)
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TO: Marlene A. MacDonald (MACDONALD_M) (WHO)
READ:12-JAN-1996 13:37:05.50

TO: Thurgood Marshall (MARSHA_T) Autoforward to: Remote Addressee (Thurgood
Marshall Jr.@LNGATE@EOPMRX) (VPO)
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TO: Julie E. Mason (MASON_J) (WHO)
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TO: APRIL K. MELLODY (MELLODY_A) (WHO)
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TO: Julia Moffett (MOFFETT_J) (WHO)
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TO: Alison Muscatine (MUSCATINE_A) Autoforward to: Sabrina Corlette (CORLETTE_S
) (WHO)
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TO: Thomas O'Donnell (ODONNELL_T) (WHO)
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TO: Jonathan M. Prince (PRINCE_J) (WHO)
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TO: Victoria L. Radd (RADD_V) (WHO)
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TO: A. Victoria Rivas-Vazquez (RIVASVAZQU_A) (WHO)
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TO: Rica F. Rodman (RODMAN_R) (WHO)
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TO: Laura D. Schwartz (SCHWARTZ_L) (WHO)
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TO: Janna B. Sidley (SIDLEY_J) (WHO)
READ:NOT READ

TO: Peggy A. Lewis (LEWIS_P) (WHO)
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TO: Joshua Silverman (SILVERMAN_J) (WHO)
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TO: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D)
(WHO)
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TO: George Stephanopoulos (STEPHANOPO_G) Autoforward to: Laura Capps (CAPPS_L)
(WHO)
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TO: Brenda Anders (ANDERS_B) (WHO)
READ:13-JAN-1996 13:17:48.66

TO: Aman, Sally J. (Sally J. Aman@EOP_OVP@CCGATE@EOPMRX)
READ:NOT READ

TO: Virginia M. Terzano (TERZANO_V) (WHO)
READ:NOT READ

TO: Barry J. Toiv (TOIV_B) (WHO)
READ:16-JAN-1996 09:24:14.37

TO: Laura D. Tyson (TYSON_L) Autoforward to: Thomas O'Donnell (ODONNELL_T)
(WHO)
READ:12-JAN-1996 11:36:25.57

TO: Lorraine A. Voles (VOLES_L) Autoforward to: Remote Addressee (Lorraine A.
Voles@LNGATE@EOPMRX) (VPO)
READ:NOT READ

TO: Michael Waldman (WALDMAN_M) (OPD)
READ:NOT READ

TO: Ann F. Walker (WALKER_A) Autoforward to: Daniel P. Collins (COLLINS_D)
(WHO)
READ:19-JAN-1996 10:00:44.61

TO: Allison Wilkie (WILKIE_A) (WHO)
READ:12-JAN-1996 11:15:31.80

TEXT:

PRINTER FONT 12_POINT_COURIER

WHITE HOUSE TV NEWS ANALYSIS

Thursday, January 11, 1996

Produced by the Office of News Analysis, OEOB 161 (ext. 6

-5693)

ABC WORLD NEWS TONIGHT

1. President says we are "15 minutes" from a 7

-yr. bal. budget.

2. Defending Hillary: President stands up to wife's detractors.

3. Testimony by Massey puts twist on First Lady's account.

4. Excerpts from First Lady's interview w/ Barbara Walters.

5. President says report he's near

-bankrupt is probably true.

6. Macintosh shocks market with report of \$68 million loss.

7. More snow: NE braces for next installment of Blizzard '96.

8. Wall Street rally: Dow up 32.16, close at 5065.10.

9. U.S. charges Japan \$50 million to retrieve science satellite.

10. NYT/Chicago Trib say Bosnian Serbs hiding war crimes.

11. Americans and Bosnians working to get along.

12. Jacque Costeau's research ship sank.

13. Two ceremonies held to mourn former Prime Minister Mitterand.

14. American Agenda: Medieval medicine experimentation.

CBS EVENING NEWS

1. Wide

-ranging Presidential news conf. angers Speaker.

2. Massey's testimony sheds light on First Lady's role.

3. First Lady's approval rating take 12 point dive.

4. Nearly broke?: President owes \$2 mil. plus in legal fees.

5. Chechens negotiate release of hundreds of Russian hostages.

6. Peru: American woman convicted of treason.

7. Japan has new prime minister.

8. World leaders gather in France to mourn Mitterand.

9. PA: Teens tried for brutally beating another teen to death.

10. U.S. teens: More violent, more criminal, more afraid.

11. Dow Jones climbs 9 percent to close at 5065.10.

12. FDA endorses eating oatmeal to reduce risk of heart disease.

13. Space shuttle endeavor launched, two space walks planned.

14. Blizzard '96: Eastern cities struggle to remove snow.

NBC NIGHTLY NEWS

1. President Clinton strongly defends wife.

2. Federal budget dispute continues.

3. Dow rises 32.16 points, NASDAQ up as well.
4. New snow storm threatens East Coast.
5. State Dept. urges Americans not to apply for passports now.
6. Mass. mill owner will pay workers for another month.
7. Methamphetamine use up 75 percent.
8. Beating addiction; President to hold teen drug conference.
9. Day of mourning in France for Mitterrand.
10. Scientists discover sleep switch in the brain.
11. Top donors for Presidential campaigns.
12. New Prime Minister in Japan.

ABC:

Tonight the President tried to let the people know that he and the Republicans are "not so far apart," said Anchor Peter Jennings leading the newscast with highlights of the top stories. Second, said Jennings, House Speaker Newt Gingrich accused the President of playing political games in response to the President's news conference today; And, Mrs. Clinton talks to Barbara Walters about allegation against her. [Clip of First Lady: "I did not direct anyone to make decisions..." (regarding the travel office firings).]

At the White House, reported Jennings in the lead story, "The President had a difficult week" defending both work and family. "Critics of the First Lady" questioned her truthfulness and the President's critics question his seriousness about reaching a balanced budget in seven years. White House correspondent Brit Hume picked up the story saying that the "central issue" today at the President's press conference was the budget, but the first question to the President addressed the allegations against the First Lady actions related to Madison Guaranty and the travel office. The President responded that the First Lady will "do what is necessary" to put these concerns to rest. [Next question from a reporter at the press conference asked the President if the First Lady "has become a political liability?" Hume said the President reported the President felt he may have asked too much of the First Lady in the beginning of the Administration by involving her so heavily in a policy role. He gladly defended her noting that she has been the most controversial First Lady...["since Eleanor Roosevelt," said the President. "And for many of the same reasons..." When the questions regarding the travel office and travel office have been answered "... we'll let the American people make up their minds." (video clip).] [President shown saying that a balanced budget in seven years is within reach, "I know we have come too far to let this opportunity slip away."] He then held up a CBO letter stating that he has a budget with approved numbers, reported Hume. "What has held us up is the cuts in medicare, medicaid, education and health care and a tax hike" on the most tax

-burdened Americans. Speaker Gingrich said the President's portrayal of the differences between his and the Republicans'

budget and the depiction of medicare/medicaid "cuts" was "very disappointing" reported Hume. [Gingrich shown telling press in Seattle that President Clinton has misrepresented "slowed growth" in medicaid and medicare, etc. as "cuts." He said he does not give much hope to resolving budget differences with the President.]

Hume said the First Lady was the "absent star" at today's Senate

Hearing on Whitewater. Correspondent Jackie Judd picked up the story at the Senate opening with a clip of testimony from 1994 video of the First Lady saying that a "bright young associate" did the work on Madison Guaranty. She was referring to Richard Massey, a young lawyer at the Rose Law firm when Mrs. Clinton was a partner there. [Clip of Massey being asked, "So the S & L did not come to you (as a client) with contract in hand?" Massey shown answering, "No." Then Sen. Dodd asked Massey, "So Mrs. Clinton has no role?" Massey said he did all the work and that Mrs. Clinton supervised his work. Dodd shown emphasizing to the committee that, "He was in the trenches doing all the work" and Mrs. Clinton supervised him. We are no longer a "nonpartisan" inquiry, but participants "fully engaged in the presidential election battle."]

On 20/20 tomorrow, Barbara Walters interviews the First Lady, reported Jennings. Jennings said Mrs. Clinton seemed "calm and comfortable" during the interview. [Clips of Walters asking if she directed papers removed from Vince Foster's office the morning after his suicide? And why there were so many calls between the First Lady, her lawyers and her friends following Vince Foster's suicide? [Clip: First Lady answering: I did not direct any documents be taken from Vince Foster's office that morning. No document were taken the night he died...The reason so many phone calls were made was because we were grieving, some of those phone calls were of us "sobbing" to each other on the phone.][Clip of Walters asking if the First Lady ever suspected a "shady factor" or "wrong doing at Madison S&L?" Answer: "No." Question: "...in real estate?" Answer: "No." First Lady shown shaking her head back and forth.] [Walters Q: "What about the travel office memo" disputing your version of the facts? A: "I did express concern over the financial mismanagement..." Jennings concluded that in the interview the First Lady confides that she is "not shy about her opinions." When asked if she believes she has become a liability to her husband? The First Lady was shown saying "I hope not. I love my husband and I want to help him."

CBS:

"In a wide

-ranging news conference today," reported Anchor Dan Rather opening tonight's news coverage, it seems that the Republicans have gone on the "offensive" with Whitewater hearings. White House correspondent Rita Braver covered the story. [President shown: "Allegations are not always the same as a fact..." actually, in this case, "allegation are almost always

not fact" in the Whitewater hearings. The President said that the questions have been asked and answered and will be asked and answered again.] Braver said these questions "overshadowed" the central theme of the press conference -- the budget. [President shown saying it would take about "15 minutes" to resolve the

differences between the two budgets if the two sides would get serious. What is different is the cuts the Republicans want and the insistence on a tax hike on the lowest

-earning taxpayers,
said the President. [An angry Gingrich shown in Seattle saying he is "not hopeful" for a budget deal.] On an important day in Washington, said Braver closing her report, the President spent a great deal of it, "defending his budget and defending his wife." Congressional correspondent Eric Engberg reported that Sen. Al D'Amato has not yet asked the First Lady to testify, but he is a fan of her "on video." Today the committee viewed a 1994 news conference during which the First Lady testified that she did not have extensive involvement in the proceedings against Madison Guaranty. But the testimony of today's witness, Richard Massey, a junior lawyer at the Rose Law firm, may have put a "new twist" on things, reported Engberg. [Video shown of First Lady saying: "The young attorney and the young bank officer did all the work..."] [Senator D'Amato shown asking Massey, "Did she do work?" and Massey answering, "yes... She supervised my work."] [Sen. Dodd shown saying that this is "mind

-numbing..." and there is no record that the First Lady performed any substantial work other than supervisory. "...We are players in the opening act of the 1996 Presidential campaign!"] Engberg said that the First Lady will not be doing a press conference, but she will be answering questions during interviews during her upcoming book promotion. As the First Lady well knows, glory can be fleeting in the world of politics, reported correspondent Phil Jones. The First Lady's approval ratings fell 12 points this week from 59 to 47 percent. [Reader shown listing her performance in the latest poll.] [Former Press Secy. to Nancy Reagan, Sheila Tate shown: "Traditionally, First Ladies are not so political... and involved in policy..." She put herself "in the political cross

-hairs..."
Jones said these days the First Lady seems to be reverting to a more "traditional role" in preparation for the campaign season. Jennings said that the President confirmed that Money magazine's story reporting that he is almost broke is "probably true." Money estimated that the President was probably worth nearly \$800,000 two years ago and now owes legal fees of over \$2 million. Jennings reported that the President approved Federal aid for Maryland and the District of Columbia due to snow emergencies brought on by the Blizzard of 1996.

NBC:

Tom Brokaw anchored this evening's news. Brokaw began the newscast by saying that President Clinton made a strong defense of his wife at a news conference today. Brokaw said the President

defended the First Lady over her role in the Travel Office and her role in a failed Little Rock Savings and Loan. [Clip of the President: we will determine over the coming days how Hillary Clinton will explain her role in these various issues.] [This clip was extremely difficult to hear due to excessive office noise. Replay unavailable - video services closed.] Brokaw said that at D'Amato's hearings on Whitewater the First Lady made her first appearance, on videotape. [Clip of 1994 videotape where Hillary Clinton stated that she had no significant role in the legal issues related to Madison Guaranty.] [Clip of Richard Massey, former junior attorney at Hillary Clinton's law firm, testifying before the Senate Hearing: Hillary Clinton did some work on the Madison case.] [Clip of McDugal on videotape: I hired Hillary Clinton to work on the Madison case because I knew her.] Brian Williams said the President also addressed the Federal Budget debate by stating that the budget could be balanced in less than 15 minutes if the two

-sides were open about what could be done. [Clip of Newt Gingrich: that was a "very disappointing" press conference by the President; that was the eighth time the President misled the American people about Medicare.] [Clip of Dole: We gave the President the numbers in 1994, this is not about numbers.]

Brokaw said that it was a day of mourning in France for Mitterrand. [Clip of Gore and other world leaders attending the funeral.]

Brokaw, in NBC On

-Line, said that the top giver to Clinton's 1992 Presidential campaign was Goldman Sachs which donated \$107,850. Brokaw noted that at the time Rubin headed Goldman Sachs. Brokaw said that Dole's largest contributor has been Gallo Winery, which donated \$381,000 and that Gramm's largest donor is the National Rifle Association, which has donated \$442,525.

Andrea Mitchell described the new Japanese Prime Minister as an "in your face" man who is a martial arts expert with Elvis sideburns. Mitchell said that the Prime Minister has forced the Americans to back down from their pressure on auto imports. [Clips of Mickey Kantor interacting with new Prime Minister and saying that at least we know where he stands.]

RECORD TYPE: PRESIDENTIAL (ALL-IN-1 MAIL)

CREATOR: Roger V. Salazar (SALAZAR_R) (WHO)

CREATION DATE/TIME:28-FEB-1996 09:54:16.44

SUBJECT: Resend: Face the Nation - 2/25

TO: Jill M. Blickstein (BLICKSTEIN_J) (OMB)
READ:29-FEB-1996 08:33:59.60

TO: Lisa M. Caputo (CAPUTO_L) (WHO)
READ:NOT READ

TO: Joseph W. Cerrell (CERREL_J) Autoforward to: Remote Addressee (Joseph W.
Cerrell@LNGATE@EOPMRX) (VPO)
READ:NOT READ

TO: Steven A. Cohen (COHEN_SA) (WHO)
READ:NOT READ

TO: Daniel P. Collins (COLLINS_D) (WHO)
READ:29-FEB-1996 10:17:51.45

TO: Amanda Crumley (CRUMLEY_A) (WHO)
READ:NOT READ

TO: Anne M. Edwards (EDWARDS_A) (WHO)
READ:NOT READ

TO: Rahm Emanuel (EMANUEL_R) (WHO)
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TO: Christa T. Robinson (ROBINSON_C) (WHO)
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READ:NOT READ

TO: Jeremy M. Gaines (GAINES_J) (WHO)
READ:NOT READ

TO: John Gibbons (GIBBONS_J) Autoforward to: Remote Addressee (
jgibbons@ostp.eop.gov@inet) (STP)
READ:NOT READ

TO: Mary Ellen Glynn (GLYNN_M) (WHO)
READ:NOT READ

TO: Julia R. Green (GREEN_J) (WHO)
READ:28-FEB-1996 10:25:35.21

TO: Daniel J. Gunia (GUNIA_D) (OA)

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TO: Brenda I. Hilliard (HILLIARD_B) (NSC)
READ:28-FEB-1996 10:06:37.32

TO: Elgie Holstein (HOLSTEIN_E) (OPD)
READ:28-FEB-1996 10:16:11.00

TO: Heidi Kukis (Heidi Kukis@EOP_OVP@CCGATE@EOPMRX)
READ:NOT READ

TO: Payne, Julia M. (Julia M. Payne@EOP_OVP@CCGATE@EOPMRX)
READ:NOT READ

TO: Angus S. King (KING_A) (WHO)
READ:28-FEB-1996 10:20:00.91

TO: G. N. Lattimore (LATTIMORE_G) (WHO)
READ:NOT READ

TO: Marlene A. MacDonald (MACDONALD_M) (WHO)
READ:NOT READ

TO: Thurgood Marshall (MARSHA_T) Autoforward to: Remote Addressee (Thurgood
Marshall Jr.@LNGATE@EOPMRX) (VPO)
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TO: Julie E. Mason (MASON_J) (WHO)
READ:NOT READ

TO: Lorraine McHugh (MCHUGH_L) (WHO)
READ:28-FEB-1996 10:24:48.72

TO: Kathy McKiernan (MCKIERNAN_K) (WHO)
READ:28-FEB-1996 10:22:04.03

TO: APRIL K. MELLODY (MELLODY_A) (WHO)
READ:28-FEB-1996 12:11:19.02

TO: Julia Moffett (MOFFETT_J) (WHO)
READ:NOT READ

TO: Alison Muscatine (MUSCATINE_A) Autoforward to: Sabrina Corlette (CORLETTE_S
) (WHO)
READ:28-FEB-1996 16:52:27.78

TO: Thomas O'Donnell (O'DONNELL_T) (WHO)
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TO: Jonathan M. Prince (PRINCE_J) (WHO)
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TO: Victoria L. Radd (RADD_V) (WHO)
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TO: A. Victoria Rivas-Vazquez (RIVASVAZQU_A) (WHO)
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TO: Rica F. Rodman (RODMAN_R) (WHO)
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TO: Laura D. Schwartz (SCHWARTZ_L) (WHO)
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TO: Teresa Wildman (WILDMAN_T) (WHO)
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TO: Peggy A. Lewis (LEWIS_P) (WHO)
READ:28-FEB-1996 10:53:49.21

TO: Joshua Silverman (SILVERMAN_J) (WHO)
READ:NOT READ

TO: Gene B. Sperling (SPERLING_G) Autoforward to: Daniel Taberski (TABERSKI_D)
(WHO)
READ:NOT READ

TO: George Stephanopoulos (STEPHANOPO_G) Autoforward to: Laura Capps (CAPPS_L)
(WHO)
READ:29-FEB-1996 08:33:58.53

TO: Brenda Anders (ANDERS_B) (WHO)
READ:28-FEB-1996 12:20:31.58

TO: Aman, Sally J. (Sally J. Aman@EOP_OVP@CCGATE@EOPMRX)
READ:NOT READ

TO: Virginia M. Terzano (TERZANO_V) (WHO)
READ:NOT READ

TO: Barry J. Toiv (TOIV_B) (WHO)
READ:28-FEB-1996 11:29:17.77

TO: Laura D. Tyson (TYSON_L) Autoforward to: Thomas O'Donnell (O'DONNELL_T)
(WHO)
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TO: Lorraine A. Voles (VOLES_L) Autoforward to: Remote Addressee (Lorraine A.
Voles@LNGATE@EOPMRX) (VPO)
READ:NOT READ

TO: Michael Waldman (WALDMAN_M) (OPD)
READ:NOT READ

TO: Ann F. Walker (WALKER_A) Autoforward to: Daniel P. Collins (COLLINS_D)
(WHO)
READ:29-FEB-1996 10:17:51.45

TO: Allison Wilkie (WILKIE_A) (WHO)
READ:28-FEB-1996 10:00:26.69

TO: Daniel Taberski (TABERSKI_D) (OPD)
READ:NOT READ

TO: Jason S. Goldberg (GOLDBERG_JS) (OPD)
READ:NOT READ

TO: Russell W. Horwitz (HORWITZ_R) (WHO)
READ:28-FEB-1996 10:03:28.80

TEXT:

TRANSCRIPT

FACE THE NATION

FEBRUARY 25, 1996

SPEAKERS LIST: BOB SCHIEFFER, CBS NEWS

PAT BUCHANAN, REPUBLICAN PRESIDENTIAL CANDIDATE

GLORIA BORGER, U.S. NEWS AND WORLD REPORT

RON BROWNSTEIN, LOS ANGELES TIMES

SCHIEFFER: And welcome again to the broadcast. With us now from our Phoenix affiliate, KPHO, in beautiful Phoenix, Republican presidential candidate Pat Buchanan.

Joining in the questioning this morning; Gloria Borger of U.S. News and World Report, Ron Brownstein of the Los Angeles Times.

We begin this morning with some late news. The President's top national security advisors are meeting at the White House today, trying to decide how to respond to the incident that happened yesterday when two of Fidel Castro's fighter planes shot down two civilian aircraft flown by an exile group from Cuba.

It is not been determined yet whether they were flying in Cuban waters or over international waters, but the President is outraged. He has said, "I condemn this action in the strongest possible terms."

Mr. Buchanan, why don't we start right there? If you were the president, what would you do now?

BUCHANAN: Well, I'll tell you, what this shows, Bob, is these were civilian planes apparently unarmed, and whatever their mission -- whether it was propaganda drops or taking out Cuban refugees -- was really not a lethal act.

It did not justify the murder of these individuals at sea. What we see on display here is the character of Fidel Castro's regime and the character of the man himself, and those who have all recommend that we coddle this individual, they ought to take a look at this.

But I would say this with regard to Castro. It's got to be United States policy to remove Fidel Castro from power. There is no quarrel between the American and Cuban people. They are our natural friends and allies.

The quarrel is rooted in the character of that regime, and it should be U.S. policy to remove that regime as expeditiously as possible. I'm not recommending an invasion, but I am recommending the kind of overall pressure and plan -- diplomatic, political, and otherwise -- which would remove Mr. Castro from power as rapidly as possible.

SCHIEFFER: Should there be some immediate reaction by the President, and if you say you're not recommending that there be an invasion but he should be removed, I mean, well, what's the difference in that?

BUCHANAN: Well, let me say this. Well, look, I don't recommend an invasion because I think the cost in life, Cuban and American, would be extraordinary. I think Mr. Castro's on his last leg.

But I do believe American fighter aircraft should be patrolling international waters, and if those planes were off -- outside the three

-mile limit or the 12

-mile limit, whatever is recognized there, I would have American fighter aircraft patrolling that.

And if Cuban planes came up to shoot down people who were in international waters, we would shoot down the Cuban planes.

SCHIEFFER: So you think that from now on, we should have some sort of U.S. fighter escorts for these planes?

BUCHANAN: Well, now, no. I don't say fighter escorts. I do not know, Bob, as you've described it exactly where those planes were. And if they're inside Cuba's territorial waters, I mean, the United States is not going to violate that, I don't believe.

But if they're international waters, I would recommend -- and they're attacking planes in international water? I would shoot the Cuban planes down.

SCHIEFFER: All right.

BORGER: Would you also tighten the trade embargo against Cuba?

BUCHANAN: Well, the trade embargo -- I would maintain the embargo, but I'll tell you I would take a look at this. Our friends are the Cuban people. Our enemy is Fidel Castro. What is the best way to bring Castro down

and out peacefully, if possible, with a minimal amount of bloodshed such as occurred in Eastern Europe?

That ought to be the objective of American policy, and we would review the whole Cuban policy when I got in there.

BORGER: Let me just...

BUCHANAN: I think Mr. -- go ahead.

BORGER: Let me just ask you one more quick foreign policy question, as long as you're -- we're talking about

it.

BUCHANAN: Sure.

BORGER: If you were president right now, would you give Gerry Adams, who is the head of the political wing of the IRA, a visa to come to this country? This is a decision the President is now faced with.

BUCHANAN: I think -- let me say this. One place where I believe Bill Clinton has been bold and has been correct -- although I would never have invited him to the White House -- is in intervening diplomatically to try to help resolve this crisis in Northern Ireland.

I think the President's done a good job. I would fault some of his tactics. With regard to Adams coming to this country, he has had a visa before.

BUCHANAN: If there is no evidence that he was involved in this atrocity against the British people and there is evidence that he wants to continue the dialogue and has separated himself from the amount of violence in there, if our intelligence could show that, I would probably grant the Visa.

BROWNSTEIN: Mr. Buchanan, let me turn to domestic policy for a minute. You focus your campaign largely on downward pressure on wages for working Americans. Yet, you oppose an increase in the minimum wage. Why is that?

BUCHANAN: Well, here's the reason. The minimum wage in Mexico, before devaluation, was 58 cents an hour. It's four and a quarter, I believe, at the federal level of the United States.

You raise it to six dollars now in the United States and

that's like tilting the table. All of your low wage, less skilled jobs will go automatically be tumbling into Mexico.

BROWNSTEIN: Mr. Buchanan...

BUCHANAN: Secondly, secondly, doing that cuts off the bottom rungs of the economic ladder for people who are trying to get out of poverty, people who are trying to get off Welfare. Their first job is going to be a minimum wage job. I talked to a friend of mine up there who runs a flower shop up in Boston.

A gentleman about my age. And he said, "Listen, they raise the minimum wage, I'm out of business. I'm paying these kids. I'm losing money. I love this place, but if they do that I'm out of business." You got to remember that people are real losers from these government policies, as well as, some who are winners.

The thing to do is to stop forcing Americans into competition with people who make 58 cents an hour. And then wages will rise.

BROWNSTEIN: Mr. Buchanan, there are an awful lot of people who earn the minimum wage, who are not really in competition with anyone else. At 40 percent of the people

aren't even minimum wage. Are service workers, are evening janitorial services in Seattle or protective services in Cleveland gonna relocate to Guadalajara if you raise the minimum wage?

BUCHANAN: Ron look at this. When you and I were growing up, you may be younger, we used to have a lot of kids working in movie theaters for 25, 50 cents an hour watching the movies. They got no ushers in movie theaters anymore. We used to have all those gas station attendants run out and clean the windshields, all this stuff minimum wage. Kids cleaning up factories and things.

It's an important first job. Get one job on a resume (OFF

-MIKE). That's what you're killing by these minimum wage increases.

BROWNSTEIN: Alright, let me ask...

BUCHANAN: Well I would oppose that. Ronald Reagan was right on that issue.

BROWNSTEIN: Let me ask you about another area. Every day you're out there criticizing what you call,

"Corporate Butchers", who reduce benefits, who cut wages, who eliminate jobs. But if a worker at a company goes on strike to protest just those very actions, you say their employer should be able to fire them and permanently replace them with another worker. Now, how does that square?

BUCHANAN: Well, here's what --- what I have said is this, like just take the New York Daily News strike, which I think caused all this. These fellows went on strike and some of them wanted to kill the newspaper. And they went on strike and they got others to go on sympathy strikes and wanted to kill the newspaper. And so the New York Daily News hires people to keep it alive. I don't think when the striking workers come back, they got a right to say, "You gotta fire these guys who saved your newspaper."

I've got a disagreement on that. Bill Clinton's decision not to give contracts to companies like that, I believe, has been ruled unconstitutional. And look, I believe in a fair battle between labor and management. But I'll tell you, on an issue like Boeing, where those fellows are striking because Boeing's moving their assembly plant to China, I am with the workers, 100 percent.

We ought to be out there walking the picket line with them on that issue. Look, I agree with working people on countless issues, on others I disagree. I'm --- I believe --- I'm a union member, but I do believe I should be free to join or not join an union. Lot of union folks say no.

We got disagreements but on the issue of jobs and lower wages and middle Americans, I'm with them a hundred percent. I will represent those folks because there union bosses in Belle Harbor (ph) don't represent them and

certainly the politicians of the Republican and Democratic party don't represent them.

BORGER: Mr. Buchanan, Newsweek magazine reports this week that you own stock in both AT&T and GM, some of the people you've called...

(LAUGHTER BY BUCHANAN)

BORGER: ..."corporate butchers".

BUCHANAN: What a revelation. (LAUGHTER)

BORGER: If you find them so morally reprehensible, why haven't you sold your stock in those companies?

BUCHANAN: Well this is --- don't be silly --- this is --- that stock was given to --- it's a little bit of stock that was given to my wife when her father died. A hundred shares of AT&T, then we were given another hundred shares and a later. And so we put that --- and I've got a broker advisor on my stocks --- but I think this proves the point. I've got a retirement plan. It's for Shelly.

BUCHANAN: I told my broker, "You buy the stocks, I don't know anything about that."

Let me say this: the very fact that I will get up and criticize corporations, even though I may have stock in it, that proves the point there is no conflict of interest. If any company does that sort of thing, I'm going to criticize that company. But I don't pay any attention to my retirement plan. It's not for me anyway, it's for Shelley.

BORGER: Let me just ask you a political question then, which is that this week you broadly hinted because Republicans are hurling such insults at you, Mr. Buchanan, that you may just pick up your people and go home at some point. Can you clarify this for us.

BUCHANAN: Sure.

BORGER: Would you support Bob Dole as the Republican nominee?

BUCHANAN: Well, you know, I was asked that question before, long ago, and my answer was in the affirmative. What I said, Gloria, is this...

BORGER: Is it now?

BUCHANAN: What I said, Gloria is this: stop calling me names, stop the invective.

You know, those people up there are having a hissey fit all over Washington, they can't control themselves, the beast is coming. It's Pat Buchanan, the fellow you've been going to dinner with for 30 years. I'm telling them, calm down folks, because if you keep it up you make it difficult for me to bring my people home.

I was called a lot of names by Mr. Bush's people in 1992, Gloria, so I wrote him a letter and I said I'm going to keep my word, I'm going to endorse George Bush. A

plurality wrote me and said, "Don't do it." Others said, "How can you do that when they called you these

names, Pat."

I'm asking the people in the Republican Party and the leadership in Washington, you know, take a couple of Prozac fellows, calm down, everything's going to be all right, we're going to go to the convention, my door is open to all of you. I don't care what you said, we can let bygones be bygones, because the objective is beating Bill Clinton. Keep your eyes, you know, as they say in the civil rights movement, keep your eyes on the prize fella.

BORGER: So would you not leave the party, would you not A) run as an independent, or B) will you endorse the nominee if it is not you?

BUCHANAN: Well, look, look, we are -- you've heard everything I've said so far, I'm just telling them, stop it. Stop the name calling, stop the nastiness, stop the invective, come on out. If you don't like my ideas for making America the industrial engine of the world again, give me your ideas. Let's debate them, Bob.

Senator Dole's up in Colorado hiding out, strips of into the eastern woods of Oregon. Come on out, Bob. If you want to fight for the heart and soul of the party, I'm here, I am ready to debate you.

I believe we are the heart and soul of the party. And when Bob Dole says "It's our party," and Lamar says "It's my party," this is the restrictive covenant attitude of the Beltway Republican. Let's open this party up. We got Democrats who want to come in, we want Perot folks who are waiting to come home, if we would just keep the door open. I'm leading them back home, Gloria.

SCHIEFFER: All right. And we're going to lead to a little commercial and then we'll come back and talk about this some more in a minute.

(BREAK)

SCHIEFFER: ...to Pat Buchanan, who's in Phoenix, Arizona today. The Arizona primary comes on Tuesday.

Mr. Buchanan, let me go back to something. Presidents get paid for getting it right on the big ones, and you sort of got it wrong on the Gulf War, didn't you?

BUCHANAN: I don't think so, Bob. I think this: I felt that the regime in Kuwait was not worth the life of a single Marine.

I thought we should have drawn the line in Saudi Arabia. I thought we would end up with commitments there, which we have, to Kuwait, to the Shi'ites, to the Kurds, we got a dual containment policy at the same time we're drawing down our military resources. I think coming toward the end of this decade you're going to find the United States in a tremendous rough situation in that gulf because we've got ourselves overextended there. I believe we should have drawn the line at Saudi Arabia.

Now, Mr. Bush -- but when he fought the war, I will say this, when you fight a war, George Bush fought that war the way Vietnam should have been fought, which is to go

through, achieve your purpose for victory, pay no attention to the critics. But

I think we've got ourselves commitments over there which we will one day -- Look, the Amir of Kuwait is not long for the 21st century, my friends. Monarchy is not the wave of the future in the Gulf. We ought to step back and take a look at where we're going to be in the year 2010, and I don't think we're doing that.

SCHIEFFER: So you still think it was -- I mean, before that invasion, you said a U.S. ground assault on Kuwait would be a bloodbath. You were quoted as saying where's the evidence that Saddam Hussein is about to test a bomb?

There was not bloodbath there. It was done very adroitly. You said they fought the war well. Some people say that had we followed your advice, gasoline would be about six dollars a gallon now, and indeed, he might well be in Saudi Arabia.

BUCHANAN: But you know, Bob, Bob, that is silly. Why did Saddam Hussein steal the oil of Kuwait? He stole it to sell it.

Who is keeping him from putting his own three million barrels a day on the market? America's Sixth and Seventh Fleet.

Let me tell you, I'm not recommending the full lifting of the oil embargo on Iraq, but if we lifted it tomorrow, OPEC would collapse. Gasoline would fall in price because you get three million barrels a day of oil rolling onto the market. My guess is, there's a lot of OPEC companies are saying keep the squeeze for the United States...

SCHIEFFER: Well, let me...

BUCHANAN: Because it's holding their prices up. Bob, the idea that the oil -- this is ridiculous. The idea that, you know, if Iraq had all that oil and they sold it, they would have killed OPEC.

SCHIEFFER: Let me just make sure I understand one thing what you're saying.

BUCHANAN: Sure.

SCHIEFFER: You were saying that it would be all right, today, if Saddam Hussein were occupying Kuwait.

BUCHANAN: I'm not saying it would be all right. I believe we should maintain the embargo we got on him, and I think we should defend Saudi Arabian because it's in our vital interest.

But I do think this. People that say that if we let Saddam Hussein have the oil, somehow the oil would go to so many hundred dollars a barrel is nonsense. Oil prices would go down.

What I'm saying is, Bob, that I did not support the initial idea of us going to war over Kuwait. I didn't think the Amir of Kuwait's worth a single United States Marine, quite frankly.

I do think people better take a look at the long term in the Gulf, because we got commitments that we cannot

sustain if you keep drawing down the military forces the way we're drawing them down.

SCHIEFFER: All right. Let me ask you one more question. You said after, shortly after that, that the Gulf War has demonstrated that Israel is a strategic albatross around the neck of the United States. Do you still believe that?

BUCHANAN: No, I said, I believe I said in the Gulf War, the United States was doing its darndest not to get Israel to respond to Scud missile attacks on it. The Israelis were outraged, but we were telling them don't do anything because if you help us out in the Gulf War, we'll lose all our Arab allies.

The point is, there was a real problem there, and it was exposed. During the Cold War, there's not doubt that the nation and state of Israel were strategic allies of the United States in the eastern Mediterranean.

But during the Gulf War, there's no question about it, if Israel, which would have been quite willing to help us out, if they had helped us out, the coalition would have collapsed. And that's the point I was making, and it's a very valid point.

SCHIEFFER: All right.

BORGER: Let's talk a little bit about the campaign trail, now. Lot's of Republicans, Mr. Buchanan, have accused you using certain code words designed to divide people in this country. And you're somebody who's a television commentator...

BUCHANAN: Sure.

BORGER: A columnist, a writer. You're very, very much aware of the use of language. Let me talk to you about some of the language you use on the trail.

BUCHANAN: Sure.

BORGER: You often refer to Mexicans as "Jose." You refer to the New York banks and largely refer to Goldman Sachs.

BUCHANAN: (OFF

-MIKE).

BORGER: You sometimes stretch out the pronunciation of Ruth Bader Ginsburg's name, who's a Supreme Court justice. Is this presidential?

BUCHANAN: Listen, I'll tell you what it is. This is nitpicking of the first, second and third order. Citibank is run by John Reed. Everybody knows Chase Manhattan is very -- if it's a code name for anything, it's for David Rockefeller, for heaven's sakes.

With regard to Goldman Sachs, that's were Mr. Rubin worked. He's the one that led them into Mexico. He's the one that was supposed to be on watch in the White House in the thing collapsed, and he's the one that led the bailout of his friends.

BORGER: What about...

BUCHANAN: There was talk in there about impeaching the guy on the part of lot of Republicans who are now criticizing me. Look, I am...

BORGER: What about Ruth Bader Ginsburg's name or Jose, or, you know?

BUCHANAN: Look, Ruth Bader Ginsburg is an ultra

-liberal, pro- abortion justice. Bob Dole should have opposed her. Phil Gramm should have opposed her. I opposed her. She voted an against term limits and killed it. She will vote to keep to keep Roe v. Wade in the Constitution of the United States, or rammed in there.

BUCHANAN: And I oppose her. And I don't oppose her on grounds of ethnicity. I oppose her philosophy and ideology.

BORGER: Do you -- and what about Mexicans, do you oppose them by...

BUCHANAN: Listen, Mexican folks are -- all right, let me tell you something. If I were a Mexican, and I'd spent the last 15 years working my heart out and saw what that lousy government did to steal my savings every time, I would probably want to come to America, too.

I would probably want to walk out. There are good people, but they cannot walk across the borders of my country with impunity in the millions. And I don't care what names they call me, Gloria, I will stop illegal immigration cold. Put a security fence along that border and with the use of American troops if necessary. When Mex -- Guatemalans come into to Mexico, they sent the army down there. They catch you a second time they put you in jail for ten years.

I'm not going to do that because we're Americans. But we got to a right to defend our Southern borders and the government of the United States, President, and Congress combined are derelict in their duty in refusing to enforce the immigration laws of the country...

BROWNSTEIN: Mr. Buchanan, Mr. Buchanan...

BUCHANAN: ...and I will enforce them.

BROWNSTEIN: One issue, or the thing you're saying now, of course one issue is, another issue is the things you've written over the last many years. When you talk about immigration today...

BUCHANAN: The golden oldies.

BROWNSTEIN: Yes, when you talk about immigration

though, today, you raise it primarily as an economic issue. But you did write in 1984 that the central objection to the present flood of illegals is that they are not English

-speaking, white people from Western Europe. They are Spanish

-speaking, brown and Black people from Mexico, Latin America and the Caribbean.

The issue is not about economics. Which one is it? Is it economics or do you fear a sort of racial change in the country?

BUCHANAN: It is both. No, no, it is both. Let me -- Ron, look at Canada. Wake up and smell the coffee. Canada is coming apart on two issues, language and culture. I look down the road and I see that potentially happening to my country. I don't want it to happen. I want us to be one nation, one people, under God again. That means a time

-out on immigration so we can assimilate and Americanize and introduce to our culture or institutions and yes our English language -- every single American -- Ron, every country in the world is feeling these centrifugal pressures and pulling apart.

We got to remain one country. And I think that argues for the same kind of time out that FDR had, that Harry Truman had, and that other Democratic presidents had between 1924 and 1965.

BROWNSTEIN: Let me ask you a little bit about what's going on out there now, on the campaign trail. Bob Dole seems to be ceding Arizona to you largely. He's not spending a lot of time there. He didn't come to the debate. Do you expect, now, South Carolina next Saturday, to shape up as in effect the deciding show down between the three of you?

BUCHANAN: No, South Carolina is not winner take all. I mean, you can get delegates out of there without winning the state. I think Arizona's crucial. I don't believe Bob Dole ceding it to us. He's staying here today, and he did duck the debate. The reason he ducked the debate from what I've heard is that he got clobbered up in New Hampshire, and he figured it's better to duck the debate than to go in there and get beat.

And look, if you can't debate Pat Buchanan head to head, how's he going to beat Bill Clinton? Clinton is good. Clinton is good. And you can't put somebody up there that can't even defend his positions the way Bob Dole was incapable of defending them...

BROWNSTEIN: Mr. Buchanan, the former governor of South Carolina, which is coming up of course a week from yesterday...

BUCHANAN: Carroll Campbell?

BROWNSTEIN: Carroll Campbell is saying that your policy's are going to set back the state. They've had over \$8 billion in foreign investment from 1986 to 1994. Thirty

-two thousand new jobs, BMW, Michelin, Fuji...

BUCHANAN: Do you know why -- auto companies come into to America from Japan and places like that? Because Ronald Reagan put quotas on imports, so the Japanese come in and they build plants here. That helps.

But look, Mr. Campbell is a million dollar a year lobbyist for the insurance industries who thinks he's going to vice president for Bob Dole. That's why he calls Pat Buchanan names.

But he's mistaken.

I think he's the only guy who thinks he's going to be his vice presidential nominee, because Bob Dole's not going to be picking that fellow. I am.

SCHIEFFER: Fifteen seconds left. Do you think you're going to win Arizona?

SCHIEFFER: Do you have to win?

BUCHANAN: I don't know. I think it's a very close, three

-way battle here. We are very strong out in the country because we visited here, and Bob Dole has taken it for granted.

But Steve Forbes has another air war going with a couple of million bucks, and I don't know how that's going to impact here.

But we're surging, and we're hopeful.

SCHIEFFER: All right. We'll leave it there. Pat Buchanan, thank you very much.

BUCHANAN: Yes.

SCHIEFFER: We'll be back in a minute with a final word.

(BREAK)

SCHIEFFER: (AUDIO GAP) the Senate. I was 11 years old, and we heard he was going to make a stop at the vacant lot on the outskirts of Fort Worth where we played ball every day after school.

So, we all went down to look for him. There were 30 or 40 people there. He came by helicopter, and we'd never seen one, and then this great voice came out of the sky saying, "I'll be down to visit with you in a minute."

It all but scared us to death. We had never seen a helicopter, first of all, and for all we knew, that was the voice of God coming from up there.

But it turned out to be the candidate on a bullhorn, so we all had a big laugh. I have no idea what he said on the ground, but I remember what a good time we all had.

In looking back, I suppose it was good for him, too. He didn't stay long, but he had time to look us over and at least get some feeling for what it was like in our neighborhood.

New Hampshire used to be like that, too. When I first went there in the '70s, candidates visited with the voters a few at a time. It was all cozy, friendly, and candidate and voter got the good feel for each other.

But I'm afraid all that's gone now. Now there is so much attention on New Hampshire and such a horde of reporters and photographers that you sometimes wonder if the voters see much beyond the back of a photographer's head.

Nor is there much interaction. Our surveys tell us the voters now get most of what they know there about the candidates from TV -- the news and the commercials.

And the candidates depend on polls to learn about the voters. I'm not sure what can or should be done about any of that, I just wish it were the way it used to be.

That's our broadcast. John Roberts will have the rest of the day's news tonight on the CBS EVENING NEWS. Thanks for watching. We'll see you right here next week on FACE THE NATION.

END

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TRANSCRIPT
MEET THE PRESS
MARCH 3, 1996

SPEAKERS LIST: TIM RUSSERT, NBC NEWS
PAT BUCHANAN, REPUBLICAN PRESIDENTIAL CANDIDATE
(EDITORS NOTE: RETRANSMITTED WITH COMPLETE TEXT)
(JOINED IN PROGRESS)

RUSSERT: And let's take a look at the results from South Carolina. You'll see Bob Dole, 45 percent of the vote, 124,000 raw votes. Pat Buchanan second with 29 percent. Steve Forbes with 13 percent. Lamar Alexander with 10 percent.

And it's another week, another front

-runner. Let's look at the delegate count. Bob Dole, 72. Steve Forbes, 57. Pat Buchanan, 30. Lamar Alexander, 5. Phil Gramm, 2. Uncommitted, 13 at this point.

And here to help us talk about these results, the upcoming primaries as well as trade, immigration, and charges of extremism, commentator

-turned

-Republican candidate for president, Patrick J. Buchanan.

Mr. Buchanan, welcome back to MEET THE PRESS.

BUCHANAN: Tim, thanks for inviting me back, and thanks for the plane ride from...

RUSSERT: Good to be here in Atlanta. Bob Dole really clobbered you yesterday.

BUCHANAN: Bob Dole beat us handily. And he did so for several reasons, Tim. He was basically hauled up to the finish line and tossed over by Strom Thurmond, Governor Beasley, and Governor Campbell.

Governor Beasley, in particular, because he's very strong with social conservatives. And Bob Dole, for two weeks before we got there after our surge, was running attack ads on me saying, "Pat Buchanan's an extremist." And these attack ads held, probably stopped some of our momentum.

But it has become a Buchanan

-Dole race in the South.

RUSSERT: You lost Arizona. You lost South Carolina. Isn't Georgia make or break?

BUCHANAN: Georgia really is a crucial primary, Tim. There's no doubt about it. Georgia could be our North Carolina -- what that was for Ronald Reagan in '76. Where Reagan lost repeatedly, had not done as well as I did, won North Carolina, and he split open the Ford campaign because Ford's campaign, like Dole's campaign, was basically a hollow campaign based on incumbency and expectations and inevitability.

If we can win here, I think Bob Dole will break wide open in the South on Super Tuesday, the states all the way from Florida to Texas and Oklahoma. Then we go into the industrial middle West, where we're going to take him apart, I believe, on the issues of GATT and NAFTA and the sell

-out of American workers.

A week later, it's California. If we can get a breakthrough somewhere, I think his campaign will crack open because it is hollow, bereft of ideas.

RUSSERT: But if you lose in Georgia, your run's pretty much over?

BUCHANAN: No, I don't think so, Tim. We're going to go -- we're going to take a Dixie express or a Buchanan express. We're going from Florida, we're going to go up into Tennessee and challenge Lamar on his home base, cross Tennessee down into Mississippi, over into Texas, up into Oklahoma.

And I think this is fertile terrain. Tuesday, for example, we've got a chance to win in the state of Washington. I understand they cancelled the straw poll on us up there. But we got chances to do well, but there's no doubt the place we're going to focus the next two days is the state of Georgia.

RUSSERT: Let me tell you a friend of mine in Florida -- a gentlemen was looking at your candidacy, even inclined to vote for you, and then I called him the day before Arizona, he said, "You know, every time I look at him, he's holding up a rifle, he's got a six-shooter on his hip. He's too hot."

In retrospect, were you too hot in Arizona? Too flamboyant with guns and that kind of impression?

BUCHANAN: I really don't think so, Tim. When we went into Arizona, we were -- started in initially in single digits. We went all the way to 30 percent.

What happened was that Forbes and Dole had absentee ballots out and cast. I went to rally after rally. We had the biggest rallies in Arizona, and people said, "I'd love to vote for you, but I've already voted for Forbes."

Dole beat me because of absentee ballots and the

extremism attacks on attack ads. Forbes won it because he paid \$40 a vote -- \$4 million for 100,000 votes. That is tough to overcome unanswered.

Our surge of momentum was not quite enough to carry us over the top. I think that was the problem in Arizona. We would have loved to have had a win there. We were winning in the exit polls.

I think we won the campaign there, but I think enough work had been done before we got there to militate against victory.

RUSSERT: No regret about waving the guns and all the theatrics?

BUCHANAN: Well, no, I really don't -- really, I mean, look, if you go down to the OK Corral, down in Tombstone after a 150 miles, you want to put on a duster and a six

-gun and walk out there with the OK Corral behind you.

And I thought it was a wonderful photo op, and my sister said, "Don't do it." I said, "I'm going to do it. It's my one chance in a lifetime to be in Tombstone."

RUSSERT: Can Bob Dole beat Bill Clinton?

BUCHANAN: Bob Dole's got two problems. He can't debate. He's been beaten in every single debate, and he's trying to duck the one tonight or he's trying to find some way to minimize his damage. And secondly, he can't bring home the Perot voters.

He has no reach for the voters and the workers who have been sold out in NAFTA and GATT. He has little or no reach for those southerners and others who feel that these trade deals not only sell out workers, but they surrender American sovereignty to global institutions like a World Trade Organization, where we get one vote out of 120, and sort of a global UN or Supreme Court of world trade.

I think Bob Dole's problem is he's a -- basically a Washington Beltway Republican who has no reach outside that constituency.

There's no one in America, unlike in our campaign, we'll go through there and people will say, "We're praying for you, Pat."

We're making novenas for you. Stay well. We love you, Pat."

I don't think there's any fire, energy, or enthusiasm for Senator Dole. I think it is just sort of the expectation he's going to be the nominee.

RUSSERT: Can he beat Bill Clinton?

BUCHANAN: If Bob Dole gets the nomination, my guess is Ross Perot's Reform Party will nominate someone else, and it will be virtually impossible for us to beat Bill Clinton.

RUSSERT: Will you support Bob Dole as the nominee?

BUCHANAN: Well, I have said I would support the nominee of our party, but I see Senator Dole the other day

said he may not support me. And I think what we have here -- should have is reciprocity. So I would say that I would support the nominee of the Republican Party.

BUCHANAN: I anticipate doing so, but I will say this -- unless the -- if the attacks on our people, and on me, and by extension on our people don't cease and the name

-calling doesn't cease, I don't know how those people will come home and support Senator Dole, I'll be honest.

RUSSET: What conditions will you put on your support? Will the platform plank on abortion stay the same?

BUCHANAN: My problem with Bob Dole -- let me tell you one reason Bob Dole won in South Carolina, and it deals with your question. He was provided cover by the social conservatives. Governor Beasley, who's very strong with pro

-life, and the Christian Coalition leadership moved en masse behind Bob Dole.

But Bob Dole voted -- collaborated with Bill Clinton in putting two pro

-abortion justices on the Supreme Court -- Ruth Bader Ginsburg and Steven Breyer. Bob Dole voted for fetal tissue research on aborted embryos, and Bob Dole repeatedly trolls the name of General Colin Powell out as a potential vice president.

Now, Colin Powell is a pro

-choice Bill Clintonite on abortion, who is a self

-professed Rockefeller Republican.

I think Bob Dole is getting away, really, he's being provided cover by certain social conservatives for a record that is in collaboration with Bill Clinton's effort to lock in Roe v. Wade for a decade.

And I think with the social conservatives, we have got to get them back, there's no question about it.

RUSSET: Will you insist that the abortion plank banning all abortions -- period -- stay in the Republican platform? Will you insist, Mr. Buchanan, that Bob Dole not choose a pro

-choice running mate?

BUCHANAN: Well, let's talk about the right

-to

-life

plank. We've won that battle, Tim. Bob Dole is not going to stand up and fight Pat Buchanan to take that out of the platform now with our enormous support; otherwise, there

would be a walkout of the convention. You would split the party.

You would probably have embryonic right

-to

-life parties

all over America. We're going to have -- the Reaganite plank is going to be in the platform.

With regard to Colin Powell, who has said he cannot support Pat Buchanan, let me say this. As of now, I don't believe Bob Dole's going to get this nomination. I think it's a hollow candidacy. It's a hollow campaign.

They fill up this hollowness with tricks and attack ads and push polls, which I've just discovered, and I think one solid blow, as in Georgia, and I think it comes crashing down. And I will be picking the vice presidential nominee, and my choice will be pro

-life.

RUSSERT: If Bob Dole selects someone who is pro

-choice, would you support him?

BUCHANAN: If Bob Dole puts, which he would be doing at 73 years of age, puts into the line of succession for the Republican Party leadership a pro

-choice, Rockefeller

Republican, he will split his party asunder, and many of my people will walk out no matter what I do.

RUSSERT: During the course of your campaign, you have been criticized by conservative Republicans -- William F. Buckley, Bill Bennett, Jack Kemp, Newt Gingrich, Barry Goldwater, Rush Limbaugh. Has your candidacy destroyed the conservative movement, divided the conservative movement forever?

BUCHANAN: That's a very good -- that's a well

-taken

point. First, Buckley has not spoken, to my knowledge, about this year.

But the others -- Mr. Bennett says I was a liberal, and then he endorsed Lamar Alexander, who I think most people would think is more liberal than I am on every issue.

BUCHANAN: There's not only the Mr. Republican chair that is open -- and not only the presidency, but the chair for leader of the American conservative movement in the post

-Cold War era. That chair was held by two men, Barry Goldwater and Ronald Reagan.

That chair is vacant. And there's no doubt we have an application for that chair and we are winning the battle

for that chair for a new populist conservatism of the heart that tries to bring into the Republican Party working class Democrats and middle class folks who believe us on social issues but want to know why we're selling out their jobs, they want to know why we're cutting these trade deals for the benefit of Wall Street, selling out middle Americans.

So many of them broke with the Republican Party. They loved Ronald Reagan. Ronald Reagan got 60 percent of the vote, the Bush- Dole party reduced it to 37 percent. Bennett and Kemp were part of that huge reduction

-in

-force
of the Republican Party.

My goal is to get it back up to 60 percent, but you need to bring Democrats back in. And this is a new conservatism, it's a different conservatism, it's a conservatism of the heart, it is outspoken, bold, unabashed, it is what Ronald Reagan was in 1979.

RUSSERT: So even if you don't win the nomination, you are going to lay claim to the chair, the title "Mr. Conservative," and tell Newt Gingrich and Bill Bennett and Jack Kemp, "Hey, fellas, deal with it, I am Mr. Conservative based on my primary performance."

BUCHANAN: They will have to deal with me and deal with my people.

Look, Richard Nixon told me that he had to, because of his defeats, he had to go out and win in what he called the "fires of the primary." We have been tested out here and we really don't need lectures from Beltway conservatives who refused to get into this fray and fight for their convictions and beliefs, to tell us what we ought to believe when the people who are rallying to me are telling them what we believe.

And I think we are going to create a vast movement, but, Tim, honestly, I would tell Haley Barbour, "Haley, tell the boys to cool it a little bit, I can bring them into the Republican Party." We can beat Clinton if you unite this tremendous movement for the Republicans.

Tim, you know who came in second in the Democratic primary in New Hampshire? Pat Buchanan with 3400 write

-in

votes. If I'd been on the ballot with Bill Clinton I would have gotten 15

-20 percent of the vote up there. I can bring those folks home.

We're asking the Republicans, stop the name calling, open up to these folks, I know they're a little rambunctious in the lobby of the country club, but let us in.

RUSSET: Some of my friends in Georgia tell me there are a lot of Democrats down here who are going to play mischief and cross over and vote for you just because they want you to be the nominee because they think you're easy pickings for Bill Clinton.

BUCHANAN: Do you think Bill Clinton would rather stand up in a debate with Bob Dole or Pat Buchanan? Do you think those White House aides -- you know what they look at me and they say?

"Buchanan, maybe we could beat him good but maybe he could beat us." With Bob Dole they got a known factor. They got a Beltway career politician Republican who has collaborated on these trade deals, who has no reach in middle American.

Listen, most of the Democrats who come across and vote for Pat Buchanan will be conservatives of the heart. They'll walk out there and vote for Buchanan because they said, "That guy represents me. He's the only guy in America that does."

This talk, you know, when folks going to go out for mischief and do things like that, that's mainly myth, Tim, that stuff doesn't happen. Everybody talks about it, but it doesn't happen.

RUSSET: Is it because of all this opposition from the conservative movement within the Republican Party that you requested Secret Service protection.

BUCHANAN: No. I could handle myself with any of those fellows. No, no, we got Secret Service protection, I'll tell you when we got it is New Hampshire. Last time we got it right after New Hampshire. We got, I'll tell you when we got it is when you get the huge crowd of press, and I mean when they back up with those cameras they go over children and people in lines are grabbing you and things like that. We decided to get it right after New Hampshire as we did last time, only we decided to have it there that night.

RUSSET: But you're controversial, you're hot on the stump. Are you concerned about your personal safety?

BUCHANAN: No, you know, if something like that's going to happen, it's going to happen. But I will say this: the people who have engaged in what I would call the rhetoric of hatred against Pat Buchanan, the name calling, fascist, Nazi, all these names, they're creating the same type of environment that has been created in other situations where some nut acts on this impulse.

BUCHANAN: And I would urge them, those names have no place in American politics. I'm controversial, I admit it, I love robust debate on the issues, but we ought to get that kind of viciousness outside of our politics. The rhetoric of hatred has no place here.

RUSSET: Is there an anti

-Catholic bigotry?

BUCHANAN: Well, let me separate out. The press has

treated me very fairly. The national press has by and large treated me fairly. The New York Times has given me tremendous exposure for my views and ideas. So I'm not going to criticize the press this time, I have no reason to criticize them.

But there was a nasty piece of vile anti

-Catholic

bigotry done by Ted Koppel on Nightline which assaulted and slandered and lied about my father and about my family and my faith. I never heard the name Father Coughlin in my house when I was a child. I never knew who he was until I read books about the thirties.

That term ``Christ killer," as you know, Tim, the nuns in the 1940s and '50s who raised me in those Jesuit scholastics would never use a term like that. My mother and father, if someone used a term like that in my house, they would have been slapped down. And the idea that my mother or father would have tolerated that or the nuns would have done that or taught that to us, that is a vicious anti- Catholic slander and slur and Mr. Koppel let the mask of urbanity drop for a moment when he put that piece on and so did ABC News.

And I had, what I decided to do, I don't want to be distracted.

RUSSERT: But that was a balanced piece in terms of issues.

BUCHANAN: I didn't mean -- have you read that piece on the Koppel (ph) Nightline piece? Balanced? They went down to The Palm to get people I'd never heard of to give their opinions of Pat Buchanan's character. And, again, it was based on ignorance and malice. And I had my sister respond to that and we're not going to talk about it anymore because we got a campaign here which is devoted to raising issues and ideas and that's a massive distraction.

RUSSERT: Let's turn to some issues.

BUCHANAN: Sure.

RUSSERT: Tariffs. Pat Buchanan says President Buchanan would slap a ten percent tariff on Japanese goods, a 20 percent on Chinese goods. Many Republican conservatives, again, are calling this the Buchanan sales tax. And to the people here in Georgia, all across the country, they should know, if Patrick J. Buchanan becomes president, they buy a television set for 500 bucks, it's now 550. A VCR, another \$35. If they want to buy a Honda or Toyota, an extra \$2000.

BUCHANAN: A Lexus, an (OFF

-MIKE) \$5000.

RUSSERT: This is a Buchanan sales tax.

BUCHANAN: All right, let's talk. Exactly. Let me talk to that point very well.

Look, what we have proposed is, the Japanese have a \$60 billion trade surplus with us every year. In other words,

they sell us 60 billion more than they buy from us. In the last 25 years, Tim, they bought 400,000 American cars and they sold us 40 million. We can't let that continue to happen.

I will tell the Japanese, "You will act with me to get rid of this trade surplus at our expense or I will act unilaterally." I am thinking in terms of the automobiles. Reagan left them with a 1.6 million quota of cars coming into the country. I am thinking of dropping that quota steadily, steadily, steadily down, if they don't respond, down to the point where the Japanese can sell us about as many cars as we buy from them.

And the purpose of the objective here would be to have the American auto companies take back our own market. If they won't let us into Japan's market, let's take that ten percent consumption tax. Dick Lugar wants a consumption tax on everything. I want it on foreign goods.

And what you do is, let's take the \$5000 tax on a Lexus, it goes from 50 to 55 thousand, all right? The 5000 is used to cut the tax on small American businesses who hire Americans. If Lexus goes up \$5000, Cadillac becomes more competitive, the Lincoln Continental becomes more competitive, Americans start buying from Americans again.

BUCHANAN: We would treat -- these tariffs would only be used on unfair traders like the Communist Chinese who have a 40 percent tariff on us.

RUSSERT: But every camera, every VCR, every TV with an increased sales tax -- 10 percent. Hasn't the competition, in fact, been good for GM and Ford? Taurus is now the number

-one car. American cars are better because the American people opted to buy Japanese cars because the quality was better and forced American automobile manufacturers to make their cars better.

BUCHANAN: Is competition good for our TV industry, our radio industry, our VCR industry, our shoe industry? They're gone, Tim. You're touching on a point where I agree with you.

Ronald Reagan stepped in and said you got 1.6 million cars coming from Japan, thus far, no further. You're not going to do to Detroit what you did to Philco and Dumont (ph) and all of our television industry.

By stopping the Japanese at a certain level, the Japanese then brought their investment in to build the cars here, which aren't under the quota. So, they bring in factories.

Secondly, we gave Detroit time to recoup. That's exactly what I would do. I would never again let a foreign country come in here and destroy an industry. OK, you take imports up to 20, 30 percent and then you say, "That's it."

Now, the Americans -- you've got five years. Like we

told Harley

-Davidson -- five years of tariff protection to get well. Harley

-Davidson did it, took back the motorcycle market. We've got to defend our manufacturing base. It is being hollowed out.

RUSSERT: You may just start a trade war.

BUCHANAN: There is a trade war being waged against the United States...

RUSSERT: What happens to McDonnell Douglas, Boeing? We export airplanes. Japan, China buy those planes. They stop buying our American airplanes. What happens to those workers?

BUCHANAN: Are you kidding? Are you kidding? Go out and talk to the workers at Boeing. When Boeing cuts a deal with China and sells them planes, China says put the tail assembly in China.

I stand with the workers who are saying, "Do not export our factories and jobs, export our products."

Tim, look at what happened to Boeing, McDonnell Douglas, and Lockheed. They are being taken down by Airbus, subsidized with \$30 billion by socialist governments in Europe who are bringing down the companies that built the planes that kept Europe free.

You've got to get tough with these people. We will use every -- look, we have more Americans working in -- now in government than in manufacturing. Did you see our merchandise trade surplus? What is it? Over the weekend?

Merchandise trade surplus -- \$175 billion. One billion dollars equals 20,000 jobs. We lost four million manufacturing jobs last year alone, which we would have had if we simply had a trade balance in merchandise.

RUSSERT: Would you be in favor of domestic content legislation that automobiles made in America must be made with -- by a certain percent of American steel and a certain percent of American workers?

BUCHANAN: I will take a look at that. I've been opposed to that in the past. But I will say this, with regard to the Japanese who have an enormous share of our market. The way I would start is either the tariffs on the Japanese consumer goods or simply say, "Look, you've got 1.6 million cars. Next year, you get 1.4 million unless you shape up. Next year, you get 1.2 million, or you shape up."

Tim, there is -- people are practicing trade wars against America. China has a 40 percent tariff on our goods. It sells us four times as much as it buys from us. It steals our intellectual property, and we sit there and take it.

Let me say about the phonies in Washington...

RUSSERT: But your mentors, Mr. Buchanan -- President Nixon and President Reagan. Both for most favored nation

status -- trading status to China. Both for NAFTA.
Reagan and Nixon break with you on this issue, or you
break with them.

BUCHANAN: I do, let's see, Ronald Reagan -- I do break
with Mr. Nixon. Ronald Reagan had in his heart, he was a
free trader intellectually. The heart was that of an
economic nationalist.

Look at the quotas he put on steel, on automobiles, on
machine tools. Look at the fact that he told the
Japanese, "You're going to buy 20 percent of your
computer chips from Americans." I think Ronald Reagan
would be moving in my direction.

He and I agreed 100 percent in the Reagan White House.
Now,
I think he would be...

RUSSERT: He endorsed NAFTA two years ago.

BUCHANAN: let me talk about these White House meanies
-- Republican Senators who are flunkies on this issue.
Bill Clinton said what? If the Japanese don't shape up,
put 100 percent tariff on Lexus. Eighty

-eight members of
the Senate said we stand with President Clinton.

These fellows are attacking me for advocating policies
that they themselves endorse if Clinton moves out in front
of them.

BUCHANAN: Listen, what is coming in America is
economic nationalism, economic patriotism. We are leading
it. The whole Republican Party is moving my way. The
country's moving my way.

RUSSERT: We have to take a quick break. I want to
come back and talk about the "bloodless corporate
butchers," as you call them, and what impact that may
have on our economy.

We'll be right back with more of Pat Buchanan after
this message.

(BREAK)

RUSSERT: We're back live from Atlanta, Georgia,
talking with Patrick J. Buchanan. He wants to be
president. Mr. Buchanan, you called "bloodless corporate
butchers," the leaders of the large corporations. What
would you, as President Buchanan, do -- specifically -- if
AT&T announced a layoff or IBM announces a layoff? What
would you as president do?

BUCHANAN: That's a very tough question, because I
don't have the answer to it. And I do recall seeing that
AT&T thing in January, and I was just astonished. Not
only the 40,000 dropped off at a single blow, but the
stock went soaring up.

I don't have the answer to that, Tim, but I will say
this --

I think we got to use moral pressure on stockholders to
deal with boards of directors who pay \$5 million salaries
to people who are responsible for this and call themselves

"Chainsaw Al" and all these big, hairy- chested names when what they're doing is killing jobs.

So, I don't have the answer to how to deal with the big corporations dropping people off like that. I do have trade and tariff policies I think will bring investment into America, and we've talked about those.

And I do have a small business bill of rights where we virtually eliminate federal taxes on small business because they're going to have to pick up these folks that the Fortune 500 has been lopping off by the thousands.

RUSSET: When you worked for Ronald Reagan, some Democrats in Congress said we should have legislation which says that there should be notification to the workers and to the community before a big layoff, and Ronald Reagan said, "I will veto that legislation."

BUCHANAN: We were wrong. Sixty

-day notification is right.

RUSSET: That's right, and Pat Buchanan is for that?

BUCHANAN: Yes.

RUSSET: I've talked to a lot of people in large corporations on Wall Street over the last week, and they tell me that if your trade policies were put in place and your economic program was put in place, it would be a shock to the stock market.

That the market would collapse perhaps as much as 20 percent. And they reminded me something that I'm not even sure you're aware of. Do you how much -- what percent of the stock market is pension money?

BUCHANAN: It's an enormous amount. It used to be 33 percent. I'm not sure what it is now.

RUSSET: It's a third, and that's...

BUCHANAN: It's called pension fund socialism.

RUSSET: Fifty

-four million people have fully funded pensions in this country.

BUCHANAN: I'm sure you and I do, too.

RUSSET: Well, let me -- 200,000 of AT&T, 200,000 had GE, and Mr. Buchanan, if that market was rattled by your economic policies, pensioners -- pensioners could lose a half billion dollars and they're security is threatened.

BUCHANAN: Look, look -- 20 percent drop. First, I don't believe it. A 20 percent drop in the stock market would be about a 1,000 points, which would take it down to where it was in the bull market of about a year ago. I don't believe that's going to happen.

But, Tim, it seems to me the responsibility of a president and a leader is to look out for those who have no one else looking out for them. To provide a voice for the voiceless -- for the unborn, for working men and women who are losing their jobs.

You know, you talk -- people talk about a lot jobs.

One fellow came up to me and he said, "I know there are a lot of jobs out there, Pat. I got four of them."

And this is what is happening in America. The middle class and working folks who work with hands, tools, and machines are left out.

BUCHANAN: Their real incomes are going down. Middle class income's going down. And a president has got to represent the interest of the vast majority of Americans. You and I do good.

I bet you've got a 401K. I got a 401K. That's doing fine.

But we're not doing fine if the rest of America's being left behind while some of us are doing very well.

RUSSERT: But these large companies, every worker at those companies are supporting two people who are getting a pension. And if you rattle this economy and threaten those pensions, don't those...

BUCHANAN: Well if you're not -- you're talking -- I mean if you had a drop, a small drop in the stock market, it would be where it was a year ago, which was a bull market. But look, that doesn't -- dividends and interest and things like that are not contingent upon that. And here's -- listen, the point is, folks who have 401K's are doing fine. The folks who are not doing well are those who live on -- going to be on social security and are going to have a meager income when they retire, and they're trying to save some money now.

And we are taking away the best jobs they've ever had. Let me tell you...

RUSSERT: This is a global market. This is a global economy. And...

BUCHANAN: It is -- you're not responsible for the global economy Tim. You are responsible for the American economy...

RUSSERT: But that's where -- If you want Americans to have well paying jobs -- job growth amongst -- in the export business, six times higher...

BUCHANAN: I'm not against exports. I'm for -- listen, if we had 175 billion more in exports Tim, we would have a trade balance. All four presidents on Mount Rushmore agreed with me. One they wanted America to be the greatest manufacturing power in the world, independent of all countries. Secondly, Americans were to have the highest standard of living in the world. And they were not to be thrown into dog

-eat

-dog competition with then

Europeans who made 20 percent of what they made. That was the heart of their economic policy known as the American Economic System.

You marry that to Ronald Reagan's low tax rates, which make us the enterprise zone of the western world. This country will boom as it never has before.

RUSSET: But these corporations have an obligation to their employees and to their pensioners to continue to be strong financially, and continue to grow and create jobs. And you want to stop that by pulling up the borders.

BUCHANAN: This is nonsense. I want them to grow and I want them to grow here. I like it that BMW comes into South Carolina. What I don't like is that General Motors moves to Mexico and Ford moves to Mexico. What I don't like is the fact we're shutting down American factories here. Listen, how do they -- how do you justify -- let's take IBP when I was in Iowa.

Real wages on the floor of IBP went down 40 percent in 15 years. That is a depression. The wages of the guy running the show went from 400,000 to 4 and a half million.

If that's what Capitalism means, I can't defend it anymore. And I'm a Conservative. I'm a free enterpriser.

I'm a Capitalist. These people with these obscene salaries, which explode and expand with stock options, -- at the very moment they lop off ten thousand workers, -- if we're Republicans defending that, we don't deserve the support of those workers. And I don't think Washington, those fellows in the Beltway, have a clue. Bob Dole was up in New Hampshire, he says, "I didn't know that this was about jobs and the economy, how this thing works." They don't have a clue.

RUSSET: You've been criticized, however for investing in those very same companies. You own stock in GE and IBM and where else? And AT&T.

BUCHANAN: Well AT&T is Shelley's. Let me tell you this...

RUSSET: But if they're so bad, why do you invest in them?

BUCHANAN: Let me tell you. I've got a retirement program, Tim, I'm sure like you, it sat in a cash market account. And my broker calls me and says, "Hey Pat, you're getting two percent on your money. Why don't you put it in the stock market?" I said, "I don't care about the stock market. I'm not interested." He said, "Can I invest it all?" I said, "You go ahead and invest it." And so he's invested all my capital in that. But the very fact -- look, I've got two big fat speaking fees from Goldman Sachs. Have they influenced my attitude toward Goldman Sachs, after Mr. Ruben's crowd led us into that Mexican situation?

RUSSET: But you're not worried about the 54 million Americans who are relying on pension from these big companies?

BUCHANAN: I'm relying on pensions from these big companies.

BUCHANAN: What I'm saying is we have to have a balance. Somebody's got to look out for the losers. It is coming.

RUSSET: Let's talk about immigration.

BUCHANAN: Sure.

RUSSERT: Your position against illegal immigration is well known.

BUCHANAN: Right.

RUSSERT: Building a fence. Legal immigration, however, you want to freeze all legal immigration for five years.

BUCHANAN: Yeah.

RUSSERT: If that was the case, your Dad would never have been here. You have a housekeeper from Chile. She wouldn't be here.

BUCHANAN: Sure she would. Look, she came in 1970, whatever it is.

Look, Tim, in our history we've had periods of very high immigration -- our Irish immigrants came over from 1849 to about 1850- something -- and periods of very low immigration. We need a period of time to assimilate and Americanize and absorb all those who have come here legally. I would reduce it from about 900,000 to 200,000, probably still the most generous policy on Earth.

But we need a time, because we got to look at what's happening in Canada. That's coming apart on two issues: language and culture. Formerly a very united, we thought very placid country, and I think this country is threatened down the road with something like that unless we Americanize and absorb all these folks.

Let me tell you one president whom my conservative friends admire, Calvin Coolidge, who did three things, he and Harding. They stopped immigration cold after the

30
-year explosion of it; they cut the top tax rate from 90 percent to 25 percent; and then they imposed the Fortney

-McCumber (ph) Tariff, which took tariffs up to 40 percent so we would have our entire own market.

You had the greatest explosion of growth, development, hope and opportunity in American history, right up to the Depression and the stock market collapse because of what the Fed did, as Milton Friedman has taught us.

RUSSERT: But over the last five years 80,000 Irish have come here, 100,000 Polish, and you're saying no.

BUCHANAN: Five years?

RUSSERT: That's right, over the last five years.

BUCHANAN: (OFF

-MIKE) 15,000 a year?

RUSSERT: You're saying...

BUCHANAN: Fifteen thousand a year from Ireland? You're not going to go completely to zero on this. You do have to stop the illegal immigration. You got to stop chain immigration. By that it means when a fellow comes here, say, from the Philippines, he can bring his wife and

he can bring his siblings, but he can't say, "I want to bring my Mom and Dad and brothers and sisters," and many of them going onto welfare and some of them going into crime, especially the illegal immigrants. Ted, I mean, excuse me, but...

RUSSERT: What you're saying is Patrick Ewing, for the Knicks from Jamaica: No. Arnold Schwarzenegger from Austria: No. General Shalikashvili from Poland, no.

BUCHANAN: No, no, General Shalikashvili, I think they probably came over as refugees after World War II. Look, I'm not...

RUSSERT: Are refugees allowed? If there's refugees from Cuba are they allowed in?

BUCHANAN: Well, listen, with Cuba, Cuba's a special case because it's right next to the United States, it's 90 miles away, if they escape Castro they've only got one place to go.

There's a difference between that and Haiti. Look, if Haiti, someone feels politically oppressed, he walks across the border into the Dominican Republic.

RUSSERT: But what about political refugees from Rwanda, Sudan, Somalia?

BUCHANAN: Let me tell you something. We cannot take in everybody who claims he is politically persecuted, otherwise we'd have to take in everybody that ever escaped from China, and we can't do that, Tim. We got to make decisions based on what is in the best interest of the United States of America, and I believe the American people want a time

-out on legal immigration, I will guarantee that time

-out, I will stop illegal immigration cold.

RUSSERT: But this is legal immigration. I was thinking...

BUCHANAN: It's going to be, Ted, how high do you think it should be? How high do you think it should be? How high do you think it should be?

RUSSERT: I was thinking about your position now, and I thought about the Statue of Liberty and that inscription on the bottom: "Give me your tired, your poor, your huddled masses..."

BUCHANAN: Emma Lazarus, Emma Lazarus. "Yearning to breathe free."

RUSSERT: "...yearning to breathe free. Send them, the homeless, I lift my lamp beside the golden door." President Buchanan would cover that inscription up for five years.

BUCHANAN: This is silly. Ted, under Franklin Roosevelt...

RUSSERT: Tim, Tim. Ted's the other guy.

BUCHANAN: Excuse me. They had that problem on that

show, too.

Look, under Franklin Roosevelt and Harry Truman we had virtually no immigration. We had a moratorium on immigration from 1924 to 1965. Were they somehow anti

-immigrant because they had a time

-out in that period?

BUCHANAN: No. They wanted to assimilate and Americanize the people who had come here.

RUSSET: But the Statue of Liberty -- this is our beacon. This is our inscription. This is our motto, and you're saying, "Stay out."

BUCHANAN: No, Tim. Tim, I'm not saying that. I'm saying we need to adopt the policies we had from '24 to '65 but be slightly more generous than that.

That was Roosevelt, Truman, Eisenhower. They were good Americans. They realized we were a nation of immigrants, or the descendents of immigrants, but they also realized that you need stability in the country. You need to Americanize folks who have come here.

Seventy

-five or 85 percent of the American people agree with me.

RUSSET: But your grandparents came from Ireland, Germany, Scotland...

BUCHANAN: That was a period of high immigration.

RUSSET: And what you're saying, though, in 1996 -- if you're from Ireland, Germany -- Irish need not apply.

BUCHANAN: No, what I'm saying quite simply is this, America is not going to have a policy of open borders, which the Wall Street Journal recommends, if I'm president of the United States.

We will exercise the right to control our borders, to enforce our immigration policy, and adopt immigration policies that we believe -- Congress and the president -- are in the national interest of the United States.

And the timidity and cowardice I see in Congress and the part of the President now in not even enforcing existing immigration laws against what is happening in the Southwest, that comes to an end when I take the oath of office.

RUSSET: We have to take another quick break. We'll be right back with more of Patrick J. Buchanan, Republican candidate for president.

(BREAK)

RUSSET: The IRA has committed terrorist acts in London. Do you support that?

BUCHANAN: I would say with regard to Gerry Adams, let's find out from intelligence and others did he support or in any way know about that atrocity that occurred in Great Britain when that act of terrorism occurred.

And if he did, I don't think you could go with him. But if he did not, and he simply is representing that wing and the negotiation's already going, I think that, yes, he ought to let him in.

I think on this issue, where I have -- I think that the President has done a good job, basically. I would not have invited Gerry Adams to the White House. I think that was an affront to the British, but the idea of negotiating with these people -- look, he had to negotiate with Yasser Arafat.

RUSSERT: If Cuba shoots down any more civilian aircraft with American citizens, what would President Buchanan do?

BUCHANAN: If it's in international waters, I would shoot down the Cuban planes.

RUSSERT: Would you go get them if you couldn't get to them? Would you shoot them on...

BUCHANAN: Well, if they shoot down -- if they use anti

-aircraft guns and shoot down a Piper Cub (ph) over their own island, I think that's an act of murder and terrorism, really, against people who are basically doing a humanitarian service, spotting people in the Florida Straits for boats to pick up.

But they would not be violating international law if they did that. So, I would maintain very tough sanctions on Castro. I think President Clinton has appeased Fidel Castro for a period of time, and now, he's reversing his policy, partly for political reasons.

RUSSERT: If Saddam Hussein invaded Kuwait this afternoon, what would President Buchanan do this time?

BUCHANAN: Well, we got a commitment there we've already made. And we would have to stop it, and I think I would maintain that commitment. But I opposed initially because I don't believe, in the long run, that monarchy is the long haul, is the future in the Persian Gulf, Tim.

We have got ourselves commitments there of dual containment, of maintaining these monarchies, of defending Saudi Arabia, which we have to do, which is vital. And the Shi'ites and the Kurds, which you cannot maintain if you continue to draw down the military forces the way we're doing right now.

RUSSERT: But you would throw Saddam Hussein out of Kuwait?

BUCHANAN: Yes, I would tell him that he would -- that his nation would be under attack if he enters Kuwait.

RUSSERT: The last time in 1990, you took that issue, you opposed President Bush. You said thousands of Americans would die, the area would blow up. You were dead wrong.

BUCHANAN: No, let me see, I don't think I said the area would blow up. I said this -- early in August when some people were clamoring for American air strikes, we

had about 20,000 guys in the 82nd Airborne. They had 100,000. I said this will be a bloodbath. They were screaming for an initial attack.

But let me say this. I said this -- if we smash Saddam Hussein and destroy him, we will create commitments for ourselves that we're going to have a tough time validating, and you will also increase Islamic Fundamentalism throughout the area.

BUCHANAN: That was proven right. We have commitments far beyond what we had before. Islamic fundamentalism on the rise in Egypt, Saudi Arabia, Turkey -- all through that region. And I think one day we're going to find out we could have real trouble because of it.

RUSSERT: When you turn to the issue of extremism, I want to show you a tape and get your reaction.

BUCHANAN: Sure.

RUSSERT: This was Barry Goldwater in 1964.

(BEGIN VIDEOTAPE CLIP)

GOLDWATER: I would remind you that extremism in the defense of liberty is no vice. And let me remind you also that moderation in the pursuit of justice is no virtue.

(END VIDEOTAPE CLIP)

RUSSERT: Was he right?

BUCHANAN: No, he was not. You know, I sat in a room with my father up at Stone Harbor and he got up and walked out of the room and said the guy's lost the election. And he proved to be right.

What Senator Goldwater should have done in realizing extremism was an issue, he should not have done that provocative a thing. He should have reached out and brought that party together. I know he'd been called terrible names. Let me say about Senator Dole. Senator Dole is running a shabby campaign.

He tells reporters everywhere, "I've pulled that extremism ad." In the South Carolina debate, "I never called Pat an extremist." Meanwhile, he's running this ad everywhere, he's doing these push calls to tell people "Pat Buchanan's extremist, he's going to give nuclear weapons to all these countries." He knows it is false, shabby campaign calling an old friend an extremist.

Tim, that is what Al Gore and Bill Clinton have been doing to Republicans, Newt Gingrich's Congress, the new young freshman for months. And now Mr. Dole's emulating that tactic and it is a sign of the vapidness and the hollowness of the Dole campaign.

RUSSERT: But you also choose to equate the Civil Rights movement and the Civil War. The Civil Rights movement was to unify this country, the Civil War, which was to destroy the Republic. You compared "We Shall Overcome" to "Dixie." A lot of people take great offense to that.

BUCHANAN: Oh, they take great offense, I know they do. But look, what I say is we conservatives, and some of the

folks in the South who oppose the Civil Rights movement, we got to accept the fact that we shall overcome is part of the anthology of American songs and American history.

But other folks have to accept the fact that the Confederate battle flag, that this is a badge of honor, bravery, courage, defiance against overwhelming odds. It's the flag under which those 15,000 men walked into those guns at Gettysburg. Both sides are honored up there at Gettysburg. And all we're saying is, you got to respect the valor and honor and buoyance of the Confederate commanders and their valor.

Joshua Chamberlain, the greatest soldier this country ever produced, said whenever I see that Dixie, that flag, that Confederate flag it reminds me of incredible valor under impossible odds. That's what it means to me. What we're saying is, Tim, respect our traditions. We will respect yours. We're diverse. We come from different places.

We've had a lot of arguments and battles. Respect all our traditions.

RUSSERT: But Blacks take great offense at that...

BUCHANAN: Look, some take offense at that. And some, there's some Americans who vote against Martin Luther King's holiday. But this, the Blacks consider Martin Luther King, and many Whites consider him a great Martin of Civil Rights, and a great hero.

RUSSERT: Do you?

BUCHANAN: I consider Martin Luther King a brave man, a courageous Civil Rights leader. I was at the march in Washington, eloquent, eloquent more than any American of his generation. But I do believe he was a flawed character.

RUSSERT: And you told Mr. Nixon in a memo that he was a fraud and a demagogue?

BUCHANAN: Well, no I don't know that I said that. I said he's been considered by many. I don't believe I ever said.

RUSSERT: Many consider, you said. Correct?

BUCHANAN: Many consider, OK. Some people do. This was when the whole issue was very volatile as to whether or not they should have a holiday for Dr. King. Ronald Reagan initially opposed that holiday. I initially opposed that holiday. Now that it's there we've got to say listen, friends, that battle is over.

BUCHANAN: And let's move forward together. That's what we're trying to do. But don't make us renounce my ancestors or my heritage or my history. We shouldn't make others renounce theirs. We're a diverse nation.

RUSSERT: You've also been hit with charges of anti

-Semitism.

BUCHANAN: Right.

RUSSERT: Last week I had William Safire, a friend of

30 years, a co

-worker in the Nixon White House. I asked him about those charges about you. And this is what he said.

(BEGIN VIDEO CLIP)

SAFIRE: Well, certainly in personal relationships he get along well with just about everybody. But on a scale of one to ten. If you take the great majority of Americans and say -- on anti-Semitism, they don't have any, one. And you take Hitler as ten. And you say Farrakhan is seven. I'd put Buchanan four or five.

(END VIDEO CLIP)

BUCHANAN: Well, I think that is a -- that's really a slander, really. Adolph Hitler, a mass murderer of Jewish people, the greatest anti

-Semite in history, in the agent of mass murder. Mr. Farrakhan rants and raves against Catholics and Jews, in particular, and others to a degree that all of us find appalling. And yet Ms. Safire compares me with those figures. I think the comparison is not only invalid, it's outrageous.

RUSSET: Well, he refers to -- calling Congress, "the Israeli Occupied territory", has supported the war -- Israeli Defense Ministry, and the (OFF

-MIKE)...

BUCHANAN: Who the -- Can I talk about that?

RUSSET: ...the reference to the Holocaust survival syndrome which creates group fantasies, that's what he's concerned about.

BUCHANAN: All right. Let me tell you. Let's talk about it.

At times, Congress has behaved exactly that way. It has not stood up, in many cases, to the Israeli lobby when they demand foreign aid, far beyond what I think is proper and ought to be done. And Congressmen will tell you off the record Tim, that they are terrified at what happened to Chuck Percy or Bill Fulbright. The amen corner of the Israeli Defense Ministry, Mr. Safire is a member in good standing of that. During a number of these conflicts there were people who came out entirely for the war against Iraq.

And they based it on the grounds that Iraq was a threat to the nation's state of Israel. But that's not my interest. I...

RUSSET: Mr. Nixon in 1968 said, "Bring us together." Do you think Blacks and Jews could vote for Pat Buchanan?

BUCHANAN: I think -- I'll tell you, I think, given the hostility that's coming out of some members of the Jewish community -- you ask me, it's difficult. I do think I can bring

a lot of Black Americans home because they stand with me on these unfair trade deals that are sending their jobs overseas. These are working class folks who are coming our way.

RUSSERT: Mr. Buchanan, we have to leave it there. Thank you for joining us. Be safe on the campaign trail.

BUCHANAN: Thank you.

RUSSERT: Coming next, Cuba's back in the news. We'll hear what Fidel Castro had to say about America in 1959. More of "Meet the Press" live from Atlanta after this brief news and weather update.

(BREAK)

RUSSERT: A quick station break and we'll find out what Fidel Castro looked and sounded like in 1959.

(BREAK)

RUSSERT: ...1959 and appeared on "Meet the Press."

(BEGIN VIDEO CLIP)

(UNKNOWN): Dr. Castro, an American magazine published a story this week which says that Dr. Castro really hates America.

Will you tell the American people how you feel about the United States?

CASTRO: I'm not going to hate to the people of the United States. I don't hate anybody, including my enemies, those who have been my strong enemy in Cuba, I don't hate them. Mark the Apostle, ocho, taught us not to hate. (OFF

-MIKE)

(UNKNOWN): Well are you saying that you don't hate your enemies and you don't hate us either?

CASTRO: It's not to the public, to the people of the United States sincere are they thinking about the citizens of the United States are very nice and noble people.

CASTRO: I see in Cuba, I see here you're young boys, girls, newspaper reports, doctors, everybody really, really nice people. This is my impression. If I would think another way, you can be sure, I would say here.

(END VIDEO CLIP)

RUSSERT: And here it is 37 years later, Cuba shoots down four American civilians. The U.S. imposes tougher economic sanctions and relations deteriorate. We'll be right back.

(BREAK)

Tune in tonight for the NBC NIGHTLY NEWS with Jack Ford. Tomorrow, Katie Couric back from maternity leave. Welcome back, Katie. You'll see her tomorrow on the today show. Tune in tomorrow night for the NBC NIGHTLY NEWS with Tom Brokaw.

And a special thank you to our great Havana affiliate, WXIH 11, Channel 11 you are the best.

That's all for today, we'll be back next week. If it's Sunday, it's MEET THE PRESS.

END

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TRANSCRIPT

CNN ``EVANS & NOVAK''

HOSTS: ROWLAND EVANS AND ROBERT NOVAK

GUEST: TREASURY SECRETARY ROBERT RUBIN

SATURDAY, DECEMBER 14, 1996

MR. EVANS: I'm Rowland Evans. Robert Novak and I will question
the nation's chief financial officer.

MR. NOVAK: He is Treasury Secretary Robert Rubin.

We're talking to the secretary of the treasury in the
diplomatic reception room at the Treasury Department.

Mr. Secretary, ever since the chairman of the Federal Reserve
Board, Alan Greenspan, talked about irrational exuberance in the
markets about 10 days ago, there have been some periodic drops in
the bond and stock markets. If that continues, are you concerned
it'll have a negative effect on the greater economy?

SEC. RUBIN: Bob, I think very much the most likely outlook for
the economy is really very favorable: The continuation of good
growth and low unemployment. Markets fluctuate, as they always
have, and they always will. But I think fundamentally the markets
will follow fundamentals. They'll follow economic conditions. And
I think the economic outlook is good.

MR. NOVAK: Sir, you're not concerned at all about market
drops, that it could have a long

-term effect? Of course, in
American history, very bad economic results have often resulted
from declining financial markets.

SEC. RUBIN: That is true, Bob. On the other hand, if you look
back over American history, what you'll also find is that markets

have followed fundamentals. And as I say, I think fundamentals look good. I think the outlook looks good, and I think the most probable outlook is for continued growth, low unemployment and low inflation. And while markets undoubtedly will fluctuate around whatever level is realistic relative to those levels, I think that on balance the economic outlook is very good.

MR. NOVAK: Let me ask you just one more point on that. You have a new economic team -- something old, something new. It has been announced by the president. Are you putting any contingency plans in on what will happen if there is a steady decline of markets? Is that something you're keeping an eye on?

SEC. RUBIN: Bob, we're always watchful with respect to markets, but we are not in any way particularly focused on markets any more than we ever have been. What we're focused on is doing what we think is right for the long

-term economic growth of this country, because I think as long as we continue to have good economic fundamentals, markets will follow, although they'll obviously fluctuate around whatever the appropriate levels would be for any given set of conditions. So our focus is policy and economic fundamentals.

MR. EVANS: Mr. Secretary, in his Friday press conference, the president said his first objective in the second term is to, as he put it, restore economic growth. How can he then come out against an across

-the

-board income tax which might give a little leverage toward that ambition of restoring economic growth?

SEC. RUBIN: Well, Rowly, leaving the choice of the word --

MR. EVANS: What word?

SEC. RUBIN: The word "restore," which you just used --

MR. EVANS: That was his word. That was his word, sir.

SEC. RUBIN: Well, the fact, though, is that we have had very good economic conditions over the last four years. The unemployment rate when he took office was 7.3 percent. It's 5.4 percent today. We've had solid growth, low unemployment, created practically 11 million new jobs in the last four years. We have had good economic conditions. Now the key is to continue to have these kinds of conditions going forward, and that is our focus.

MR. EVANS: Sir, what is the economic growth rate in the latest third quarter and your estimate for the fourth quarter?

SEC. RUBIN: I don't have estimates for the quarter. And I'll tell you something, Rowly. I don't worry much about quarter to quarter. I really, truly don't. These things fluctuate around. I think what you have to keep your eye on is what looks like it's happening. We had a group of business executives in here the other day, for example, and one of the prevailing views, the general view, was that business was quite good and that we're likely to continue to have the kind of growth we've had in the last four years.

MR. EVANS: But in your view, Mr. Secretary, is a growth rate of one and three quarters to 2 percent very good growth, in your view?

SEC. RUBIN: Well, we haven't been growing at that rate, as you know. We've had growth --

MR. EVANS: One and a half?

SEC. RUBIN: No, no. We've had growth over the four years in excess of two and a half percent.

MR. EVANS: We're talking about now.

SEC. RUBIN: Well, this particular quarter? I do not know, Rowly, what the growth will be this quarter. And I also think that that is really relatively irrelevant. I think what matters is what do we think is going to happen over time. And I think over time we will continue to have the kind of growth we've had, assuming we stay on a sound policy path.

MR. EVANS: One more on that. The Wall Street Journal/NBC poll this past week noted the fact that 34 percent of American voters, their number one tax idea, tax hope, aspiration, is for an across

-the

-board tax cut. That's the middle

-class tax income cut.

Why are you so adamant, you and the president, against that?

SEC. RUBIN: Well, what the president has proposed, as you know, is a program of middle

-class tax cuts. They were in his last two budgets. He discussed them in the campaign. And we're going to

fight to get them enacted in the coming Congress. What he also said was that the very large tax cut that Senator Dole had proposed had no conceivable way to pay for it, and I believe that's correct. And had we done it, I believe it would have exploded the deficit and undermined our economy.

MR. EVANS: So growth is behind, then -- growth is behind a balanced budget.

SEC. RUBIN: I believe that the fiscal discipline that we've had the last four years has been indispensable with respect to the economic conditions we've had. And I think to continue that kind of growth and good economic conditions going forward, we need to go to a balanced budget. And that's exactly what we're committed to do.

MR. NOVAK: Mr. Secretary, on this -- on our program, we've had in recent weeks the chairman of the Ways & Means Committee, Congressman Archer, the majority leader of the Senate, Trent Lott, the majority whip of the Senate, Don Nickles. And they all make a very hard point that any tax cut, including some of the proposals that you're proposing such as the education tax credit, must have a broad

-based capital gains cut. But you're opposed in principle to a broad

-based cut in the capital gains tax. Is that correct?

SEC. RUBIN: Bob, my view with respect to the capital gains tax cut is that it is very unclear how much economic good that would do for the country. Most economists think it would have at best a muted effect on savings. In contrast to that, I believe that the middle

-class tax cuts that we've proposed, A, are very good for the middle class, and B, I think are very good for the country, because what they basically do is incentivize education, child care and savings. So I think in a world of limited resources, what we should do is place our priorities on the middle

-class tax cuts the president proposed.

MR. NOVAK: I understand that, sir. But there's been, since the election, a lot of talk about compromise, people giving -- one side giving a little, the other side giving a little. And what I'm asking you is, the thing that the Republicans seem to be willing to give on, they're not insisting on an across

-the

-board tax cut. They're not insisting on any radical change in the tax plan. They're not opposing your proposal. But they do want a broad

-based capital gains cut. Isn't that a basis for negotiation?

SEC. RUBIN: Well, I don't think there's any question, Bob, or at least it seems to me it's very likely that when we get to the point of actually negotiating to reach a balanced budget -- and I agree with you, the president is committed to finding common ground, and hopefully Congress will be as well -- one of the big issues will be our support for the middle

-class tax cuts and support by many of the congressional Republicans of a capital gains tax cut. And that will clearly be one of the centerpieces of the negotiations.

MR. NOVAK: So it's not out of the question, then --

SEC. RUBIN: I don't know --

MR. NOVAK: -- that they'll agree to it.

SEC. RUBIN: Well, just so that we don't get this wrong, our proposal is middle

-class tax cuts. Many of the Republicans are proposing a capital gains tax cut. And it is that difference that

we've brought to the negotiating table. What the outcome of that will be, I don't have any idea.

MR. EVANS: Mr. Secretary, the Republicans in Congress, particularly since the '94 election, brought the president along toward a balanced budget as a goal, an objective. He didn't have that in 1993 when he took office. Is it possible that this same Congress, the Republican

-dominated Congress, could bring the president and you along on the concept of a balanced budget amendment with language that gives room for some movement in case of a recession or some economic upheaval? Is it possible?

SEC. RUBIN: Rowly, let me give you two pieces to that question. I disagree totally with the premise of the question. The president came into office after the federal debt had quadrupled, 1980 to 1992. He's the one who put in place the deficit reduction program of '93 that brought the deficit down by 60 percent. Nobody brought him to the table of fiscal prudence. He brought the country to that point.

Now, going forward, what we need to do and he is totally committed to is going to a balanced budget. A balanced budget amendment is a very different matter. And it is his view, and it's one that I very much share, that a balanced budget amendment has the danger of creating a fiscal straitjacket and could force the country into precisely -- into having to rectify a deficit at exactly the wrong time, which is when you're in a recession, and drive you into a depression.

MR. EVANS: But he has not used the strong language, sir, that you have just used. In his press conference on Friday, he (rather stated?) that strong language. He said, "If they could come up with language, I might be able to adapt a balanced budget amendment idea."

SEC. RUBIN: Well, the president's view, and the correct view, in my judgment, is that, number one, we should not have a balanced budget amendment, for the reasons I just said; it creates a fiscal straitjacket, and that creates a real risk to our economy. But if we are going to have one -- and we shouldn't have one, but if we are going to have one, then we should try to draft it in such a way that it makes allowance for as many of the contingencies that could create trouble for our economy as possible.

MR. EVANS: It's possible, though. It's possible to do that.

SEC. RUBIN: No. In my judgment, given that the economy itself is so complex that you can't possibly foresee all possible contingencies, I don't think that you can draft something that would adequately protect you against the dangers of a balanced budget amendment.

MR. NOVAK: Well, in that event, Mr. Secretary, the Democratic leader of the Senate a couple of weeks ago, Senator Daschle, said he could be for a -- he could provide enough votes, he said, for the passage of a balanced budget amendment if the Social Security taxes and payouts were removed from the budget. You don't agree with that. Is that correct?

SEC. RUBIN: I do not believe we should have any balanced budget amendment. And a possible approach is the one that you just mentioned, because that would then take Social Security out of the combined budget. And some people think that's a sounder basis for budgeting. But I do not believe that we should put in place any --

MR. NOVAK: You think that's a sounder basis for budgeting?

SEC. RUBIN: There are those who argue it is. I myself think that the way that we now approach budgeting is effective and it works and it does what it needs to do. But there are those who would argue that that is a sounder basis for budgeting. The commitment we have is to a balanced budget. I do not believe we should put any form of balanced budget amendment in place.

MR. EVANS: Mr. Secretary, we've got to take a break for messages. And when we come back, we're going to talk about one of the major controversies floating around town, changes in the cost

-of

-living index, in a moment.

(Announcements.)

MR. NOVAK: Treasury Secretary Rubin, in the last couple of weeks a bipartisan commission has come out with a proposal to make the consumer price index more accurate. That would have a great effect on payments that the government pays out, money it takes in, with the windfall of a trillion dollars over 12 years. Now, the Republicans say you, the administration, have to go first in implementing this. Are you ready to do that?

SEC. RUBIN: I think the responsible thing to do is exactly what we're doing. And actually, it's what Boskin, in his report, said we should do, which is to give the experts around the country time to digest and analyze -- I think those were his words -- his report and then -- and now I'm adding to what he said -- wait and see what kind of broad

-based agreement develops.

If a broad

-based agreement develops for change, Bob, so that the CPI more accurately reflects inflation, which, as you said, is the objective, then we have to see what kind of a process we have. But the first thing to do is exactly what Boskin said, which is to let the experts around the country digest and analyze this report.

MR. NOVAK: So you're not ready to go first on this, as the Republicans want you to do.

SEC. RUBIN: I don't think it's a question of going first, last or anything else. I think it's really a much more serious matter than political jousting. I think it's a question of what is the right answer. And there I think we really have to wait and see

what kind of expert opinion develops around this catalyzing event, which is what I do believe the Boskin report is.

MR. NOVAK: A catalyzing event.

SEC. RUBIN: In the sense that there's been a lot of ad hoc discussion about the CPI. Now you've got a report that the experts around the country can respond to.

MR. NOVAK: Having just heard you saying there's nothing political about it, I'm going to ask you one more political question about it, and that is that if you get into this, do you then bring along the congressional Democrats on your side, or are they on their own on this?

SEC. RUBIN: Well, I can't predict exactly how this thing is going to unroll. I really can't. I don't think anybody can. But I still think that the most important thing first is to see what kind of opinion develops amongst the experts. And then once that happens, then we can see how the processes work.

MR. EVANS: Sir, Mr. Secretary, you say we should take Boskin's advice, you and the president, to go around the country and see how people feel. Without seeming to be too offensive, let me ask you. On privatizing Social Security, you have said, and I quote, "Clearly that has to be a bipartisan process on changing Medicare so Medicare can pay off the dividends that it owes the American people." You said, "What we need to do here is have a bipartisan process." And now on the CPI, the consumer price index, you said we need, and I quote, "broad

-based agreement."

SEC. RUBIN: Amongst the experts.

MR. EVANS: Sir, the president leads this country, does he not? Should he not be either out in front, saying, "This is an idea I embrace; we're going to make this work," or "This is not the right time; we'll let it go to next year"? Shouldn't he be the leader in this?

SEC. RUBIN: I think he is providing the kind of leadership he should.

MR. EVANS: What is the leadership?

SEC. RUBIN: His leadership -- and I think it's exactly the responsible thing to do -- is to do exactly what Boskin says, which is, "Let's not jump to conclusions. Let's find out not what the people feel," as you said, "but rather what the experts around the country feel." And once we get expert opinion back, then we can see where we go from there. And I think the responsible thing to do is not to jump to conclusions but rather to see what kind of broad

-based agreement develops so that you have a technical foundation for any changes that may be advocated or take place, if any are going to take place.

MR. EVANS: Now, there's a big fight in Washington right now between department heads, cabinet heads, telling the budget bureau over the president's -- who obviously take their orders from the president -- "Hey, stop cutting my department." You're getting it in HUD. You're going to get it in other departments. What is the answer? How does the president deal with this?

SEC. RUBIN: We've had a very good process for four years, and

we're going through exactly the same process now. OMB Director Raines, who's really doing a terrific job, is taking us through the budget. We all meet around a table. We sit and we talk, and then we talk with the president. As is always the case, Rowly, at least in the four years I've been here, some of the agency heads advocate considerably more than they're going to get, and some of that leaks to the press.

But basically all of that is just noise around what is the fundamental process, which is putting together a balanced budget and doing so with the priorities the president wants, and that's exactly what we're doing. What really happens is the president takes a look at what's coming in and then he imposes his priorities on the budget as we go to balance.

MR. NOVAK: Mr. Secretary, Robert Hormats, the vice chairman of Goldman

-Sachs, your old firm in New York, created quite a stir this week. He was quoted in the Wall Street Journal as saying he thought the Japanese would be buying less securities issued by this department, the Treasury Department, which would increase interest rates, depress the bond and stock markets. There was a lot of speculation that he was reflecting your views. Is that correct?

SEC. RUBIN: Absolutely not. I have no idea what the Japanese are going to do. What I do know is that as long as we have good economic conditions in this country, which we do at the present time, and as long as we follow a sound policy path, then we can maintain confidence in the global financial markets. We can fund our debt abroad. The private sector can raise capital abroad. And we can have a low cost of capital in this country, which is what you need if you're going to have sustained recovery.

MR. NOVAK: Well, there were statistics that came out that indicate very strong purchases of U.S. securities by the Japanese. Does Mr. Hormats know something for the future that we don't know?

SEC. RUBIN: Bob, I haven't spoken to Bob Hormats about it, so I can't give you the answer to that. The only thing I can tell you is that --

MR. NOVAK: You don't know of any such decline in Japanese purchases of our securities?

SEC. RUBIN: I truly don't know whether it's up, down or indifferent. The thing I do know is that there's enormous respect for this economy around the world. And as long as that's the case, then we will do very well funding our --

MR. NOVAK: Were you upset by his remarks?

SEC. RUBIN: Not in the least. People comment all the time on markets. All I care about is what's really going on here in the economy and what policies we're following.

MR. EVANS: Mr. Secretary, Senator Pat Moynihan, your friend, and perhaps one of the granddaddies of our welfare system, says there is no chance of reforming the welfare reform plan, which

the president signed last fall. The president is committed to changes. Do you think Moynihan is right?

SEC. RUBIN: No, I don't, and I'll tell you why. We're going to have a very important legislative session coming up, and I think there really is a chance to put in place a balanced budget agreement and do a lot of other things as well. In that give

-and

-take, I think we will have a real opportunity to, on our side, try to accomplish the kinds of fixes the president wants to in the welfare reform bill. And that's what he is committed to doing, as you know.

MR. EVANS: Mr. Secretary, we've got to take another break. And when we come back, we'll have the big question for Bob Rubin.

(Announcements.)

MR. EVANS: Mr. Secretary, the big question. In the American Jewish community, its leaders say that the Swiss banks held billions of Jewish assets taken out of Nazi Germany while the taking was still good and stored for private comfort in Swiss banks, and that this money is going to be almost impossible to retrieve. Do you think that's right, sir?

SEC. RUBIN: We don't know the answer right now, Rowly. Stu Eizenstat, the undersecretary of commerce, was appointed by the president, as you know, to work with the Swiss and others involved. Treasury in the 1940s was very much involved in some of these issues, and there are archives here that Stu and others are reviewing. And I think the real answer is that at the present time we do not know. But the president is committed to our doing everything possible to recover whatever rightfully belongs to those who were -- whose assets were taken by the Nazis.

MR. EVANS: Should the U.S. play a major role in a controversy involving a foreign country and Germany of the 1930s?

SEC. RUBIN: I think we have a responsibility. After all, we were part of the resolution of that which happened after World War II, and

I think we do have the responsibility to play a major role. And it was that view that was reflected in the president's appointment of Stu Eizenstat and the efforts we're making to sort this out and restore to those who rightfully had property, who had property that was taken away from them, that which is rightfully theirs.

MR. NOVAK: Mr. Secretary, the White House has revealed that you had

a private meeting with James Riady, the Indonesian billionaire. Did you speak -- did he make any policy recommendations to you?

SEC. RUBIN: Bob, I'm not sure that meeting took place or not. There is a record that he came, or at least somebody came to the White House -- I presume he did -- and checked in. But there's no record that we have in our logs of his actually having a meeting with me. Now, this was four years ago. It was one meeting. It may well have taken place. If it did, I just don't remember it.

MR. NOVAK: Did you ever have any of these foreign Democratic

campaign contributors come in to you and make policy recommendations to you, as they did with the president?

SEC. RUBIN: I don't know whether they did with the president or not. You're asking me whether any came to me. I don't remember any off

-hand, Bob. But I see enormous numbers of people. All I can tell you is that I've been involved in all of these international economic decisions, and we've had enormous debates. We've debated economics. We've debated foreign policy. And these things have been resolved on their merits.

MR. NOVAK: Robert Rubin, thank you very much.

My partner and I will be back with a comment after these messages.

(Announcements.)

MR. EVANS: Bob, you know, Secretary Rubin is a gutsy guy. Despite what the president says, Rubin says absolutely no balanced budget constitutional amendment, because you couldn't take into account possible contingencies -- recession, et cetera.

MR. NOVAK: Rowly, you know, the secretary of the treasury doesn't like the cut in the capital gains tax, doesn't think it will do any good. But he finally came around to saying, yes, there is a negotiating point, and that he didn't say never, never, never. It might end up in the negotiating mix.

MR. EVANS: I agree with you, Bob. You know, Bob Rubin is smooth as silk. And I listened to him talk to us and I know exactly how he made all those millions up on Wall Street, because he's hard to resist. But, you know, he never really answered my question on why no leadership in this administration.

MR. NOVAK: But he's in politics now, and he says there will be a fixing of the welfare reform bill. Pat Moynihan says no. We're going to find out who's right.

I'm Robert Novak.

MR. EVANS: I'm Rowland Evans. Thanks a lot for watching.

END

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SUBJECT: ABC: This Week, 3/16/97

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ABC "THIS WEEK"

WITH HOSTS: SAM DONALDSON AND COKIE ROBERTS

JOINED BY: GEORGE WILL

GUEST: SENATOR DANIEL PATRICK MOYNIHAN (D-NY)

SENATOR ARLEN SPECTER (R-PA)

SENATOR JOHN KERRY (D-MA)

AIRTIME: SUNDAY, MARCH 16, 1997

MS. ROBERTS: Here with us is Democratic Senator Daniel Patrick Moynihan, and

the first order of business is, Happy Birthday, Senator.

SEN. DANIEL PATRICK MOYNIHAN, NEW YORK DEMOCRAT: Thank you, Cokie.

MS. ROBERTS: And your old friend, George Will, is with us as always.

MR. DONALDSON: Do you think we should sing "Happy Birthday"?

MS. ROBERTS: We can do our little harmony later, I think.

MR. DONALDSON: All right. It's the thought.

MS. ROBERTS: Senator, you were briefed by the FBI. What did they tell you?

I'm so curious about how they tell you that the Chinese might be giving some money somehow.

SEN. MOYNIHAN: Well, they don't. That's what an FBI briefing is like, and if

you've been through enough, as I have done, you don't even bother to ask, but

perfectly straightforward, heads up, FBI warning, you know how in the movies

come on -- three agents came around. I was -- I thought it was another matter,

the secrecy commission we were working on, and they said we have information,

Chinese officials, you may be in need of campaign funds, and we thought you

ought to know that, and I said thank you. I could have said how did you find

this out, and they would have said we can't tell you, and do you think it's serious, they'd say how are we to know, but they did -- which they should have done, didn't tell me that they were going to tell that other people were involved. I didn't need to know.

I was glad to have the information, and the meeting which just like that.

MS. ROBERTS: Well, what puzzles me is if they're sending money through some other channels, how could it influence policy if you don't even know you're getting the money?

SEN. MOYNIHAN: Well, you have a pretty good idea of who gives you money. You have to report it to the Federal Election Commission each quarter.

MS. ROBERTS: But I mean if you don't know it's from the Chinese government.

SEN. MOYNIHAN: Well, you're going -- you would know, if you've been in this work, and what you don't know, you shouldn't be in this work.

MR. DONALDSON: Senators would know. Would presidents know?

SEN. MOYNIHAN: Presidents -- presidents' aides should know. Presidents don't

sit down with the books, but they have aides for this. This business of the

same FBI, two of the people involved were visiting me, visited the National

Security Council staff, and the idea that that information didn't make its way

up is hard to imagine. Something went very wrong.

MR. DONALDSON: Do you believe that the FBI would have said to those two aides in the NSC staff, don't tell the president?

SEN. MOYNIHAN: No, I do not believe it.

MR. DONALDSON: Well, on the other side would be that they didn't pass it

along, or else if they did, which is it?

SEN. MOYNIHAN: Maybe they just didn't do their job well. I don't know. We

should find out. It's not hard. We know the names of all the persons involved,

and this took place 18 months ago. Come on, let's get ourselves together or

we'll spend 4 years just bickering and accusing and denying and accusing back,

no way to govern at the end of the 20th century, which we won, for God's sake.

MR. WILL: Let's go back for a moment to the Chinese approaching you.

What do

you think the Chinese were thinking? Did they expect you to get money, and in

gratitude, say, well, the rape of Tibet is all right after all?

SEN. MOYNIHAN: Yeah, that's -- I've lived in Asia. Things like that are done. They were done in 18th century Britain, I suppose, more egregiously than

now, but yeah. Yeah, that's what they would expect.

MR. WILL: You've had a lot of experience with the complex sort of relations between the intelligence community and the Congress. One of Mr. Lake's problems right now is that he is being faulted for not having told Congress when we did not object to the Iranians' army and the Bosnians'. Did he do wrong? Is the sort of unwritten code here violated by him not telling Congress?

SEN. MOYNIHAN: He ought to have told Congress insofar as we told the Croats. Intelligence has got to watch out, keeping from your own legislature and your own people, things that other countries, not necessarily even friendly countries know. Good God, everybody -- at least Al Grebben (sp) knew. It's just Washington didn't, and it was nothing -- the policy was a correct one in my view, and what was the point of withholding it? It's just that secrecy corrupts.

MR. WILL: Is this a disqualifying act on his part? Should he not be confirmed?

SEN. MOYNIHAN: No. It was a decision made in the administration. It's -- it would help if he said mistakes were made. I think that's the phrase.

MR. DONALDSON: But then, people like you would ask, well, who was it that made the mistakes.

SEN. MOYNIHAN: Well, the administration made the mistake.

MR. DONALDSON: Well, and the administration is --

SEN. MOYNIHAN: The president made the mistake.

MR. DONALDSON: Okay, all right.

MR. WILL: Let's do our independent counsel update for the week. You were one of the Democrats who thoroughly called for an independent counsel. Not one so far. Do you expect one to come?

SEN. MOYNIHAN: Well, after this week with the -- how did Cokie say it? The FBI almost calling the White House liars and the White House almost calling the FBI liars. I don't think that the Justice Department is any longer in a position to say trust us, we'll do it right.

MR. WILL: Is the attorney general almost in violation of the law as it requires an independent counsel to be appointed?

SEN. MOYNIHAN: I don't think you ought to ask me that. I think prudence suggests she ought to go forward.

MS. ROBERTS: On another subject, Senator, the consumer price index, you have been a great advocate of seeing it changed, saying that we can save all kinds of money very quickly. The administration seems to have backed away from that

this week, playing to certain constituencies. Do you think that's ever going to change, and does it end up hurting the very people that they think they're protecting?

SEN. MOYNIHAN: First, Cokie, we don't change the consumer price index. That's a good index. Thirty-five years ago in the Kennedy administration, I was in charge of -- responsible for the Bureau of Labor Statistics, and we've had that series since 1919. It's a very useful series, but it's not a cost-of-living index, and none say that more explicitly than the Bureau of Labor Statistics.

Now, we have indexed benefits from the point of Social Security, retirement. We've indexed revenues from the Tax Code. There are two CPI, incidently. One is used for benefits. The other is used for Tax Code. You're not -- when you do an index, you're not establishing an atomic weight. You're giving an estimate, and a good one. We've had two very important advances, and one is called index number theory, in the last few years, just as we've learned how to sample and take public opinion polls. We didn't know that in the '30s. We learned it in the '40s, and maybe to our regret, but we certainly did, and you have plus or minus.

We have to do this if our finances are going to get healthy, and if our finances don't get healthy, the country is going to get sick, just as the moment of triumph in the 20th century to find yourself in a protracted budget crisis. A correction of 1.1 percent, which was recommended by the commission that we set up with Mr. Boskin, in 12 years, it gets you a trillion dollars.

MS. ROBERTS: But this is your own party, Senator, that is saying don't change it --

SEN. MOYNIHAN: It is.

MS. ROBERTS: -- don't adjust it.

SEN. MOYNIHAN: And George Will spotted it in a column. The vice president got in trouble and Mr. Gephardt made a perfectly legitimate decision, "I think I'm going to be a candidate in the year 2000. Therefore, I'm not going to let anything happen from the administration's side that they could use against us. I'd just as soon maybe let nothing happen."

MR. DONALDSON: May I just revisit one old Moynihan idea and see if it can be reclaimed? At one time, you thought the Central Intelligence Agency ought to be abolished and its functions distributed to other departments, but you drew

back
from that.

SEN. MOYNIHAN: When John Deutch took over, but, you know, there is attention

--

MR. DONALDSON: Well, he's not there any longer.

SEN. MOYNIHAN: There is attention which it has been abolished. There have been seven directors or acting directors in six years. That's not an organization. That's, you know, just an institution collapse.

MR. DONALDSON: Well, should we just do away with it now?

SEN. MOYNIHAN: They are gradually doing away with themselves, getting caught and having to be expelled from the Federal Republic of Germany. Good God.

MR. DONALDSON: Dodging my question.

SEN. MOYNIHAN: Sam, this is Washington. You don't do away with regulatory bureaucracies in Washington. Secrecy is a form of regulation. Sam, where have you been?

MR. DONALDSON: The Interstate Commerce Commission is dead, sir.

SEN. MOYNIHAN: Well, it lives in another branch of the federal triangle, I assure you. This is the largest regulatory agency, one of the largest in Washington, and in one form or another, it will go on indefinitely until a president decides to cut it back to the point where it can do its job better.

MS. ROBERTS: Thank you, Senator. Thanks for being here on your birthday. We appreciate it.

SEN. MOYNIHAN: Thank you.

END

ABC "THIS WEEK"

GUEST: SENATOR ARLEN SPECTER (R-PA)

SENATOR JOHN KERRY (D-MA)

MR. DONALDSON: Right. Joining us from Philadelphia, Pennsylvania, Republican Senator Arlen Specter, and from Boston, Massachusetts, Democratic Senator John Kerry. Gentlemen, welcome.

SEN. SPECTER: Nice to be with you.

MR. DONALDSON: Good to see you both. Now, are both of you convinced that Fred Thompson's committee now has the authority and the scope necessary so that the American public will say yes, they've done an even-handed job in this investigation of the money?

Senator Specter, you were one of the Republicans who pushed to open it up.

SEN. SPECTER: I think that the scope now does provide an opportunity for a thorough investigation. If we had not included improper activities, there

would have been the potential for endless arguments about what was legal and illegal, and I think we couldn't have done the job. Now we have both the executive, the presidential elections, and congressional. I think the stage is set for doing a comprehensive job.

MR. DONALDSON: But, Senator Specter, you may now cook some Republicans, and the idea of keeping the scope narrow was to make certain that your party wasn't really investigated.

SEN. SPECTER: Sam, I think at the outset, it was indispensable, whether it be bipartisan, that it look at both parties, both the presidential campaigns and the congressional campaigns if the investigation was to have any credibility.

MR. DONALDSON: Senator Kerry, what do you think?

SEN. KERRY: Well, I think, Sam, the question is whether it really delivers.

I mean, the jury is out on whether or not the American people will be satisfied. It does, I think, have sufficient scope, and I think that Arlen and others are to be congratulated for joining in an effort to break what would have been an extraordinarily embarrassing and, I think, negative moment for the Congress, for the Senate. Clearly, they have the ability. Whether they will or not, whether the majority of Republicans, some of whom resisted bitterly and are still very bitter about the decision, whether or not they'll be willing to issue the appropriate subpoenas, whether they will probe in the appropriate places remains to be seen.

MR. WILL: Senator Specter, you're a signatory of a letter to the attorney general that starts a clock running that, I guess, has 30 days in which she has to respond. I'd like to ask you what you think her response will be with regard to appointing an independent counsel, and second, as a lawyer, is there some point at which there's a dereliction of duty on her part and the kind of failure to perform her office if in the face of mounting evidence and a counsel is not appointed?

SEN. SPECTER: George, my judgment is that ultimately, she will appoint independent counsel, and I think at some point, there is a dereliction of duty.

There has been a large volume of evidence put on the table, but there

is
another aspect which really hasn't been considered, and I spoke about this
on
the Senate floor on Friday, and that is what the attorney general may know
that
has not been public. When you have this dispute between the FBI and the
White
House about what was disclosed to the White House, there is a basis for an
inference that perhaps the FBI is not telling the White House everything,
and
if that is so, Attorney General Reno may know a great deal more than we
know.
She has had a grand jury investigate it. She has had a big group of FBI
agents
investigate it, and I'd like to know what they know, and it may well be
that if
there is sufficient evaluation that the public doesn't know about, she may
well
be in the situation of dereliction.

MR. WILL: Senator Kerry, what's your response?

SEN. KERRY: Well, Arlen and I are both ex-prosecutors. I think we
probably
look at this very similarly. I think now that there is a question of who
said
what to whom between the investigating parties and the party investigated,
there's a legitimate question here, but the most important thing for all
of us
to focus on is that Janet Reno still has time under the statute to make
that
choice, and I don't think that line has yet been crossed, and what you
have is,
in fact, a major effort, I think, on the Republican side to do what the
statute
itself was set up to avoid, which is to politicize the process.

The statute exists and permits her to have a certain amount of time to
make
a judgment. She's just received the letter. There is new evidence, I think
evidence significantly greater than what existed previously in terms of
appearances, and so she ought to be given the opportunity to do that
before the
Congress races off and starts meddling in its internal political ways.

Secondly, I would say that all of this hoopla is in many ways hype that
is a
smoke-screen to avoid what I judge to be the lack of a Republican
agenda. We
are days away from the Budget Committee supposedly having to resolve its
choices. The Republicans haven't even tabled a budget, and they refuse to
do
so. It seems to me that there's an avoidance of a whole set of choices
here --

MS. ROBERTS: Go ahead, Senator Specter.

SEN. KERRY: -- and they're hiding behind investigations.

MS. ROBERTS: Quickly.

SEN. SPECTER: May I disagree? May I disagree with a good bit of what

Senator

Kerry has said? The budget has not been tabled because the White House had asked the Republicans to try to work it out on an agreeable basis, and that's

why it hasn't been tabled, and when Senator Kerry talks about politicization,

well, of course, there's bound to be a fair amount of that in any event, but

Attorney General Reno has had more than enough time, and when the issue is raised about the Governmental Affairs Committee, bear this in mind, that

all nine members, Republicans as well as the seven Democrats, agreed with a broader

scope for illegal and improper on both the presidential and congressional elections.

MS. ROBERTS: Senator Kerry?

SEN. SPECTER: It was only when it got to the Rules Committee that the restrictions were put on.

SEN. KERRY: Well, I've been told by the leader directly on your side that he

doesn't intend to table a budget. So I disagree with your perception, and the

fact is that others have called for a budget. I mean, there is nothing happening in the Budget Committee.

SEN. SPECTER: Well, that's not so, John. We were working on that on Friday

afternoon once it became apparent that there could not be an agreement between

the White House and the Congress, and a budget will be tabled. There will be a

budget resolution, very definitely.

MS. ROBERTS: Senator Kerry, some of your Democratic colleagues have been

anonymously quoted in this morning's New York Times saying that the president's

fund-raising techniques were "smelly" and other such charming words. Do you

agree with that? Was it smelly?

SEN. KERRY: Well, I read that article, and I can tell you, point blank, that

I'm not quoted in it, but I do think that the president himself has said there

were problems. The president himself has said these things ought to be investigated. I think there were problems. I don't think there's any question.

I think most people on our side of the fence in a dispassionate apolitical

way will say yes. There were appearance problems, and whether or not there were

more serious problems, we don't know yet. So what the leadership on both sides,

both sides of the houses are saying is we have an obligation to encourage an

investigation that does get to the bottom of it, but we want to insist

that
that is not a one-sided, one-direction investigation, and I think, Cokie,
you
and others know that these are practices that have been shared by both
parties,
by all White Houses for a long period of time, and what it really
underscores
and we hope will predicate is true campaign finance reform.

MS. ROBERTS: Senator Specter?

SEN. SPECTER: May I --

MS. ROBERTS: Go ahead.

SEN. SPECTER: I'd like to disagree with John again there. I think that
it is
now at a new level. Listen, we used to talk about politics stopping at the
water's edge, certainly campaign contributions stopping at the water's e
dge,
but this business about these massive illegal contributions is very, very
different. We know they're illegal because the Democratic National
Committee
has sent so many of them back and --

SEN. KERRY: Arlen, we don't disagree.

SEN. SPECTER: Now, wait, wait. We have a time sequence here where big
contributions were given. Then the administration changes its policy on
most-favored-nation status for China. Now, I'm not saying that it's a
bribery
matter, but I'm saying that where you have that time sequence, it ought to
be
investigated, and I think it is very definitely different now than ever
before,
even Watergate.

MS. ROBERTS: Senator Specter, were you briefed by the FBI about China?

SEN. SPECTER: Was I briefed? No, I was not -- oh, wait a minute. As
Intelligence Committee chair, I was briefed. I was not briefed that they
were
targeting me, but when I was Intelligence Committee chairman last year, I
was
briefed that the Chinese were looking to co-opt the Congress and state
legislatures, yes.

MS. ROBERTS: And what did you do about that? When you get that kind of
information, what do you do with it?

SEN. SPECTER: Well, we look more closely at what goes on in the
Intelligence
Committee. We probe a little harder, ask a few more questions as to what
is
going on in the campaign group. It leads me today to raise a question as
to
what Attorney General Reno knows that
I don't know from the FBI investigation on the grand jury.

MR. DONALDSON: Senator Kerry, we now know that Attorney General Reno
tried
to call Anthony Lake during that period and tell him directly about this
alleged Chinese influence, but she said she couldn't get through, and
therefore, two low-level people from the FBI. What was going on there? Why
do

you think that Attorney General Reno didn't make a second try? There's a redial button on the telephone.

SEN. KERRY: One would think, absolutely. That's a very legitimate question.

It's one that we're looking at right now in the confirmation process. In fact, the FBI people and others are all being interviewed.

I know that our ranking member, Bob Kerrey, and I talked to him the other day, met with the FBI individuals. His judgment was that on a scale of 1 to 10, it was about a 2 or 3 as to whether you kick it upstairs. Now, I think the whole committee needs to take a look at this. It's a fair question, but at the same time, it seems to me that the larger capacities of Tony Lake are being ignored here.

I mean, these are two or three small incidents. Are they totally unimportant? The answer is no, but do they rise to the level of questioning whether his ability to run this agency really ought to be in doubt when measured against the way he managed intelligence and decision-making on Korea, China, Taiwan, and the conflict of last year, Bosnia, Haiti, the extraction from Somalia? I mean, there were some major, major accomplishments, and I think, by and large, this effort to take one or two incidents and try to

-- which is exactly what the Republicans want to do, throw it into the pile of the rest of the scandal that's going on in Washington and somehow murky the waters.

MR. DONALDSON: Senator Kerry, we're about out of time. Senator Specter, very quickly, do you think Anthony Lake will be confirmed? Will you vote for him?

SEN. SPECTER: I think right now, it's too close to call. I am now reviewing his testimony before the committee. When I talked to him in my capacity as chairman of the Intelligence Committee, I was shocked when he told me that he was a party to giving a green light to the sale of Iranian arms to Bosnia. He did not tell the Secretary of Defense or the Chairman of the Joint Chiefs of Staff, and I don't think it's a small matter when a Congress --

MR. DONALDSON: All right.

SEN. SPECTER: Well, it's important, Sam. Let me just finish in another 20 seconds.

MR. DONALDSON: You're right. I asked the question. I'm going to give you a chance to give your answer.

SEN. SPECTER: Okay, short sound bite. I think that when the Congress is debating whether we take off the arms embargo and you have a secret arrangement with the State Department and the National Security Council, where they don't tell the Department of Defense or the Central Intelligence Agency, I think that's a major matter, and I'm going to be reviewing the testimony.

MR. DONALDSON: Okay.

SEN. SPECTER: The chairman of the committee has asked me to testify, and I'll give you an answer next week.

MR. DONALDSON: Thank you very much, both of you. Please come back. Good to see you both here.

SEN. SPECTER: Thank you.

END

ABC "THIS WEEK"

JOINED BY: GEORGE WILL, BILL KRISTOL
AND GEORGE STEPHANOPOULOS
ROUNDTABLE DISCUSSION

MS. ROBERTS: Well, we're having a little in-between laugh, but we will laugh together. Here is Bill Kristol with us and George Stephanopoulos, and we have had a laugh over this week, which is probably not fair, but the Senate, not surprisingly, decided that it wasn't a very good idea to vote against investigating the improper acts. Now, this comes as a great shock to me that this was something that they couldn't see their way clear to do. What difference is this going to make?

MR. STEPHANOPOULOS: I think it's going to be a huge difference. First of all, if they would have simply limited it to illegal acts, they would have found out it's almost impossible to break the campaign finance laws because they're so riddled with loopholes. So they're taking a little bit of a risk by making themselves vulnerable, but it will also let them go after the president that much harder.

MR. DONALDSON: I think it increases Senator Thompson's stature. He really beat them. He beat the leadership. Now, he won't --

MS. ROBERTS: Well, he had a lot of help from the Democrats.

MR. DONALDSON: -- like us to say this because, you know, please -- but he insisted that his committee was going to be credible, and I understand if he's ambitious, if he was going to be incredible as its chairman. They need to investigate Republican wrongdoing as well as Democratic wrongdoing, and so with the help of Arlen Specter and others -- there were about seven of them,

right?

-- they turned the leader around -- Trent Lott -- and in fact, they are not going to investigate not just illegal acts, which is mainly -- excuse me -- the

Democrats, I suppose, but they're going to investigate the unethical acts, which is certainly the Republicans.

MR. WILL: Improper, very improper. It's an interesting thing. The National Endowment for the Arts, a little agency in this town --

MS. ROBERTS: That you're very fond of.

MR. WILL: Yes. It's an interesting agency because it subsidizes something no one can define. That is, whoever says what they're doing as art is an artist.

Now we have people saying we're going to investigate everything that someone thinks is improper. Now, this is going to investigate almost every thing connected with the campaign.

MR. DONALDSON: Obviously, there is a threshold, George.

MR. WILL: Well, set it.

MR. STEPHANOPOULOS: Whatever majority decides.

MS. ROBERTS: Well, there you are.

MR. DONALDSON: The famous words, "You'll know it when you see it."

MR. KRISTOL: It's going to be a pretty wide-ranging investigation, everything improper going on with regard to the White House and Congress.

MR. STEPHANOPOULOS: And the Congress.

MR. KRISTOL: Yes, and the Congress. Right. Very big investigation, lots too look at, but Sam is right. I mean, Trent Lott went into the weekly lunch of

Republican senators on Tuesday and said this is a matter of loyalty to me, I

want this limited to illegal acts. Seven Republican senators, as I understand

it, stood up in sequence and said we can't do this, we'll get killed politically --

MS. ROBERTS: But they couldn't do it.

MR. KRISTOL: -- if it looks as if we're confining it, and Lott went to the floor and said okay, and he became a co-sponsor with Senator Lieberman of illegal and improper. I think the significance of this is the extent to which

Senator Lott, who we had all said -- I remember the discussion on this roundtable a couple of months ago -- looked like a very powerful majority leader, has now failed with the balanced budget amendment and has failed to restrict this investigation and keep Senator Thompson under control. It's an interesting development --

MS. ROBERTS: Well, how much of this is, though --

MR. KRISTOL: -- within the Republican caucus.

MS. ROBERTS: Well, but how about in the Republican caucus, how much of this is the presidential disease that Trent Lott is beginning to have presidential

aspirations.

MR. DONALDSON: Yes, but, Cokie --

MS. ROBERTS: Fred Thompson clearly has presidential aspirations. I mean, are we looking at a little conflict between the two of them?

MR. DONALDSON: What Bill has just described, however, is a mark of leadership. When you're a leader and you discover your troops have turned the

other way --

MR. KRISTOL: Absolutely.

MR. DONALDSON: -- you run over there and get in front of them.

MS. ROBERTS: You follow them.

MR. KRISTOL: That's right.

MR. STEPHANOPOULOS: What's happened here is this Congress has become a bunch of futile baronies. No one is in charge. You have no one to deal with on the

budget. Trent Lott is not in charge in the Senate. Newt Gingrich isn't in charge in the House, and there are a bunch of feeftoms (?/sp) being built up, and it's every man for himself.

MR. DONALDSON: Well, who's in charge at the White House, George?

MR. STEPHANOPOULOS: On man.

MR. DONALDSON: Well, the president says he doesn't know anything about a lot of this stuff.

MR. KRISTOL: Yes, but, George --

MR. DONALDSON: He's acting like Ronald Reagan in his best days.

MR. STEPHANOPOULOS: Well, he doesn't.

MR. KRISTOL: Oh, that's a terrible comparison, Sam. How could you even say those words together, Bill Clinton and Ronald Reagan?

MR. DONALDSON: Well, the president began by saying he didn't know anything about this and it's the other campaign, and then we find a memo with his initials on it, more, get those overnights started.

MS. ROBERTS: But you were starting to say?

MR. KRISTOL: I'm sorry. I think George has a good point, which is the extent to which you have a weak White House probably because of the scandal and a weak

congressional leadership is making it hard to arrive at the kind of budget deal

that we all thought would be pretty far down the road to. The president called

Dick Gephardt and Tom Daschle, the Democratic leaders, up to the White House a

couple of weeks ago and said will you give me cover to go make a deal on the

cost-of-living index, as Senator Moynihan was arguing should be done.

Gephardt

said no. Gephardt wants to run on that issue against Vice President Gore in

2000, and Clinton backed off. So you have Clinton unable to rope in his

Democrats.

You have Lott and Gingrich unable to really show much leadership on the Republican side.

MR. WILL: And this is two months into a second term. I mean, it's all downhill from here, and if the president won't spend some political capital to get as close as you can come to a silver bullet in the budget matter as the CPI is, then -- you know, two months ago, just two months ago, the papers were full of stories about the president is thinking am I Jefferson, am I Teddy Roosevelt, two people who led people across bridges to other centuries and all that stuff. How long ago that seems now. I mean, he is not Jefferson. He is not Roosevelt, and he can't even deal with President Gephardt.

MR. STEPHANOPOULOS: Well, first of all, it was sabotaged by the right, the left, and the center. This says a lot more about Congressman Gephardt's ambition to be speaker than to run for president. I don't think he's going to run for president, but the blue-dog conservative Democrats are willing to have a CPI adjustment, but not to pay for a tax cut. Newt Gingrich and Dick Armey are not going to go for a CPI adjustment because they say it raises taxes, and then you have Gephardt and the AFL-CIO. This was sabotage from all sides --

MS. ROBERTS: But in the end --

MR. STEPHANOPOULOS: -- but it's not dead yet. It could come back at the end of the year.

MS. ROBERTS: In the end, though, by playing this kind of cute politics with it, which is, you know, we are the protectors of the old folks, we are the protectors of the little people, that's exactly who is going to get hurt in the end because if you don't fix it, then there's going to be so much pressure on fixing Medicare and fixing all of the other programs that it's the same people that people like Dick Gephardt claim that they are protecting who are going to get hurt.

MR. KRISTOL: Right.

MR. STEPHANOPOULOS: Cokie, I agree. I think it's very short-sighted politics. I think a small -- not a 1.1 percent. Maybe a .4 or .5 adjustment in the CPI now would help everyone in the long run, but everyone is gun shy.

MR. KRISTOL: There is no substitute for presidential leadership. I think that is what we have seen from these last couple of weeks on the budget. Bill Clinton wants to leave a big legacy, and he has said privately that he

would
like to be the Democratic president who saved Social Security and
Medicare, who
fixed them, who made them sustainable from a budgetary point of view. Now,
I
gather, White House officials are talking about Clinton's second-term
legacy
being his education proposals. That's ludicrous. No one thinks those
proposals
are going to change American education for better or for worse much, and
it
will be interesting to see, I think, whether President Clinton --

MR. DONALDSON: Both parties --

MR. KRISTOL: -- steps back up to the plate on this issue of the
cost-of-living index. It really is his chance, I think, to make a real
difference in the second term.

MR. DONALDSON: Not just his, though. Both parties seem dedicated to
actually
solving the balanced budget dilemma this time. As you say, a couple of
months
ago, George, it looked like they were on the road. It looks now like they
are
not, and both parties will suffer if they don't.

MR. WILL: Jefferson doubled the size of the country. Teddy Roosevelt
built
the Panama Canal, and Bill Kristol suggests greatness is within the
president's
reach if he adjusts the CPI.

MR. KRISTOL: That's Clintonian, Clintonian greatness.

MR. WILL: Greatness.

MR. KRISTOL: Greatness has to be appropriate to each president. I think
that
would be Bill Clinton's.

MS. ROBERTS: Or his education proposals. Well, it's interesting because
what
we've been talking about --

MR. DONALDSON: The Louisiana purchase has been made. You can't do it a
second time.

MS. ROBERTS: Oh, I don't know. We might. You can run for it. But, you
know,
this is all the question of how the campaign stuff has affected policy,
but we
haven't talked about the main policy, which is China policy, and we'll do
that
when we come back in a minute, and of course, as well as us coming back,
there
will be David Brinkley.

MR. BRINKLEY: Coming shortly. Do you want to stay in this country?
Quick,
marry somebody, anybody.

(Announcements.)

MS. ROBERTS: Well, we're back. Senator Specter implied during our
conversation with him that China policy had actually been affected by the
campaign funds that have come into the Democratic party.

MR. STEPHANOPOULOS: His facts were wrong. I mean, I know we're not supposed to talk about the guests who were on, but the truth was, in June of 1994, the president changed the policy in China. That predated these contributions by a year or a year and a half. There were a lot of reasons that the president changed policy on China. I happen to disagree with the change, but it had little to do with these contributions, much more to do --

MS. ROBERTS: Not more than even American money than Chinese money?

MR. STEPHANOPOULOS: Counsel on formulation, Friedman Brothers, Goldman Sachs, absolutely.

MR. DONALDSON: But at a lower, micro level, the interesting thing is this contrast between the FBI and the White House. Janet Reno said she tried to call Anthony Lake, but he wasn't in, so that's that, and two FBI people briefed two low-level people at the NSC, but it never went anywhere, and the public statements of the FBI that day directly contradicting the president of the United States -- I've got to ask you, can Louis Freeh survive? Can he remain head of the FBI?

MS. ROBERTS: Well, the FBI is in trouble on all kinds of fronts.

MR. DONALDSON: And Judge Freeh has had some problems with other cases, Ruby Ridge, et cetera. I just don't see how he's going to survive this kind of direct confrontation with the president.

MR. STEPHANOPOULOS: Well, I should think it's the attorney general who dropped the ball here. She should have followed up with another phone call.

What actually happened in that room probably was a misunderstanding. Remember, this was happening when the FBI was being criticized for giving the White House information on FBI files that were given to Congress. If you were a mid-level official, you would just not want to go anywhere near this, but there was no excuse for not passing it on.

MR. WILL: Can I go back a minute to the subject of China?

MS. ROBERTS: Yes.

MR. WILL: For the next 20 years on this program -- we'll all be gone and then our --

MR. DONALDSON: Just a moment. I intend to hang on.

MR. WILL: We're going to talk about China more than anything else.

MS. ROBERTS: We probably will.

MR. WILL: It just is, a hundred years ago, we were trying to figure out how to get Germany into the international system in an orderly manner, and there were two world wars to break them to the saddle of civility. Now we have this

much bigger thing out there.

The shopping they're doing, buying Naval inventory from -- from Russia, the ships they're building, three aircraft carriers as we speak, building a blue-water navy to enforce its' assertion that the South China Sea, the most important shipping lands in the world, are a Chinese lake. This is astonishing stuff going on.

MS. ROBERTS: Well, again, one of the things that's interesting --

MR. DONALDSON: Our Seventh Fleet still can take them out in 30 minutes.

MS. ROBERTS: Well, if we don't cut back our defense that much, but --

MR. WILL: We'd like it not to come to that.

MR. DONALDSON: No, I agree with that, but you are suggesting that their building three carriers somehow are going to challenge.

MR. WILL: From that, you make a certain inference about their long-term goal and their view of themselves in the world.

MS. ROBERTS: And that's one of the things that I've been getting calls from some conservative organizations saying, look, we're going to fight now. In the Republican party, all of the action has been on one side, the business community saying go for trade, go for most-favored-nation, don't have human rights as part of it, but now they're saying -- people like Gary Bauer of the Family Research Institute --we're getting them there on the other side. What are the Republicans going to do about this?

MR. KRISTOL: There's going to be a big debate in the Republican party on China policy. The business interest wants engagement with China, and not just engagement, but a pretty soft kind of engagement. The more trade, the better. Never lean on them too much. If you lean on them and they complain, back off. Newt Gingrich is going to China in two weeks. It will be a very interesting trip. It will be very interesting to see what he says in China. Gary Bower and other religious conservatives and some National Security conservatives were in Speaker Gingrich's office Thursday for a private meeting in which they counseled him, he's got to take a tougher line towards China. Vice President Gore goes next week. Gingrich will go the week after. It will be interesting to see if Gingrich sounds different from Gore.

MS. ROBERTS: But everybody's got whole conspiracy theories going about all of that, too, though. I mean, you listen to radio these days, and there's a

huge Chinese conspiracy out there.

MR. STEPHANOPOULOS: There's also going to be a big debate in the Democratic party, and one of the paradoxes of all of this focus on Chinese money is going to be that it's going to strengthen the hands in the Democratic and Republican party of those who want to crack down on Chinese human rights abuses because no one will want to be accused of being influenced by Chinese money.

MR. KRISTOL: The other thing that's going to strengthen their hand is that we've had the two-and-a-half-year policy, as George said. The president changed the policy in '94 of engagement with China, and his own State Department said two months ago, it hasn't worked, human rights are worse, they're proliferating nuclear arms more aggressively than they have before, they're destabilizing the region more than they've had before. So I think there will be a serious rethinking of China policy both in the administration -- which I don't think can look too --

MR. WILL: Absolutely.

MR. KRISTOL: -- towards China and in Congress.

MS. ROBERTS: The other thing that the administration is talking about is a way -- to change the subject and address this issue without talking about the direct money -- is talking about having free television time for candidates running for office so that there doesn't have to be so much money in politics. George?

MR. WILL: If you took everything off my cable package except ESPN, it would be months before I noticed. So if you keep these fellows off ESPN, that's fine with me, but broadcasters are going to say that there's a First Amendment problem with their speech rights, that there is a Fifth Amendment problem, that this is a taking of property without compensation. You can get around all of that, I assume, and given, therefore, the incentive the political class has to vote itself a free benefit, it may happen.

MR. DONALDSON: Well, all of the broadcasters, the major networks, have offered free time now in various packages, but we're talking about for the general election, and I think that the president is talking about a lot of free time. If you tried to give away the time that the parties used in television

commercials, it would take up a huge amount of time.

MS. ROBERTS: And where do you stop?

MR. STEPHANOPOULOS: See, these broadcasters are getting a lot of benefits out of these new licenses on a spectrum, and there is a big debate over what their public service obligations are.

MS. ROBERTS: But, George, where do you stop? State and legislative campaigns now cost a half-a-million dollars in a lot of places.

MR. STEPHANOPOULOS: That's exactly why, and that's why I think the political class is not for free TV time because the political class, consultants, media consultants, people who buy television advertising, are more against this than anyone else.

MR. KRISTOL: Yes. I'm sort of for it. I ran this in a campaign, and you raise this and you might even get a -- only from Americans, not from Chinese contributions. You raise this money. You work very hard. It goes right into your bank account and right out of it to the TV networks, so that it's very, very expensive. They're paying loaded salaries to all of these big-shot TV commentators, news --

MS. ROBERTS: Well, I want to ask George about --

MR. DONALDSON: And they had better continue.

MS. ROBERTS: Clinton is going to be hobbling around on crutches. Are you glad you're not in the White House?

MR. STEPHANOPOULOS: Boy, you know, he's not going to be able to play golf, he's not going to be able to jog. I hope they're going to give him a good joke every morning.

MR. DONALDSON: Well, his wife and his daughter are going to Africa while he's convalescing. He's going to be very lonely.

MS. ROBERTS: All right, okay. We really have to stop here. David Brinkley next.

(Announcements.)

MR. DONALDSON: With the approach of spring, we're coming to the traditional season of marriages, usually a ceremony motivated by deep feelings of love and affection, but David Brinkley has discovered that some marriages these days are not made in heaven, but in the most unlikely of government offices, the U.S. Immigration and Naturalization Service. David?

MR. BRINKLEY: Sam, there is great anxiety among the new and nervous immigrants in this country, New York City, the West Coast, particularly

Miami,
Florida. A new federal immigration law is in the works, but not yet on the books, and so the details are not yet known, but there is a widespread fear the new law will mean that some new arrivals, noncitizens, will be deported, forced to leave the country. In Miami's Hispanic community, there is, according to the Miami Herald -- there is a worry right around that the first immigrants to be sent home will be those who are not married. So there is a rush, a crush at the government offices issuing marriage licenses. The clerks in these offices say they are issuing licenses for some highly unusual, highly unlikely marriages, grandmothers marrying teenagers and so on, all in a great hurry to get the licenses and to have the weddings in a hurry right there in the office, hoping to avoid deportation, and often, the clerk performs the ceremony and says to the bride and groom, "Now you are husband and wife, and now you may kiss your bride." Whereupon, he looks at her and says, "No, thanks." Cokie? Sam?

MS. ROBERTS: Oh, David.

Be sure to watch World News Sunday for a story on America's hidden drug problem which may be right inside your medicine cabinet, and this is part of ABC's month-long public service campaign, Straight Talk on Drugs.

MR. DONALDSON: And be sure and join us again next Sunday. We'll see you then. Have a good day. All right.

END

**Clinton Presidential Records
Automated Records Management System
[EMAIL] and Tape Restoration Project [Email]**

This is not a presidential record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

This marker identifies a responsive email, already made available within another collection.

Collection: 2012-0743-F

Bucket: WHO

Creation Date: 1997-08-11

Subject: ABC: This Week, 8/10/97

Creator: Dag Vega@EOP@LNGTWY@LNGTWY Dag
Vega@EOP@LNGTWY@LNGTWY [WHO]

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME:18-SEP-1997 07:09:35.00

SUBJECT: CNN: Moneyline, 9/17/97

TO: jgibbons@ostp.eop.gov@INET@LNGTWY (jgibbons@ostp.eop.gov@INET@LNGTWY [OSTP])
READ:UNKNOWN

TO: Lorraine A. Voles@ovp@eop (Lorraine A. Voles@ovp@eop [UNKNOWN])
READ:UNKNOWN

TO: Virginia M. Terzano@ovp@eop (Virginia M. Terzano@ovp@eop [UNKNOWN])
READ:UNKNOWN

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

TO: Laura D. Schwartz@eop (Laura D. Schwartz@eop [WHO])
READ:UNKNOWN

TO: Steven J. Naplan@eop (Steven J. Naplan@eop [NSC])
READ:UNKNOWN

TO: Kevin Moran@eop (Kevin Moran@eop [WHO])
READ:UNKNOWN

TO: G N. Lattimore@eop (G N. Lattimore@eop [WHO])
READ:UNKNOWN

TO: Allison J. King@eop (Allison J. King@eop [PIR])
READ:UNKNOWN

TO: Daniel J. Gunia@eop (Daniel J. Gunia@eop [OA])
READ:UNKNOWN

TO: Jason S. Goldberg@EOP (Jason S. Goldberg@EOP [WHO])
READ:UNKNOWN

TO: Karen E. Finney@eop (Karen E. Finney@eop [WHO])
READ:UNKNOWN

TO: Rahm Emanuel@eop (Rahm Emanuel@eop [WHO])
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TO: Michelle Crisci@eop (Michelle Crisci@eop [WHO])
READ:UNKNOWN

TO: Jill M. Blickstein@eop (Jill M. Blickstein@eop [OMB])
READ:UNKNOWN

TO: Michael Waldman@eop (Michael Waldman@eop [WHO])
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TO: Barry J. Toiv@EOP (Barry J. Toiv@EOP [WHO])
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TO: Darby E. Stott@eop (Darby E. Stott@eop [WHO])
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TO: Joshua Silverman@EOP (Joshua Silverman@EOP [WHO])
READ:UNKNOWN

TO: Christa T. Robinson@eop (Christa T. Robinson@eop [UNKNOWN])
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TO: Alison Muscatine@eop (Alison Muscatine@eop [WHO])
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TO: Julie E. Mason@eop (Julie E. Mason@eop [WHO])
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TO: Heidi Kukis@OVP@EOP (Heidi Kukis@OVP@EOP [UNKNOWN])
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TO: Russell W. Horwitz@eop (Russell W. Horwitz@eop [OPD])
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TO: Julia R. Green@eop (Julia R. Green@eop [WHO])
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TO: Jeremy M. Gaines@eop (Jeremy M. Gaines@eop [WHO])
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TO: Paul K. Engskov@eop (Paul K. Engskov@eop [WHO])
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TO: Anne M. Edwards@eop (Anne M. Edwards@eop [WHO])
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TO: Steven A. Cohen@eop (Steven A. Cohen@eop [WHO])
READ:UNKNOWN

TO: Lori Anderson@eop (Lori Anderson@eop [WHO])
READ:UNKNOWN

TEXT:
Message Creation Date was at 18-SEP-1997 06:59:00

Moneyline with Lou Dobbs:
President Clinton Offers Revisions to Tobacco Settlement

Aired September 17, 1997 - 7:00 p.m. ET

ML1900 MONEYLINE WITH LOU DOBBS 9/17/97 -- FIRST

TWO SEGMENTS

LOU DOBBS, ANCHOR (voice-over): Cigarettes may become more expensive under a White House plan to crack down on teenage smoking. A new settlement from Intel packs unprecedented power, but it may not punch up Intel profits. And the Dow fails to follow through on yesterday's triple-digit gain. And my guest tonight is Roger Tamraz, the international oilman at the center of the CIA/White House campaign fund-raising connection.

ANNOUNCER (voice-over): Live from the world's financial capital, New York City, this is MONEYLINE WITH LOU DOBBS.

DOBBS: Good evening.

President Clinton today made the \$368-billion nationwide tobacco settlement much more difficult to achieve. The President offered a long list of drastic revisions, including one that would sharply raise cigarette prices. The President's plan calls for tough penalties if those higher prices do not significantly reduce smoking among teenagers.

(BEGIN VIDEO CLIP)

WILLIAM JEFFERSON CLINTON, U.S. PRESIDENT: One of the surest ways of reducing youth smoking is to increase the price of cigarettes. Today, I call for a combination of industry payments and penalties to increase the price of cigarettes by up to \$1.50 a pack over the next decade as needed to meet our youth reduction targets.

(END VIDEO CLIP)

regulate
financial
a
victory for
say the
put
to work.

DOBBS: The plan would also give the FDA full power to regulate nicotine, and it would protect tobacco farmers from any financial fallout. State attorneys general found the revisions as a victory for the settlement that they negotiated, but GOP leaders say the President failed to explain how these proposals will be put to work.

(BEGIN VIDEO CLIP)

-- to
be in the
Is
that to be in
delineated. And
he said,
work
to do.

SEN. DON NICKLES, (R), OKLAHOMA: He says, "Well, we'll have additional prices up to \$1.50." Well, is that in the form of taxes? Is that to be in the form of penalties? Is that to be in the form of just price increases? That's not delineated. And he said, well, he'd work with Congress, but there's a whole of work to do.

(END VIDEO CLIP)

cigarette
states
have
reports
on
smoking.

DOBBS: A lot of work to do, and 40 states are suing the cigarette industry for smoking-related health care costs. Two states have settled, Mississippi and Florida. Allan Dodds Frank reports on whether higher cigarette prices would actually curb smoking.

(BEGIN VIDEOTAPE)

President's
will
have on

ALLAN DODDS FRANK, CNN FINANCIAL NEWS (voice-over): Outside a New York City high school, the President's target audience was split over the impact higher prices will have on their smoking habits.

1ST STUDENT: It's a bad habit. I don't like it no more.

2ND STUDENT: I've always wanted to quit.

1ST STUDENT: It will help me out in quitting.

figure
satisfaction.
3RD STUDENT: People that smoke right now -- they like they'll pay any price for it. They just want that

among
one
Wall
DODDS: Historically, tobacco consumption, particularly poorer and younger smokers, declines as prices rise. By

pack by
15 cents
Street estimate, boosting the current price of \$2 a

on a
would
fall
would cut consumption 3.3 percent, more than 7 percent

industry
50-cent increase, double that for a dollar, and sales

yearly
increase
almost 30 percent if prices doubled to \$4. The tobacco

settlement
cost of
already raised prices twice this year, their normal

consumption
sharply by adding 40 cents a pack.
plus another boost to help offset the expected

proposed
that
\$15 billion a year. Those increases alone could cut

next
five years
lead to about a 20-percent reduction in overall

cigarette
consumption.
DAVID ADELMAN, TOBACCO ANALYST, MORGAN STANLEY: If you take the settlement that has been

the industry agreed to, that would probably over the

lead to about a 20-percent reduction in overall

consumption.

DODDS: If higher prices and restrictions from a

settlement
do not
reduce teen smoking sufficiently, President Clinton

wants
added
penalties of up to \$1.50 a pack over 10 years.

JOSEPH CALIFANO, CHAIRMAN & PRESIDENT, CENTER

ON ADDICTION & SUBSTANCE ABUSE: If he's serious about that, the kind of tax increase you're really talking

about
is two bucks

right now. A dollar fifty over 10 years is not a \$1.50.

It's
a kind of

gradual tax increase that I think would have marginal
impact
on teen
smoking.

(END VIDEOTAPE)

but
it

DODDS (on camera): Higher prices do reduce consumption,

and
if sales

is not clear how many people cut back rather than quit,

production of

fall dramatically, tobacco companies may boost

hikes. As for

cheaper generic brands to minimize the impact of price

stocks today

investors, they're waiting for Congress to act. Tobacco

all

slightly lower. Philip Morris, RJR Nabisco, and Loews

down less

than a dollar.

Lou.

Florida --

DOBBS: And, Allan, the settlements -- Mississippi and

are they affected by today's developments at all?

state to

DODDS: Right now, they will be standing alone. The next

now.

come to trial is Texas. They will probably not settle

They will

have to go to trial since no national settlement seems

imminent this

year.

DOBBS: OK. Thanks very much, Allan.

that's
tiny,

Well, giant Intel today trumpeted a new memory chip

will be
used to

twice as powerful as any other chip of its kind. It

enhance the quality of digital cameras and cell phones

at
first, but
bottom
line.

analysts aren't yet convinced it will enhance Intel's

Steve Young has the report.

(BEGIN VIDEOTAPE)

STEVE YOUNG, CNN FINANCIAL NEWS (voice-over): Intel
has managed to put twice as much information into the

same
size
and
double the
in
what's
most PCs
but in

silicon sliver. It's as if you could take a parking lot

number of cars it can accommodate. The breakthrough is

called flash memory. You won't find it right now on

cellular phones, audio recorders, and other products.

MONA ERAIBA, SEMICONDUCTOR ANALYST,
GRUNTAL: Intel and other semiconductor industry players

are
digital
industry
space,
ability to store
is
very

pushing aggressively new consumer applications such as

cameras, digital TVs, TVs, PCs invading on the TV

and that's very huge market for them, and to have the

more and deliver more for consumer kind of application

significant.

YOUNG: This technological trick doesn't affect
microprocessors,
which is why other analysts are cautious about the
benefits
for the
company.

CHARLES BOUCHER, SEMICONDUCTOR ANALYST, UBS
SECURITIES: In terms of what it does for Intel's top

and
bottom
away
because

line, I don't think it will be an enormous impact right

Intel is, let's face it, a microprocessor company.

Memory is
an

important technology, and it goes hand in hand with
microprocessors, but it's not going to immediately

drive

Intel's rate

of growth to higher levels.

YOUNG: The consumer payoff could also take several
years.

STEWART WOLPIN, FOUNDER, E-TOWN.COM: The
transistor was invented in 1947, but it was more than a

decade

before you really saw the first consumer product come

out of
it, the

first transistor radio, in the late '50s from Emerson

and

then later

from Sony.

(END VIDEOTAPE)

YOUNG (on camera): In the long run, says Intel's

co-founder

Gordon Moore, the new memory technology will lead to

new
kinds

of devices and lower prices.

Lou.

DOBBS: Well, Moore's law has just been accelerated a
bit.

YOUNG: Accelerated, but even Intel says that it hasn't
been

abrogated quite yet.

DOBBS: OK. Now in terms of flash memory, this
development --

as terrific as it, a number of companies have been

working
on it, and

a number of companies actually have the technology, do

they
not?

YOUNG: Indeed. As you point out, there is a California
company,

Sandis (ph), that has it, but, unlike Intel, it

requires a

couple of

chips. Intel does it all on one.

making
itself

DOBBS: All on one and, as usual, Intel is out there

know.

YOUNG: Indeed.

DOBBS: All right. Steve, thanks.

third
largest

Well, Fleet Financial today snapping up the country's

\$1.6
billion

discount brokerage. Fleet buying Quick & Reilly, paying

also say
Fleet had

in stock, a price some analysts call high, but they

to pay the price.

(BEGIN VIDEO CLIP)

Charles

LARRY VITALE, BANKING ANALYST, BEAR STEARNS:

Banks have seen their customers competed away to the

and
they have

Schwabs and Fidelitys of the world. They've seen spreads
competed away in their traditional lending businesses,

strategy
makes a lot

to do something to combat that, and I think this

kind of
thing.

of sense. It's almost necessary for banks to do this

(END VIDEO CLIP)

of
Alex.

DOBBS: The deal ranks second among bank/brokerage
combinations this year behind the Bankers Trust buy-out

deal.

Brown, ahead of the Nations Bank/Montgomery Securities

Fleet
Financial

Quick & Reilly down more than 50 cents on the day.

down \$1.75.

Clinton

Just ahead here on MONEYLINE, new allegations that the

administration was selling access to power and using
the CIA
to
help raise money. My guest tonight is at the center of
this
controversy. International oilman Roger Tamraz my guest
next. Stay
with us.

(COMMERCIAL BREAK)

DOBBS: In tonight's MONEYLINE focus, international
oilman and
big Democratic donor Roger Tamraz. In today's Senate
campaign
fund- raising hearings, evidence of intense
administration
pressure on
Tamraz's behalf, including lobbying by the CIA. Tamraz
apparently
wanted a meeting with the President to talk about his
oil
pipeline
project in the Caspian Sea, and a former staffer for
the
National

Security Council testified that a top Energy Department
official said
the meeting would mean a lot of money for the
Democrats.

(BEGIN VIDEO CLIP)

SHEILA HESLIN, FORMER NSC AIDE: I said, "Well, what do
you mean?" and he said, "Well, he's already given
\$200,000,
and if
he got a meeting with the President, he would give the
DNC
another
\$400,000." I said to him that -- "Absolutely not."

(END VIDEO CLIP)

DOBBS: Well, Heslin opposed a meeting because she
considered
the pipeline deal a sham. Tamraz gave \$300,000 to the
Democrats
and had a number of meetings with President Clinton.
Roger
Tamraz
joins me tonight from Washington, D.C.

Roger...

ROGER TAMRAZ, OIL CAPITAL LIMITED: Yes?

DOBBS: ... good to have you back here on MONEYLINE.

TAMRAZ: Good to see you.

watching
feelings
tonight?

DOBBS: Well, you must have some interesting emotions
those hearings today. What is your -- what are your

other
decisions
where

TAMRAZ: Well, it was sad to see that we are laughing at
countries because they have -- command economic

one
investment
so I
can

centralized planning is happening, and here we are with
technocrat which decides whether there should be an
pipeline or not, and all I was asking was for a hearing

explain my project and people can then decide.

that is
different

DOBBS: The -- I think the thing that we could agree

of
the DNC,
that

in this case and unique is that -- Don Fowler, the head
interceding on your behalf. Did you at any time request
intercession?

Whether he
looking at was

TAMRAZ: I think this is completely misunderstood.

be
sent to

called or not, I don't know, but if he had, all he was
whether information -- supplemental information would

nothing
more like

Miss Heslin so she can have a balanced view, and
interceding.

together

DOBBS: You were aware of Miss Heslin's objections and
concerns. Did you suggest that the CIA and the DNC get
to discuss your standing?

connection
whether
more
make a
just
giving

TAMRAZ: No, I did not, and I think that the only
between them was -- if it happened was just to check
information would be given to Heslin so that she could
balanced judgment, and I find that nothing is wrong in
more information.

number of
to
donate

DOBBS: You've had a longstanding relationship in a
iterations with the CIA. Did you feel it was necessary
money to the DNC to win access to the President?

that
simple
should
go
investment

TAMRAZ: Well, first of all, I didn't donate for just
reason. If you want to analyze why people donate, you
and check with all the oil companies and all the
companies that have donated, and then if you...

DOBBS: Well, Roger, I assure you we do just that.

them.
expose
the
affairs. I
think I
be
included in
the
should
go
peers
which
companies
were

TAMRAZ: OK. So that you know I'm not any different from
I really had three reasons. Number one is I wanted to
DNC and the President to my interests in foreign
have something to give to this country, and I'd like to
this decision-making process. I've done it before with
Republicans when they suggested to the White House I
there. Number two, I wanted to be on a par with my
were already in the White House. If the other oil

there, why shouldn't I be there? And, number three, I exposed a project. There's nothing against exposing a position, and people are, you know, big boys. They can make their own decision.

DOBBS: I -- there is obviously -- and I am sure you're sensitive to it -- great concern about the appearance of donations and access to the President, in particular seeking his support for your project. This are some -- admittedly some very fine lines to be drawn here, and I'm sure that you and the committee will be drawing those lines when you appear tomorrow. You were scheduled to appear today, but the testimony of Miss Heslin ran so long that I understand you had to -- the chairman decided to end those hearings today and then pick up tomorrow. At that point, Miss Heslin's concerns were your general reputation. You don't find any reason for her concerns?

TAMRAZ: No, I think that, you know, we're in a country where you're innocent until proven guilty, so let's not change the rules.

Allegations always fly around anyone who is a businessman, internationally speaking, and I explained to her that the allegations that come out of Lebanon are politically oriented, and I think everybody knows that. So I don't think this was enough. The two arguments she gave I found very weak. One was to protect the President as if the President is somebody who cannot decide if he's

bluff
him. After
button. He
whether I
also
they are
the
not?" It's
of
just

facing a second-class person or somebody trying to
all, he's the man who's got his finger on the nuclear
should know what has to be done. And, number two,
would use these arguments with overseas leaders as if
morons and they can't drop a quarter in the -- and call
ambassador and say, "Is this guy representing policy or
just two weak arguments to fight so hard to keep me out
explaining an issue.

staffers,
including
tomorrow, and
that,

DOBBS: Roger, as you know, I -- the President is a chief
executive. He also requires and must rely upon
Miss Heslin. Another hearing to have been held
of course, the confirmation hearing for Edward Gadrel
(ph),
U.S.
Ambassador to Morocco, and now with charges that he
solicited
from you and received from you \$50,000. That
information has
been forwarded to Attorney General Janet Reno. Is there
any
truth
to those allegations?

four
years
CV. I
never

TAMRAZ: None at all. I do know the gentleman. About
ago, he called me up looking for a job. He sent me a
talked to him again, and there's nothing to it.

through the
tomorrow,
here

DOBBS: But, again, in connection with an oil pipeline
Caspian Sea. Roger, we look forward to your testimony
and we thank you for spending some of your time with us
tonight.

TAMRAZ: Thank you very much, Lou.

DOBBS: Roger Tamraz.

TAMRAZ: Thank you.

DOBBS: Coming up next on MONEYLINE, Kodak and Motorola take investors and analysts by surprise, pointing to a

growing
are
simply

problem on Wall Street. Analysts' forecasts sometimes

dead wrong. Stay with us.

(COMMERCIAL BREAK)

ML1900 MONEYLINE WITH LOU DOBBS 9/17/97 --
SECOND TWO SEGMENTS

(COMMERCIAL BREAK)

DOBBS: Bond prices today edged higher on a weaker-than-expected housing report, but that didn't

help
stock

prices. Yesterday's 170- point rally on the Dow proved

a
tough act

to follow. The Dow tonight at 7,886.44, a loss of

almost
9-1/2

points, and volume approaching 592 million shares.

Advancing

issues did beat out decliners but by a margin of only

90
issues. The

Composite down .48. The S&P 500 down 2.64. The Dow Transports set another record, gaining 12.43. That is

the
fifth record

in as many sessions for the Transports. And the

Utilities,
despite a

higher bond market, losing 2.55. The NASDAQ Composite

Index

at 1,666.47, down 2.13. Volume just over 770 million

shares,
the

seventh heaviest trading ever on the NASDAQ. And the

American

Exchange Composite -- it's at a record -- 683, gaining

2.95,
on

volume of more than 31 million shares.

list, almost
And tonight's MONEYLINE movers led by COMPAQ Computer
which surged 4-3/8. Topping the big board's most active
aggressively
168- 1/2 million shares were traded today. COMPAQ
boosting sales projections for the year 2000.

night,
the
Oracle down \$3.50 a share. As we reported to you last
terms of
database software maker reported disappointing sales in
Wall Street projections.

concerned
And American Home Products tumbling 4-1/4. Investors
about potential lawsuits related to its recall of diet
drugs. Redux and
Pondimin were found to cause heart damage in clinical
tests.

before
trading
And Georgia-Pacific vaulting more than \$4 a share
Georgia-Pacific
was halted on the big board. Shortly afterwards,
said it would split off its timber business, and it
will
trade as a
separate class of stock.

has
Eastman Kodak shares today down another 5/8. The stock
earnings
fallen \$8.25 a share since Monday when Kodak said its
highlights
would fall short of expectations. Kodak's decline
how
more and more analysts on Wall Street are being caught
wrong
footed, and investors are footing the bill. Fred
Katayama
has the
report.

(BEGIN VIDEOTAPE)

give
advice. It
Eastman
FRED KATAYAMA, CNN FINANCIAL NEWS (voice-over):
Wall Street's stock analysts are paid handsomely to
doesn't always pay for investors to listen. After

Kodak
\$2-1/2
shares
tumble,
Kodak
its
rating to
buy it
had.
meaning
the stock
fallen
12-1/2
Jonathan
in
surprises
companies.
with
its
percent
since then.
analyst finds
company
with a
trouble
before he
the
mark
and
they

dropped an earnings bombshell Monday, the company lost
billion in market capitalization. Investors saw their
and Wall Street's biggest firms were bullish, and most
analysts held their ratings. Smith Barney did adjust
outperform, which is actually worse than the low-risk
Goldman Sachs still lists Kodak as a trading buy,
could rise 10 percent in the next six months. It's
percent since the rating was assigned. Salomon's
Rosenzweig is holding on to his hold rating.
JONATHAN ROSENZWEIG, KODAK ANALYST,
SALOMON BROTHERS: This was an unusually large surprise
terms of magnitude. I would say that the -- you know,
such as this happen from time to time with large
KATAYAMA: Motorola burned investors earlier this month
earnings warning. The stock has fallen almost 14
Analysts were bullish before and remain so. Merrill's
Motorola hard to follow because it is "a complex
lot of moving parts." Smith Barney's analyst may have
sleeping on his honeymoon. He had a buy on Motorola
left. The firm is keeping it. Sometimes analysts miss
because they make incorrect assumptions about business,
say some companies do not give enough information.

Sometimes

analysts do not want to offend companies that may become clients.

JAMES FREEMAN, PRESIDENT, J.L. FREEMAN: They are not going to trash the companies, OK, and they'll probably

have a more positive bias in trying to put forth mediocre or negative news.

KATAYAMA (on camera): A study by a money management firm found that more than half of quarterly estimates

surveyed missed actual earnings by more than 10 percent.

Fred Katayama, CNN Financial News, New York.

(END VIDEOTAPE)

DOBBS: And coming up next, MONEYLINE contributing editor James Q. Wilson says picking a mutual fund isn't a

science, but picking a mutual fund manager certainly is. Stay with us.

(COMMERCIAL BREAK)

DOBBS: MONEYLINE contributing editor James Q. Wilson is with us here tonight in the studio. He has a few

thoughts about investing wisely.

JAMES Q. WILSON, CONTRIBUTING EDITOR: Lou, have you ever wondered how to buy a mutual fund?

DOBBS: I have.

WILSON: Good. Well, we have some answers for you, but,

for many economists, this is an interesting question. To

them, capital markets are so efficient that no fund manager will do

better than the index value of the stock market, and most will do a lot worse. These economists will tell you to invest in inexpensive funds

that
invest in the stock indexes, such as the S&P 500. Otherwise, you
don't
do better than someone throwing darts at a list of stocks.

Bureau of But now comes a preliminary study from the National
fund Economic Research that shows how to pick a good mutual
an manager. Its answer: Pick a young manager that attended
elite university and then went on to earn an MBA degree.

Judith Chevalier (ph) and Glen Ellison compared the traits of
managers with the performance of the funds they managed, and
they found that managers from good universities earned 1 percent
more per year for their customers than do managers from ordinary
schools. Older managers earn more than 1 percent less than do
younger ones. Managers with an MBA earn a bit more than ones
without that degree. These facts are true even after taking
into account the expenses charged by their funds and the kind of
portfolio they managed.

for In time, somebody may explain away these findings, but,
now, you ought to pick a young manager who went to Princeton
instead of one who went to the University of Florida. Now that
I have told you this, I will soon get angry phone calls from the
University of Florida and whatever group represents older folks.
Please, I am just the messenger, not the message.

Lou.

DOBBS: It won't matter a bit.

WILSON: No, not a bit.

the
Nebraska,
elitist.

DOBBS: You should be somewhat, I suppose, encouraged by
fact people like Warren Buffett who graduated from
George Soros from London School of Economics -- that's
somewhat an elitist school. A little liberal, but still

WILSON: That's true. That's true.

about 3

DOBBS: Well, you've given us at least a clear beacon to
points better performance in our funds.

WILSON: Only on the average, though.

lot.

DOBBS: Oh, there goes that margin thing. Jim, thanks a

WILSON: You're welcome.

DOBBS: James Q. Wilson.

buy-outs of
projections for
Marron,
the

Well, tomorrow night here, we'll be talking about the
investment firms, the volatility of the market, and the
this market. Joining me tomorrow night will be Donald
chairman and chief executive officer of Paine Webber.

being
with us.

And for tonight, that's the bottom line. Thanks for
Good night from New York.

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SUBJECT: PBS: News Hour, 10/23/97

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News Hour with Jim Lehrer
Aired on October 23, 1997

BRINGING UP BABY

The White House hosted a day-long conference focusing on how to make child care safer, more available and more affordable. Phil Ponce explores the issues

surrounding child care with Ellen Galinsky, the head of the Families and Work

Institute; Marcy Whitebook, co-director of the National Center for the Early

Childhood Work Force; Stanley Greenspan, a clinical professor of psychiatry and

pediatrics; and Charmaine Yoest, a fellow at the University of Virginia.

PHIL PONCE: Now, four perspectives on child care problems and solutions. Two of our guests were at the White House conference today. Ellen Galinsky is the head of the Families and Work Institute in New York. Marcy Whitebook is a co-director of the National Center for the Early Childhood Work Force in Washington. We're also joined by Stanley Greenspan, a clinical professor of psychiatry and pediatrics at George Washington University, and Charmaine Yoest, a University of Virginia Government Department fellow and co-author of *Mother in the Middle*, a book supporting parental care for children. Welcome all of you.

And, Ellen Galinsky, you were at the White House. What is your opinion of how well the child care system is working?

ELLEN GALINSKY,
Families and Work Institute:
Studies show that the child
care in this country is uneven.
About 12 to 14 percent of
kids are in care that really

enhances their growth and development. Somewhere between 12 and 21 percent across three national studies--one of which Marcy Whitebook did, which I did--with other colleagues--those studies show that between 12 and 21 percent of kids are in care that could be considered dangerous. Most kids are in situations where it's--where the care is--they're safe but they're not really learning. But that's the bad news. On the good news side is we've done a series of studies showing that it is very possible to improve the quality of child care, that with improving the ratios or number of adults for each child, with improving the educational credentials that the staff has, with

providing training for child care providers; you can really change the most essential part of what child care offers, which is the--which is a warm and caring relationship between the child care provider and the child.

"The best quality child care is mother care or father care."

PHIL PONCE: Charmaine Yoest, you're sitting here shaking your head. Is there such a thing as good quality child care, in your opinion?

CHARMAINE YOEST, University of Virginia: The best quality child care is mother care or father care, and I think that's what we really have to stay focused on, is as you are designing a policy for the nation, we need to figure out what is best for our children. And we keep talking about really second best solutions when we talk about institutionalizing daycare across the entire country. Children--even Mrs. Clinton today was talking about the brain research that shows that children under the age of three need very, very particularly close, intimate connections that last over a lifetime. In daycare you see a succession of providers. This can be very, very damaging to the attachment process with children, and that's a real great concern to me when I hear us talking more and more about investing resources in a substandard kind of situation.

PHIL PONCE: Marcy Whitebook, is it possible to invest enough resources to make the system "a good system?"

MARCY WHITEBOOK, Center for Early Childhood Work Force: I think it is, and I think one thing we have to keep in focus here is that 50 percent of women who are working outside the home are in families with incomes below \$35,000 a year. And we seem so concerned about making sure that people are working in the work force we have to--we do need to have some kind of child care solutions. Right now in child care the 3 million people who take care of children for a living--probably a million and a half of them will look for other jobs this year, and that's terrible. But they're not leaving because they don't know how to do a good job, or they don't want to stay in child care. They're leaving because they can't make a living wage for their own family. The average child care wage is about \$6.89 an hour. People don't have health benefits; they can't afford child care, themselves. They don't get paid vacations. And we need to do something to improve those jobs. And I think if we do that, then we'll be able to create the kind of care that we know is good for children. And I don't think anybody in the child care community wants to see children in situations where they can't form attachments to child care workers.

PHIL PONCE: Stanley Greenspan, can good quality child care provide what a family can provide?

STANLEY GREENSPAN, Psychiatrist: Well, good quality child care is important. We have to improve it and use training as Ellen and others have said, but we have to recognize there are limitations. Families can do certain things better than non-families, so if you have a well functioning family with caring parents who can provide quality interactions, at this

time in this
country it's very hard to find an equivalent type
of
care in an
average daycare center.

PHIL PONCE: Are you saying that even good quality, or the best
quality
child care
centers do not provide what a family provides?

STANLEY GREENSPAN: The best quality child care centers in this
country now,
except for experimental centers, for example, change care givers
every
year, so the
baby moves from the infant room to the toddler room, to the preschool
room. Also,
you have one person even at the best centers caring for four
babies--very
few moms.

So if you have the best mom and dad at home, motivated, nurturing,
caring,
and you

have the best child care center, motivating, nurturing, caring, mature
care
givers, the

setups are very, very different. We've identified the six building
blocks
of healthy minds,

which also build healthy brains, and it's hard to provide that as
richly
in a non-home

setting. Now if we were--my solution is something we call the four
thirds
solution,

where parents are encouraged to work part-time, both parents, share
in the
child care

and reduce the number of kids who require daycare. Then, with less
numbers
requiring

it, we can subsidize daycare; we can do better training and get all
the
centers up to high

quality because the chore won't be quite as big.

"We're talking as if there's child care versus parents."

PHIL PONCE: Ms. Galinsky. Then I'll get to you, Ms. Yoest.

ELLEN GALINSKY: We're talking as if there's child care
versus parents. And that's really not right. Parents are always
first and foremost in children's lives. That's absolutely essential

to children. Children need good quality care in their families,
and I believe for those children who are in child care they need
it in child care. And so rather than should they or shouldn't they
work--which is something I think we spent long in debating and then

has

led to the kind

of situations that Marcy is describing--let's try to make the
workplace

more family

friendly so that families can stay home. Let's try to give families

more

income so that

they can be at home, but let's also at the same time try to do what
we can

to make sure

that those children who are in child care have warm and nurturing
relationships that are

durable.

PHIL PONCE: And how do you respond specifically, though, to what he
said,

that

even the best quality child care, as I understand it, is not as good

as a

family?

ELLEN GALINSKY: Well, I think we've never really done studies in
families

in the

same way that we've done them in child care. I think that, you know,
what

the research

shows is I think very important. What it shows is that simply the
fact th

at a mother

works doesn't tell you very much about children's development. It
depends

on that

relationship with the family, and it depends on what happens to that
child

in child care.

So I believe absolutely families are first and foremost. I strongly
believe that, but I also

believe that children, those children who do work can form good
relationships and we

can figure out how to do that.

PHIL PONCE: Charmaine Yoest.

CHARMAINE YOEST: There's so much to address so
quickly. Let's draw a real bright line. The

problem is,
is that

when you start bureaucratizing and setting up

federal
subsidies

of daycare you're going to start squeezing out
other--the
parents' choices. Every time pollsters go out and
talk
to moms

what they come back and say is I want more time
with my
own child; I want flexibility, I want part-time
work, I
want to

be home with my own child. And when you look at low-income mothers,
58
percent of
low-income mothers do not purchase child care. That's because they're
turning to
informal networks to support.

You know, 150 years ago De Tocqueville said that the strength of
America
lay in our
voluntary associations and the strength of Americans to be
self-reliant.

As we talk
about the federal government coming in and trying to solve these
kinds of
very

personal, intimate problems for people, we are going against the
grain of
what we need
to see happening, of emphasizing community solutions, of parents
solving
their own

problems, of parental care, and not just--real quickly--if you look
at the
research, the

majority of people are looking for familial situations where the
grandparents or the aunt

or the sister--and if you start looking at raising taxes to support a
federally subsidized

program, you're going to start squeezing out those kind of parental
solutions.

PHIL PONCE: Marcy Whitebook, what do you say to people
who look at the situation and say as a matter of realism some
parents simply have no choice but to explore daycare?

MARCY WHITEBOOK: I mean, I think there are millions of
families out there who do rely on some kind of out-of-home
care, and I think the discussion today that went on was not at all
discussions creating

some big federal program but, in fact, creating moneymaking--I don't
think

so--what I

heard today was making money available to states to also create public/private partnerships and to do things at the community level. Nobody was talking about one

kind of child care. People were talking about different choices for parents, and I think

really that no one is saying that--and many, many parents want parental leave--they

want more time with their children, but even still, some people need some kind of care

for their children. We need to make sure that when children use out-of-home care that is the best care as possible.

The science of child care.

PHIL PONCE: Stanley Greenspan, what does the latest research show about the relationship between a child and a parent and what child care made--how child care may impact that relationship?

STANLEY GREENSPAN: What the latest research shows is that children need certain kinds of interactions.

We've identified six types that they need, but one of

the most critical types is ongoing, loving nurturance by one or a

few people over many years. Another thing they need early in

their first year is lots of communication--we call dialogues

without words--smiles, coos, all of the kinds of games that parents and good daycare staff play

with babies. But what we have to realize is that if we as a society begin institutionalizing

daycare as the norm--okay--rather than giving parents the flexibility to care for their

own, we're going to possibly sacrifice the richness of this early nurturing, the ongoing

one-on-one relationship we can have for many years. Now let me make one

other

point. So we have to support parents through solutions like the four
third
solution

where we--the government creates incentives so parents can work
part-time,
so they

can care for their kids. But we have many families where there's no
choice--to put

bread on the table both parents have to work, or it's a single parent
worki
ng family.

For those families we have to improve daycare with better quality,
better
training, the

kind of thing that Ellen is talking about. We have to do both. We
can't
politicize the

issue and pretend that we're either for improving daycare or for
giving
better family

options. We have to do both.

The Federal Government: Providing support or intruding?

PHIL PONCE: Ellen Galinsky.

ELLEN GALINSKY: We're having this discussion as if it were like 1971,
and
when

we were talking about creating a federal system of child care, which
of
course didn't
happen.

CHARMAINE YOEST: But we are.

ELLEN GALINSKY: No, we're not.

CHARMAINE YOEST: We already have. The federal
spending on daycare has just gone through the roof. It's really
scary.

ELLEN GALINSKY: But if you look at what the federal spending has gone
to,
most
of the spending goes to give families money to help support their
choices.
I think--

CHARMAINE YOEST: Federal money always comes with strings, and it's
kind of
a

"we know what's best--this money has to go in this particular way. It

doesn't--

ELLEN GALINSKY: It actually doesn't.

CHARMAINE YOEST: But they can't take the money, for instance, and fix their car
or--

STANLEY GREENSPAN: Well, the bigger problem is not so much--

ELLEN GALINSKY: Well, the block grant--let me just say--the block grant,
which is
the major spending for child care, goes to states and then goes to communities for them
to make choices--your community by community solution. Nobody is talking
about a
federal system. People are talking about going down to the grassroots levels and letting
families and communities solve problems together.

STANLEY GREENSPAN: We need better funding, so I agree with you, and I disagree with you. We need
the
federal

government involved. We need states; we need communities;
we need better funding, better training, better consultation, high
quality. But also we have to get away from
establishing

out-of-home care as a norm. New parents coming into parenting now believe that they're supposed to both work full-time
till 8
o'clock at night

and they're supposed to farm out care of their children elsewhere.

We've
got to get
away from that. We've got to reestablish a value in taking care of your own
children. But if
you need to, we have to have high quality care as a good option.

Individual stories.

PHIL PONCE: Charmaine Yoest, you have children. Would you ever under
any
circumstances explore child care for your own family?

CHARMAINE YOEST: child care as defined by family support--I have a
lot of
family
support. I have community baby sitters that I use on occasion, but I

would
under

absolutely no conditions put my children in a day care. I have an eight-month-old and I

look at her, and I just can't imagine, as Stanley talks about the intimate, the on--the

intense need--the man hours that are required to take care of a child in

an institutional

setting--it boggles my mind. And, you know, we have chosen--made some real

sacrifices for--to not have to put our children in an institutional situation. And that's the

kind of thing we need to be talking about, is how we can support parents

in doing that

kind of thing.

PHIL PONCE: If it's not too personal, what kinds of sacrifices have you made?

CHARMAINE YOEST: We have one car; we live very near my parents. That's not a sacrifice, but, you know, so many people do not have--(laughter among group)--so many people don't have that kind of support though. And when I look at our family as a whole, that's an integral part of our child rearing is having extended family assistance. And we need to be talking about those kinds of things as how we can--and the point that--since

I'm
the only one

who's talking about not pouring more federal money into the daycare situation, I have

to say that as you--you know, Ellen, we have to be realistic about the

fact that if you

put more federal money in daycare dollars, then it's coming out of tax

dollars. You're

not talking about refundable tax credits and cutting taxes; that puts cash

into people's

hands to make decisions across-the-board as to what their family needs.

You know,

my family, when we look at child care, it would be something entirely different from

what your family would need, so why should money be earmarked for daycare?

PHIL PONCE: Marcy Whitebook.

MARCY WHITEBOOK: Well, you know, I've been a single parent since my child

was in preschool, and I used out-of-home child care for him, and--

CHARMAINE YOEST: And it wasn't institutional. It was a person who cared--

MARCY WHITEBOOK: And it wasn't institutional. And there are people who cared about my son and still care about them; we still have relationships with those people, and it made him open to the world and has enriched his life and enriched mine and gave me a lot of support. So you can have your choice--

CHARMAINE YOEST: But you know that kind of care is just not available for the average person.

MARCY WHITEBOOK: But it needs to be available. And I think when you talk about what is out there for people, you have to realize right now day by day there are children in situations that need to be improved. We know how to improve them. And we need to put our energy toward improving that. We need to make--invest in child care so that the people who do that work can afford to take care of their own families and they can stay on the job and build the kind of relationships with children that they need.

ELLEN GALINSKY: We need to invest in policies that support you to be able to stay home with your child--

PHIL PONCE: Unfortunately, we need to conclude the conversation at this point. I thank you all very much for being here.

STOCK SHOCK

Stock markets around the world dipped in response to a 10 percent drop in the

Hong Kong market. The crash resulted from a continuing monetary crisis in

Southeast Asia that forced Hong Kong to raise its interest rates to stabilize its

currency. Jim Lehrer discusses what the impact of today's drop in Hong Kong

and the United States with Lawrence Krause of the University of California-San

Diego's School of Pacific Rim Studies; Robert Hormats, vice chairman of

Goldman Sachs International; and Bob Harrington, a stock trader with PaineWebber.

JIM LEHRER: At the end of the U.S. day the Hong Kong effect was an 187-point fall of Wall Street's Dow Jones Industrial Average. We get more on all of this from

Lawrence Krause of the University of California-San

Diego's School of Pacific Rim Studies; Robert

Hormats, vice chairman of Goldman Sachs

International; and Bob Harrington, a stock trader with

PaineWebber. First, Mr. Krause, is there anything of significance that needs to be added to that report we just heard about the situation in Hong Kong that started all of this?

The Hong Kong crash.

LAWRENCE KRAUSE,
University of California, San

Diego: Well, there are two surprises about this crisis.

The first is that the spread effect, the contagion effect

has gone not only from Southeast Asia to Northeast Asia. Korea wasn't mentioned, but Korea is a major competitor with Hong Kong as well and its currency has depreciated. That's the first surprise. The second surprise is that it's taken so long for the currency markets to clear. It's made a much longer crisis than normally occurs. So those are the two surprises.

JIM LEHRER: In other words, the currency is what--it was, as we just heard in the report, you agree with what Ian Williams said in the report--it was the decision to raise interest rates to back up the Hong Kong currency that caused this fall of the stock

market, right?

LAWRENCE KRAUSE: Absolutely. The Hong Kong market is dominated by property companies, and when interest rates go up, they really suffer, along with some financial firms. Of course, Hong Kong is known for being a very volatile market. So it's not surprising that the stock market has taken such a big hit there.

JIM LEHRER: Okay. Now explain why it spread so quickly to the rest of the world. It had effects in Europe first before it came here. Now, why is that? Why would something that happened in America based on just raising some interest rates would cause all this to happen in Europe at Paris and Frankfurt and elsewhere?

LAWRENCE KRAUSE: Well, we are used to seeing markets impact on each other.

And the more global the economy the more you will see this closeness impacting on

one another. And we are in a global monetary system. So when one economy is, in

fact, contracting liquidity--and that's what Hong Kong is doing by raising interest rates

so sharply--it has an impact on others.

JIM LEHRER: Is that a psychological impact, or is that a real impact?

LAWRENCE KRAUSE: It's both. A lot of it is psychological because you are looking

for bad news. We know the sign of this and the magnitude has been really surprising.

JIM LEHRER: In what way?

LAWRENCE KRAUSE: It's surprising by its size. Now, the U.S. market going down

2 percent, it's done that before, and we're only back to I think where we were last

Friday, but the Hong Kong market is really down. When I looked at the impact of the

1982 political crisis, it didn't go this far. And, of course, it then recovered within a couple of months.

The story from the floor.

JIM LEHRER: Okay. Mr. Harrington, on the U.S. market, what time did you go to work this morning for PaineWebber?

BOB HARRINGTON, PaineWebber: I was on my way to work, Jim, at 7:15 and actually had on the radio that bond markets were all down pretty good.

JIM LEHRER: So what did that say to you before you even got to work?

BOB HARRINGTON: Well, given that it is a global economy, the first thing we asked each other at PaineWebber was, how might this affect our market, what companies' earnings that have exposure to that part of the world, how it might affect them, so we listened to our strategist, PaineWebber, and we knew that given our markets traveled fairly far over the last couple of years that any uncertainty like this gives people reason to sell. So we felt that we would see some selling on the opening, which we did.

JIM LEHRER: And then it went up and it went to--at one point it was down over 260 points, was it not?

BOB HARRINGTON: Yes, it was. I think most of the day it was a struggle between the buyers kind of stepping away--it still felt to me like there's still money in our market; the buyers are there. But when there's this kind of uncertainty and anxiety, people have a chance to step back and maybe be a little bit pricey about when they purchase their stocks.

JIM LEHRER: Well, what were they afraid of? What was the--what were the traders on the American Stock Exchange afraid of?

BOB HARRINGTON: Well, I think what we're afraid of is what it does to our interest

rate environment. If you change our rate picture, that would have a drastic effect on the earnings of our companies and, you know, that might get people to reconsider their stance on the market.

JIM LEHRER: Were there particular kinds of stocks that were sold and dropped in value more than others today?

BOB HARRINGTON: Some of the financial companies that have exposure in Southeast Asia maybe a little bit but really we saw a very rational market where people--it just made it tougher on the sellers today because you were selling into a market that was a little uncertain and had some fear in it.

JIM LEHRER: But no chaos, no panic? Your stomach wasn't tight all day?

BOB HARRINGTON: No, not really. It was--I thought the market acted very well. I didn't feel panic at all--acted very rational, I thought, given the uncertainty that this event caused.

"There is a sort of around-the-world domino effect."

JIM LEHRER: Mr. Hormats, tie all this together for us, for those of us who don't follow all of this, how this whole phenomenon that somebody makes a decision--the Central Bank of Hong Kong--many thousands of miles away--not only from New York but from many other parts of the world as well--somebody makes a decision to raise interest rates, and it causes all this turmoil throughout the world.

ROBERT HORMATS, Goldman Sachs International: Well, it's a global market, as we've been saying. And I

think the point here is that this is really part of a longer-term phenomenon we've seen over the last several months, starting

in Taiwan. It's really reverberated throughout
first
Southeast
Asia, then the rest of Asia, and now, as you've
pointed
out,

there is a sort of around-the-world domino effect. It's, in part, the
fact
that these are

important economies, and when investors see problems in these
economies,
they look

for similar problems in other economies. Second, the depreciation of
these
currencies

makes these countries more globally competitive. So--

JIM LEHRER: Explain that. The value of their currency goes down. That
means their
products can be sold better, right?

ROBERT HORMATS: Exactly. Exactly right. The value of their currencies
goes
down;

that makes their exports more competitive in international markets.

And
that puts

pressure on the currencies of other countries which have not devalued
because their

currencies, in retrospect, relative to the Southeast Asians, look
less
competitive. So

foreign investors and domestic investors look at those and say, gee,
they
may have to

devalue as well to retain their competitiveness. And that really is
the

Hong Kong

concern because Taiwan devalued its currency. They have a lot of
reserves,
and I think

that is what triggered more than anything the concerns in the market
about
Hong Kong.

JIM LEHRER: In a general way, Mr. Hormats, is this something we're
all
going to have
to get used to?

ROBERT HORMATS: Well, in a global market with a lot of money moving
around,

yes, we're going to have to get used to it. Capital moves very
quickly,

and it can

reward countries for good performance, and it can punish them for bad performance.

And it also reflects on our domestic market because if interest rates in these countries

stay high and if growth slows down, that will weaken exports of American companies

and weaken the profit outlook at the margin, to be sure, but nonetheless, it's a negative

for a number of American companies, which have also become more global, along with the capital markets.

JIM LEHRER: What kind of companies?

ROBERT HORMATS: Well, companies that sell products for infrastructure development. They would be hurt because a lot of these countries in Asia now have to cut back on the development of domestic infrastructures because they don't have the money and they've got to pull back. Any company that exports capital

equipment is going to be hurt. Virtually any company that has exported or plans to

export a lot to Southeast Asia will be hurt somewhat because of weaker demand in

Southeast Asia. At the same time they're going to try to export more here to overcome

their domestic weakness; they're going to try to sell abroad.

JIM LEHRER: Sure. Mr. Harrington, was that--that thesis reflected in the reality of the markets today?

BOB HARRINGTON: Yes. I think that people feel that the multinational companies

would certainly be affected by this, as Bob stated, and that created some uncertainty

there. And a lot of those stocks did sell off.

The positive side for the U.S.

JIM LEHRER: Mr. Krause, does the reverse--are we to a state now where the reverse could happen? In other words, let's say there was a problem in the

Paris
market tomorrow. Could that--that ricochet or domino effect come the
other
way as
well?

LAWRENCE KRAUSE: It's possible, but remember most
of
these problems have a domestic component to it.
Countries
that are in sound position like the United States
have
less to
worry about, and, indeed, that's why our market
didn't
behave
as some of the other ones did. There is the
positive
side of this
for the United States as well. As those imports
are
becoming
more competitive, which means at lower prices, we don't have as much
inflationary
pressure here, and it may tell our Federal Reserve that they should
not be
in any hurry
to raise interest rates.

JIM LEHRER: Do you agree with that, Mr. Hormats, there is good news
at one
level
for Americans, right?

ROBERT HORMATS: I think there is. That is--Larry's put his finger on
it--that is
really one of the benefits but I don't think we should be too
confident
about this
because I think the negatives overwhelm the positives. One dimension
we
haven't
talked about is the impact on Japan. As you know, Japan's a big
market for
American
products. We already have a big trade imbalance with Japan. The
circumstances in the
rest of Asia will really hurt Japan badly because Japan does sell a
lot to
Southeast Asia.
They'll sell less now, which weakens our economy. A lot of their
financial
institutions
are heavily exposed to Southeast Asia, which hurts them. And they're

already weak.

So Japan is really becoming a growing trouble spot for the U.S., and that could have a major adverse effect on the United States down the road, along with all the other things we've talked about.

"Mr. Harrington, back to your real world here..."

JIM LEHRER: Mr. Harrington, back to your real world here, when you left your office this afternoon to come over to our studio there--to the studio there in New York, did you leave--and you and your colleagues leave the work today, thinking, well, this was a one-day thing and this was over with, or do you expect worse or more or better tomorrow?

BOB HARRINGTON: Well, I think we're going to take our cue from the foreign markets. It may be a case--

JIM LEHRER: From what markets? I'm sorry.

BOB HARRINGTON: The foreign markets.

JIM LEHRER: Oh, I see. Sorry.

BOB HARRINGTON: It may be a case where the tail wags the dog here. We'll be keeping a watchful eye on what happens there. If we see some stability, I think obviously that would be healthy for us.

JIM LEHRER: What stability? How do you define stability?

BOB HARRINGTON: I'm not expecting the Hong Kong markets to just immediately rally back but if the precipitous fall stops and it tries to regain some structure there, I think that that would be healthy for our market.

JIM LEHRER: Mr. Krause, do you expect--is this a serious flaw, a serious drop for Hong Kong, or do you expect it to come back tomorrow and eventually this will be something we'll talk about as a blip?

LAWRENCE KRAUSE: I think it's going to be a blip but it may not be tomorrow when it comes back because there are some fundamental

changes going on in Southeast Asia, and essentially it's reacting to the new competitiveness of China, so there's a lot of sorting out to do in basic economic structure, as well as exchange rates.

Not a reaction to the China takeover.

JIM LEHRER: But for the record, Mr. Krause, I should have asked you this earlier--there is no relationship to what happened in Hong Kong and the Chinese takeover per se. This was a not a political development on the stock market, right?

LAWRENCE KRAUSE: No. The political takeover went fine.

JIM LEHRER: And this doesn't have anything to do with that?

LAWRENCE KRAUSE: Nothing to do with that.

JIM LEHRER: Do you agree, Mr. Hormats?

ROBERT HORMATS: I do. I do agree with that. I think that the takeover went very well. It's been very smooth. I was just out there during the World Bank-IMF annual meeting. Things are going very well. This is a different kind of phenomenon which really relates more to other economic conditions in the region. And I do think that Hong Kong will come back. It may take a little bit--and I don't think they're going to devalue the Hong Kong dollar, which is something the market was concerned about.

JIM LEHRER: All right, gentlemen, thank you all three very much.

END

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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CREATION DATE/TIME:31-OCT-1997 17:51:02.00

SUBJECT: Weekend Shows

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TO: Eli G. Attie (CN=Eli G. Attie/O=OVP @ OVP [UNKNOWN])
READ:UNKNOWN

TO: Michael D. McCurry (CN=Michael D. McCurry/OU=WHO/O=EOP @ EOP [WHO])
READ:UNKNOWN

TEXT:

OCTOBER 31st 1997

MEMORANDUM TO MIKE MCCURRY, ANN LEWIS AND RAHM EMANUEL
FROM MARK NESCHIS
SUBJECT WEEKEND TELEVISION

FRIDAY OCTOBER 31ST

WASHINGTON WEEK IN REVIEW

Topic: Stock Market
Guest: Alan Murray, Wall Street Journal

Topic: Jiang Zemin's Visit
Guest: Tom Friedman, New York Times

Topic: White House view on China and Stock Market
Guest: Mara Liasson, NPR

Roundtable: Vermont's Campaign Finance System

SATURDAY NOVEMBER 1ST
EVANS & NOVAK (CNN)

Topic: 15 Year Anniversary Special
Guest: none

INSIDE POLITICS WEEKEND (CNN)

Topic: Off Year Elections

Guest: Gov. Roy Romer, DNC Chmn, Jim Nicholson, RNC Chmn

SUNDAY NOVEMBER 2ND

FOX NEWS SUNDAY (FOX)

Topic: Stock Market

Guest: Jessica Bibliowicz, John Levin & Associates

Topic: Race Issues

Guest: Edward James Olmos, Actor, Rep. John Lewis, Rep. Harold Ford Jr.,
Author Abigail Thernstrom, Laura Ingraham Independent Womens Forum, Rap
Artist Chuck D, Lani Guinier, University of Pennsylvania

Roundtable: Mara Liasson, NPR, Juan Williams, Wash. Post, Brit Hume

FACE THE NATION(CBS)

Topic: Stock Market

Guest: Richard Grasso, New York Stock Exchange Chairman, Abby Joseph
Cohen, Goldman Sachs, Charles Clough, Merrill Lynch, Peter Lynch,
Fidelity Investments

no roundtable

THIS WEEK (ABC)

Topic: Au Pair Trial

Guest: Prosecutor Martha Coakley, Alan Dershowitz Harvard University,
other guests tba

Topic: Iraq, Fast Track

Guest: Bill Richardson, U.S. Ambassador to the United Nations

Roundtable: Clarence Page, Chicago Tribune

MEET THE PRESS (NBC)

Topic: Congressional Agenda

Guest: Rep. Gingrich, Rep. Gephardt, Sen. Daschle, Sen. Lott

Topic: Reform Party Convention

Guest: Ross Perot

Topic: 50th Anniversary of Meet The Press

Guest: Former Sen. Robert Dole

No Roundtable

LATE EDITION (CNN)

Topic: Au Pair Trial

Guest: F. Lee Bailey, Attorney, other guests tba

Topic: Campaign Finance Hearings

Guest: Sen. Fred Thompson

Topic: Reform Party Convention

Guest: Ross Perot

Roundtable: Steven Roberts NY Daily News, Susan Page USA Today, Tony Blankley George Magazine

McLAUGHLIN GROUP(NBC)

Topics: China, stock market, off year elections, White House security

Guest: Mort Zuckerman, Pat Buchanan, Mort Kondracke, Eleanor Clift

McCLAUGHLIN One on One(NBC):

Topic: China

Guest: Mike Pillsbury, China military expert, Frank Gaffney, Center for Security Policy

RECORD TYPE: PRESIDENTIAL (NOTES MAIL)

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

CREATION DATE/TIME: 3-NOV-1997 07:12:14.00

SUBJECT: CBS: Face the Nation, 11/2/97

TO: jgibbons@ostp.eop.gov@INET@LNGTWY (jgibbons@ostp.eop.gov@INET@LNGTWY [OSTP])
READ:UNKNOWN

TO: Lorraine A. Voles@ovp@eop (Lorraine A. Voles@ovp@eop [UNKNOWN])
READ:UNKNOWN

TO: Virginia M. Terzano@ovp@eop (Virginia M. Terzano@ovp@eop [UNKNOWN])
READ:UNKNOWN

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READ:UNKNOWN

TO: Steven J. Naplan@eop (Steven J. Naplan@eop [NSC])
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TO: Russell W. Horwitz@eop (Russell W. Horwitz@eop [OPD])
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TO: Rahm Emanuel@eop (Rahm Emanuel@eop [WHO])
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TO: Michelle Crisci@eop (Michelle Crisci@eop [WHO])
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TO: Jill M. Blickstein@eop (Jill M. Blickstein@eop [OMB])
READ:UNKNOWN

TO: Michael Waldman@eop (Michael Waldman@eop [WHO])
READ:UNKNOWN

TO: Barry J. Toiv@EOP (Barry J. Toiv@EOP [WHO])
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TO: Darby E. Stott@eop (Darby E. Stott@eop [WHO])
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TO: Joshua Silverman@EOP (Joshua Silverman@EOP [WHO])
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FACE THE NATION
Aired on 10:30 A.M. (EST), SUNDAY, NOVEMBER 2, 1997

HOST: BOB SCHIEFFER
GUESTS:

RICHARD GRASSO, CHAIRMAN, NEW YORK STOCK EXCHANGE
PETER LYNCH, FIDELITY MANAGEMENT & RESEARCH COMPANY
ABBY COHEN, GOLDMAN SACHS & COMPANY
CHARLES CLOUGH, MERRILL LYNCH & COMPANY

MR. SCHIEFFER: Joining us first, from New York City, the chairman of

the
Exchange, Richard Grasso. Joining in the questioning this morning, our
friend
Tom Friedman of the New York Times.

Mr. Grasso, how concerned are you as we start, prepare for another week
on
Wall Street, about what happened last week?

MR. GRASSO: Well, Bob, in many respects last week was a historic one
for the
markets here in New York and around the world; volume on the Exchange,
some 4
billion shares. That would have been roughly three times my first full
year at
the Exchange. So we're prepared from
a technological standpoint. Clearly investors are looking with greater
concern.

But the reassuring statements of Treasury Secretary Rubin, the president
himself, about the U.S. economy, I think, augur for a return to some
stability.

MR. SCHIEFFER: Well, do you think this is a sign of a long-term change
in
market direction?

MR. GRASSO: No, not necessarily. But clearly the market was at an
all-time
record level. There were many that believed some correction had to take
place.
Of course, the weakness in Asian markets, reflected around the world, in
some
markets in Europe and then again in Latin America, caused some investors
concern and some liquidation.

But the strength of our economy here in this great country, looked upon
from
all of the traditional benchmarks, I think, reassured everyone that the
economy
was fine, the market was experiencing correction, but there was no need
for
selling into what clearly was a very sharp and painful but yet temporary
event.

MR. SCHIEFFER: Let's bring Tom Friedman in. Tom?

MR. FRIEDMAN: Mr. Grasso, when I was growing up, to have a seat on the
New
York Stock Exchange was thought to be the be-all and end-all in investing.
Now
everyone's got a seat if they're on-line on the Internet. We saw that last
week. What impact did that make, the fact that so many people seemed to be
trading individually on-line?

MR. GRASSO: Well, Tom, of course, we're very privileged in this
country. We
have some 60 million Americans who are direct participants in the market,
another 130 million indirect participants. So literally 60 percent of our
population is in the stock market today, and I think appropriately so,
because
historically rates of return in the equities market have been premium and
those

with a long-term approach to investment have been handsomely rewarded.

MR. FRIEDMAN: But does this exacerbate things, the fact that so many people are in there now?

MR. GRASSO: No, I think most investors look upon events such as last Monday as a correction, a necessary one, one that oftentimes has provided great buying opportunities.

MR. SCHIEFFER: Mr. Grasso, let me ask you about the so-called circuit breakers that a lot of us learned about this week, and that is, there were certain stops put in at the market after the drop in '87, the set-up rules where if the market dropped a certain number of points, you'd suspend trading for a half-hour. And then, if it went even further, you'd suspend it for an hour. That happened. The market did stop twice. Do you think, on reflection, that helped or hurt? Some people said it almost brought in kind of a panic element into it.

MR. GRASSO: Well, Bob, that was the first time that the circuit breakers have ever been enacted. And I think prudence tells us that we should not necessarily confirm nor deny the value, but rather take a step back, look at, for instance, the point levels, the timing, whether there should be a third level, and ask ourselves the question: What must we do to reassure investors, particularly small investors, who are the staple of our great markets, that confidence and stability can indeed be engendered by a timeout, sort of the halftime in a football game?

MR. SCHIEFFER: All right. Well, Mr. Grasso, I want to thank you for coming in this morning.

And now we're going to go to our panel of stock market experts, and these really are experts. With us from Boston, Peter Lynch, the man who started the Magellan Fund; Charles Clough of Merrill Lynch; and Abby Cohen, who is joining us today from New York. Almost legends, all of them, I must say.

Let me start with you first, Peter Lynch. How do you feel about what happened this week? And what do you think now the small investor ought to do?

MR. LYNCH: Well, I think the key thing is for people to understand two things. The market is volatile. The market was 4000 just two and a half years ago. It ran all the way up to 8300 and then it corrected by 1100 points, 550 in one day. But that's been true this century. We've had 96 years this century.

Fifty-three times the market has declined 10 percent or more. So about once every two years we've had a 10 percent decline. So I think people have to understand that.

In addition, they have to understand why you own stock. People keep saying there's a reason to own stocks for the long-term, and no one usually says why, why you own stocks. And I think the real reason is there's profits behind these companies. Every stock out there has, you know, a company behind it.

And if, over the long-term, Johnson & Johnson does well and Procter & Gamble does well and Microsoft does well and new companies come along, that's why you own stocks, because companies' profits go over -- since World War II we've had nine recessions. Despite that, corporate profits have gone up about 9 percent a year. That's why you own stocks.

MR. SCHIEFFER: All right. Abby Cohen, do you agree with that?

MS. COHEN: Yes, indeed, I do. The U.S. economy is in great shape. We have created 13 million new jobs. We've seen a doubling of corporate profits. And inflation remains under very good control. I think the outlook will be much of the same. We're going to see ongoing improvement in corporate profits and inflation will rise only modestly. It's good news for financial assets and equities in particular.

MR. SCHIEFFER: So you two both seem pretty confident about all of this. Chuck Clough, what's your take on it?

MR. CLOUGH: Well, I think the volatility in the markets really started in Asia, and I think there's two observations here. One is that it's very peripheral to the U.S. economy. The events in Asia aren't going to have that much of an impact.

Secondly, they might be construed as bullish, particularly for interest rates. If it's because of excess capacity being built in Asia, there'll be a wave of deflated export goods to this country. It's good for inflation, it's good for interest rates and it's good for financial assets. It'll certainly help U.S. bonds and parts of the stock market that benefit from lower interest rates.

MR. FRIEDMAN: Are you worried, Mr. Clough, though, picking up on your Asia point, that McDonald's is not going to be able to sell as many hamburgers out there or Coke or Microsoft as much as they've been selling because our dollar will be more expensive?

MR. CLOUGH: Well, I think that's one thing to keep your eye on. If the U.S. market were still at 4000 or 5000, it'd be less of a concern. At 7000 or 8000, we've built in some very high earnings expectations because that's been the experience. To the extent some of these big global companies that have been bid up in price see some slowdown, it might suggest that returns here might slow down in the years ahead.

MR. FRIEDMAN: Ms. Cohen, I wonder if I could ask you. For the investor, though, who is looking for a little shelter right now, a little safety, bonds seem a little bit risky. There certainly is a possibility of interest rates rising. Where are you telling people, if you're looking for a bit of a timeout, looking for a little safety, where do you go today?

MS. COHEN: I think most investors, quite appropriately, do have a longer-term view. And in a long-term perspective, bonds look interesting. Yields are currently dramatically above the level of interest. And U.S. corporate profits are likely to increase. And therefore, I think that bonds are attractive and many equities are as well.

Keep in mind that while some U.S. companies may, in fact, see a decline in demand because of weakening growth in Asia, we have other companies that will see a significant reduction in their costs because the goods that they are importing from Asia will become cheaper in the coming months.

MR. SCHIEFFER: Peter Lynch, should investors buy when a market dips like this, and especially the small investor? Are they sophisticated enough? Do they know enough and have enough information to buy when the market goes down?

MR. LYNCH: Well, I guess the question is what it drops from. In Asia -- you know, in Japan the market went from 5000 to 15,000 and then rose to 40,000. It got too high, and they've had a five-year recession in Japan because the market went too high. So you have to say, how high is the market? Is the market down from 8300 or is it up from 4000?

So the public has to say to themselves, "What am I going to do if the market goes down further? I mean, do I need this money in a year? Are my kids going to college? Do I need it for a down payment on a house?" So they have to look out and say, "Is this a 10-year investment or a 20-year investment?"

Corporate profits double about every nine years. They quadruple about every 18. And they go up about eight-fold every 25 or 30 years. If you have that

kind
of perspective, you don't have to worry. But near-term, no one knows. I
have no
idea what the next 1000 points are going to do. The next 7000 will be up,
the
next 14,000 points will be up and the next 21,000 points will be up. But
what
the next 1000 -- if that's going to shake you up, the only place to be is
the
money market account or in a bank account. If you need the money in a year
or
two, don't be in stocks.

MR. FRIEDMAN: Mr. Clough, I wonder if I could ask you. We've seen a new
development here this week where the United States is talking about a \$3
billion bailout for Indonesia. Why Indonesia? Why Indonesia and not
Thailand?

Is this the beginning of something?

MR. CLOUGH: Well, I think the feeling of the Treasury Department and
the
administration is that we have a financial event here. Many of these
countries
really do have very good long-term growth prospects. Domestic savings are
high.
But there's an incongruity in the marketplace where liquidity is a little
bit
short.

Secondly, the banks have overlent in many of these countries, much like
the
Mexican banks had overlent in the early 1990s. If you can stabilize that,
if
you can stabilize banking deposits, well, then these crises run their
course
very, very quickly. I think the administration looks upon the Indonesian
situation very much like Mexico. If we can stabilize the banking system,
this
crisis will run its course very quickly and won't affect other economies.

MR. FRIEDMAN: Ms. Cohen, could I ask you something? And it has to do
with
China. We just had the president of China here. You know, a lot of the
problems
in Thailand, Indonesia -- crony capitalism, corruption -- we see in China.
Do
you worry about China in the long-term?

MS. COHEN: I am by no means an expert on China, but we do believe the
following. The area of Asia in general is an area of good growth. We're
talking
about populations that are in general boosting their level of education,
and we
are seeing good improvements in productivity. And so the sense, from the
standpoint of the United States, Asia has represented a very good source
of
production for us. Increasingly in the future we do think it will
represent a
source of demand for us. But quite frankly, at this point there is a bit

of an
imbalance.

MR. SCHIEFFER: If what happened this week was just a blip on the stock market, what would something really serious be? I'd like to ask all three of you. Ms. Cohen?

MS. COHEN: I think the most important concern always for the U.S. stock market is the condition of the U.S. economy. Granted, the conditions outside the United States do have an impact on us around the edge, but the key things that we would be looking for would be a notable deterioration in inflation, and we don't see it. The other thing we would be looking for is an event that would cause a notable decline in our own economic activity -- a recession, a decline in profits, a decline in employment. We don't see that on the horizon either.

MR. SCHIEFFER: Peter Lynch?

MR. LYNCH: Well, 15 times this century, so in 96 years, the market has declined 25 percent or more. I mean, that's what people would cry, you know, would be a bear market. That's a major decline. So we've got about halfway there. You never can tell the difference between 10 and 25 till it's over. You just have to say, "Am I ready for that?"

If some event comes around -- like Saddam Hussein invaded Kuwait. The State Department wasn't ready for it. I certainly didn't get a call about it a few months ahead of time. So some event can occur. And you have to tell yourself,

"Am I ready for that?" Because if you're not ready, you can't call the psychic hotline. I mean, that doesn't help you very much. You have to say, "This is my savings. What am I going to do with it?"

So human nature hasn't changed a lot in 50,000 years. People get really worried when the background noise like on the talk shows and on the radio gets bad. That's usually -- everybody's a long-term investor until the news gets a little scary. Right now the news is terrific.

MR. SCHIEFFER: Chuck Clough. Let's go to Chuck Clough.

MR. CLOUGH: Yeah. I think, again, these events basically are bullish in the sense that they're reflecting an excess buildup of capacity. And I think the price inflation is going to stay a lot lower a lot longer. I think the biggest mistake, again, is panic in a situation like this.

I think the one thing that could go wrong and perhaps slow down equity returns is a slowdown in earnings growth, and that'll happen selectively here.

But I think the basic message is you really have to think long-term. It is
a
global economy now and these shocks will occur from time to time. But
we've
learned to deal with them. And I think this bailout of Indonesia is one
example
of it.

MR. SCHIEFFER: Let me ask each of you quickly now. What do you think is
going to happen on Monday? Chuck, you first.

MR. CLOUGH: I haven't the slightest idea.

MR. SCHIEFFER: All right. Peter?

MR. LYNCH: I have less than an idea. I've got a coin. I'll flip it. You
can
flip it, Bob.

MR. SCHIEFFER: All right. Abby Cohen.

MS. COHEN: The sun will rise and the sun will set. (Laughter.)

MR. SCHIEFFER: Thanks very much to each of you for being with us.

END

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News Hour with Jim Lehrer
Aired on November 21, 1997

ASIAN FORECAST

The annual Asian Pacific Economic Cooperation meeting (APEC) begins in Vancouver this weekend. World leaders will consider what to do about the growing financial crisis in Asia. An international investment analyst explains the details of the South Korean bailout, and the President of the Philippines talks

about the challenges facing his country's economy.

MARGARET WARNER:

South Korea is the most developed country in the world ever to seek an IMF bailout. Here to tell us more about it is Robert Hormats, vice chairman of Goldman

Sachs International. How did South Korea--one of the most developed countries in the world--Asia or the world--get into this fix?

The Korean crisis: local and global.

ROBERT HORMATS,

Goldman Sachs International:

Well, what happened is a lot of big Korean companies borrowed a lot of money. Some of them now have gone bankrupt, which means that the banks in Korea are left holding a lot of assets on their books that they're never going to be able to collect on. When foreign creditors saw this situation, they held back on new loans. The currency declined, which means that people in Korea who borrowed in dollars will find it's much more difficult to repay the loans that they had taken out to international banks, and it's cascaded from then on--bankruptcies, weak debt, big debt problems, weak banks, and smart creditors becoming more and more reluctant to lend money to Korea.

MARGARET WARNER: Would you say that the reasons have more to do with the financial crisis kind of rolling across Asia, or does the business sector there have a lot of internal problems with management, cronyism and so on that, so many others do?

ROBERT HORMATS: Well, it's really a bit of both. They certainly have internal structural problems. A lot of the loans made by the banks to the big Korean companies were used to build excessive capacity and didn't return very much for the companies. And the banks became more and more at risk. But the crisis, itself, was triggered by the concerns about the currency instability in the rest of East Asia, the reason being that as other currencies depreciate, the Korean won looked less and less competitive. Korean exports looked less and less competitive. And, therefore, the markets began to anticipate that Korea too would have to devalue its currency and, therefore,

lending dried up, and people who had loans to Korea began to pull back those loans.

"They didn't want to go to the IMF if they thought they could resolve the problems on their own."

MARGARET WARNER: Now, the South Korean government officials went to quite extraordinary lengths to try to avoid going to the IMF. Why? Tell us about that a little bit.

ROBERT HORMATS: Well, there's a matter of pride.

Korea actually is an economy that has done a very large number of things right. There are some very good companies in Korea.

The company has managed to reduce--in some cases eliminate--in certain years its budget deficit.

Exports actually have been increasing in Korea. So they've done a lot of

things right, and there's a lot of pride in Korea. They didn't want to go to the IMF if they

thought they could resolve the problems on their own and perhaps get some bilateral

assistance from Japan or the U.S.. But now they've concluded--correctly in my

judgment--that they have to go to the IMF to get a program to help them address this

problem and some external resources as well.

The price of IMF help.

MARGARET WARNER: All right. Now, what does it mean for a country to actually go into these negotiations with the IMF? What price does this country usually have to pay to get the money?

ROBERT HORMATS: Well, you are quite right. There are conditions to getting money from the IMF. Traditionally, the IMF looks at countries and tries to figure out

ways by which the countries can stabilize the situation, in some cases limiting the budget deficit. In Korea that's not really the issue. I think the IMF in the case of Korea is going to want a number of the financial institutions to be restructured. Some of them will probably have to go out of business. Some of the bad loans will have to be taken off the books of the banks and put on the books of some government institution, which the Koreans are in the process of doing--a greater degree of transparency so that foreign investors will be able to know what the reserve to the central bank will be able to look at the books of banks and determine whether they're credit worthy or not and look at the books of corporations to determine whether they're credit worthy, whether they're for the banks that have lent them money or in a sound position. So there are a lot of internal structural issues that will be addressed when the IMF and the Koreans begin their negotiation.

MARGARET WARNER: And explain to us or briefly to us when we talk about an IMF bailout, whose money is that really?

ROBERT HORMATS: Well, the IMF gets its money from a number of countries--the United States, Britain, Japan, Germany--a lot of countries contribute money to the IMF, and countries all have quotas. Korea has a quota of about a billion, a little over a billion dollars. And they'll be able to draw that quota, but they'll also be able to draw more than that quota. Mexico got seven times its quota. So Korea will be able to borrow maybe 10, 15 billion dollars from the IMF, maybe a little bit more. They'll also probably need bilateral money from Japan and the U.S. and other countries to

demonstrate confidence in the markets, that sufficient money is available if they undertake this restructuring program that I've identified.

The Korean economy has a broad influence on the U.S. and the rest of Asia.

MARGARET WARNER: Now, what is the likely impact, now that the crisis has reached South Korea on the rest of Asia and on U.S. and the rest of the world economies?

ROBERT HORMATS: Well, that's a very important question.

If the Korean won can be stabilized and doesn't depreciate, it will help to stabilize the situation in Asia. The danger is that if an agreement is not reached, and if the won depreciates further, that will make Korea more competitive; and other countries in Asia may feel that they have to depreciate their currencies, or the market, itself, will have to depreciate those currencies, so that they'll be able to keep up with Korea in this competitive devaluation process that's underway. For the US the stakes are quite high because Korea's an important market. We export more to Korea than we do to Indonesian, Thailand, and Malaysia combined. We exported about \$22 billion to Korea last year, and if Korea deteriorates, it will affect Japan, which is a big market for American products. So if the situation in East Asia continues to deteriorate, growth slows, currencies devalue, then it will reduce American exports and force these countries to export more to the U.S., which will widen our trade imbalance.

MARGARET WARNER: And does the tense political military situation on the Korean

Peninsula--does that give the rest of the world, do you think, a greater stake in seeing this thing solved. How does it complicate that?

ROBERT HORMATS: It certainly gives the world a great stake in helping Korea, first of all helping Korea to approve its own situation through the sort of restructuring of financial institutions and bad loans and such. It also means that when Korea does this, the world really has a major reason for helping support Korea. We fought a war to defend the Koreans. We don't want to send a signal to North Korea that we're not supporting the South. We have to look very resolute in supporting the South to avoid sending a signal to North Korea that the West--the United States is not behind the South Koreans. It is a very important geopolitical signal. In addition, the United States has to demonstrate that it still wants to play a strong leadership role in Asia and support from the IMF and support from the United States demonstrate that the world is supporting the South Koreans in this crisis.

MARGARET WARNER: And briefly, before we go, President Clinton and other Pacific Rim leaders are, of course, meeting for this APEC summit at the beginning of the week. What, if anything, can APEC do about this whole Asian financial crisis?

ROBERT HORMATS: Well, APEC, there was an agreement reached in Manila to try to enhance cooperation among the Asian countries and the United States and others--economic support and to encourage reforms in countries like Korea and other countries of the region that are de-stabilized. Then I say it's also to demonstrate that it really wants to continue to be a leader and that it will provide if the Koreans agree with the IMF a substantial amount of money, and that we're a constructive force in the country in retreat from our leadership role in Asia.

MARGARET WARNER: Thanks, Bob Hormats.

ELIZABETH FARNSWORTH: Mr. President, thank you very much for being with us.

FIDEL RAMOS: Quite happy to be here.

ELIZABETH FARNSWORTH: How are people the Philippines, in Thailand, in Malaysia, how are they viewing the problem? Are they blaming anybody for it?

Philippine exports continue to grow despite Asian economic problems.

FIDEL RAMOS: Well, I can only really speak for the Philippines. But in the Philippines, people are really concerned, but they're not overly worried because they are still able to afford what they need to have on a daily basis. Our productivity continues, and the export of the Philippines during the first 10 months of 1997, including this--in July, have grown up 25 percent as compared to the performance in 1996.

ELIZABETH FARNSWORTH: Nevertheless, the currency crisis and the dangers that could lie ahead, with everything happening in Korea now, is potentially--even if the Philippines so far is escaping the worst of it--potentially very grave. And as you well know, some of the newspapers in the region are reporting that some people are blaming the United States, blaming money managers. What do you hear in the Philippines?

FIDEL RAMOS: The finger pointing is not really taking place there. If at all, it is--no one's asked their national officials--but then, you know, it is election season in the Philippines now. If there's a blow out there in Southeast Asia, there's election fever in the Philippines. On the other hand, the economy is very, very important to us, and during my presidency I made sure that since they won in June 1992, that we started putting in this needed reform to open up, to liberalize, to deregulate, to privatize, and that appears to be among the recommended prescriptions that came out of this meeting of the deputies in Manila just

three days ago.

What can be done to open up the troubled banking systems in Southeastern nations?

ELIZABETH FARNSWORTH: So do you think that is going to affect other Southeastern nations too, that they will also deregulate, open up, have banking laws that everybody can see and reveal more about how banks are doing? Do you think that's the end result here?

FIDEL RAMOS: I think it's very important that the banking institutions and the investment houses and all the other financial institutions, whatever kind, be put on a stable, transparent, and predictable basis.

ELIZABETH FARNSWORTH: And by transparent you mean people can look and see the--

FIDEL RAMOS: Yes.

ELIZABETH FARNSWORTH: Revealing what their figures are and all that.

FIDEL RAMOS: We have that in the Philippines because three years ago we created an entirely new subtle bank system. And this is mandated by our constitution. And so we did away with the crony or the behest loan arrangements that used to take part in our own banking system. We haven't had a bank failure during my time, as I mentioned, but more importantly, our bank lending policies were regulated by the new central bank. For instance, the loans for property development in the Philippines have been kept at a level of about 15 to 16 percent, unlike in some countries where that is as high as 90 percent.

ELIZABETH FARNSWORTH: And that's part of what created that bubble that made them then crash.

FIDEL RAMOS: Yes, unfortunately. Our central bank has put a cap of 20 percent on that kind of lending, but we haven't even reached it even without this turmoil.

ELIZABETH FARNSWORTH: Looking at the situation generally again, you've been so much involved in all the changes that have happened in Asia in the past 10 years, do you have a feeling--I mean, you must have--you knew when something really historical was happening. Do you have the feeling that this is a really historic moment, what you're going through right now with the economies and with Korea and perhaps even Japan in some danger?

FIDEL RAMOS: Yes. This is a real defining moment in the history of Asia Pacific, but I am very confident that Asia Pacific will recover.

Imagining the future of money in Asia and the world.

ELIZABETH FARNSWORTH: But tell me why it's a defining moment. Explain. Give me a sense from all that you've seen why it's a defining moment.

FIDEL RAMOS: Well, it's because we are all preparing to enter into the new century, the new millennium, with a very vigorous condition, a big push, with a big leap, and then the turmoil happens, because of, I suppose, mistakes catching up with our region. And due to the accessibility of means to transfer big funds from here to there with the new technologies, and this is probably something that was not well anticipated, the--the region--the whole world, in fact, must now--see what remedies can be instituted, considering that you have almost instantaneous means to transfer money. It's just as fast as news broadcasting, your news broadcasting.

ELIZABETH FARNSWORTH: Do you think there may have to be some kind of

limits on money managers' ability to shift their funds that fast?

FIDEL RAMOS: The APEC and the World Trade Organization are looking at financial services, and that which the certain thing would come under, and maybe some agreements must be arrived at so there is no wild happenings or fluctuations of currency markets around the world.

Why this year's APEC meeting is very important.

ELIZABETH FARNSWORTH: How important is the APEC meeting coming up in Vancouver?

FIDEL RAMOS: It's very important. It could be the most important of all, although each one was important in its own way, indication--the UN--in Manila last year. It was when we had to make a map for the future, we call it--'96.

ELIZABETH FARNSWORTH: Why is this one so important?

FIDEL RAMOS: Well, first because of this financial crisis;
secondly because we would not be reviewing the 1008 individual action plans agreed to in Manila and
see
what has
happened during the past year. Are we really in
the
right
direction? Are we really undertaking the right
missions? Are
we focused on the real goals that we must
accomplish in
21st
century? We'll have to analyze ourselves again.

ELIZABETH FARNSWORTH: Well, thank you, Mr. President, for being with us.

FREEDOM

China released its foremost political dissident, Wei Jingsheng, following nearly 18 continuous years of imprisonment. Following a background report, Margaret Warner discusses Mr. Wei's release with two China experts.

MARGARET WARNER:

After spending most of the last 18 years in jail Wei Jingsheng, China's most prominent dissident, was released from prison over the weekend. Though Beijing has been under intensive international pressure to release Wei, the Chinese government cited only medical grounds for doing so. Chinese authorities put Wei Jingsheng on a non-stop flight to Detroit yesterday. The 47-year-old dissident, who suffered from heart disease, hypertension, and other ailments while in prison, was admitted to Detroit's Henry Ford Hospital upon arrival. At a press conference this afternoon doctors reported on Wei's health.

DR. THOMAS ROYER,

Henry Ford Hospital: At this time we are treating Mr. Wei for hypertension, which was a condition that he had in the past and certainly was present when he arrived, and we are doing that as we speak. In addition, we are continuing an array of tests which are continuing to look at other medical conditions hopefully to rule them out, rather than to rule them in. These include cardiac conditions, as well as some arthritic conditions, and those are the main two areas that we are pursuing at this time.

MARGARET

WARNER: Once a soldier in the Chinese Army, Wei was an electrician at the Beijing Zoo when he wrote an essay in 1979 urging

democracy for China. His outspokenness earned him more than 14 years in prison. Chinese officials released him in 1993 during Beijing's campaign to be named host of the year 2000 Olympic games. Ignoring warnings to lay low, Wei continued writing and speaking out on political issues. In March 1994, he met in Beijing with the U.S. Assistant Secretary of State for Human Rights, John Shattuck. Wei was arrested the following week and jailed again.

Throughout his years in prison, including long stints of solitary confinement and what he

said was physical and psychological abuse, Wei wrote letters of protest to Chinese leaders challenging and ridiculing them. Some of the letters were translated and published in a book this year entitled The Courage to Stand Alone. Though President Clinton urged Wei's release during Chinese President Jiang Zemin's state visit last month, Clinton officials were restrained in applauding Beijing's decision to do so.

SAMUEL BERGER, National Security Adviser:
(Yesterday) China sent a note today--a very happy development--and that is the release of Wei

Jingsheng,

probably the most political dissident in China.

It's
a very

happy day, I think.

MARGARET WARNER: Wei had earlier refused to accept exile as a condition for release, but this weekend his family told CNN Wei signed a document that stated if he returned to China, he would be imprisoned again.

MARGARET WARNER: Joining us now are Merle Goldman, a professor of Chinese history at Boston University and author of several books on Chinese intellectuals, and Kenneth Lieberthal, a China scholar and professor of political science at the University of Michigan. Merle Goldman, what makes Wei Jingsheng the country's most prominent political dissident?

MERLE GOLDMAN, Boston University: Well, in part, he's been made that symbol by the government, itself. He has served longer than any other human rights activist. He was put in prison not because he wanted democracy so much but because he had criticized Deng Xiaoping, because he said he would turn into a dictator if the Leninist system continued. So he was the first one to directly criticize the Leninist system and to criticize the leadership. And for that he had received 15 years in prison. He was out briefly in order--as the announcement said--to get the Olympics--and then he was back again in prison and sentenced again to another 14 years. Still, he continued

to
speak out. He
never moderated his call for democracy, and I think that is what
makes him
such a
hero.

MARGARET WARNER: Prof. Liberthal, what would you add to that, and why
was
the Chinese authority so fixated on him?

KENNETH LIEBERTHAL, University of Michigan: Well, I
think, in fact, it wasn't that Chinese
authorities
were so fixated
as the international human rights community was
fixated
on
him, and they were fixated on him for just the
reasons
Prof.
Goldman just named. He is a man of indomitable
courage.
His
writings are insightful and are eloquent. He is a
man
who
believes passionately in the cause of multiparty democracy in China,
with
free elections,
and so he became a symbol for the international community of the
repression of
democracy activists in China. He is much better known in the
international
community,
indeed, than he is in China, itself, one of the ironies of his
condition.

MARGARET WARNER: But then why was the Chinese government so reluctant
to
release him?

KENNETH LIEBERTHAL: I think they were reluctant to release him in
part
because
he refused to go abroad and they did not want to have him inside of
China.
They also
were reluctant to release him, I think, in part because they don't
want
to be seen as
bowing to international pressure concerning how they govern
themselves.
And the third

reason--final reason why they were reluctant was because he had directly criticized

Deng Xiaoping. It was more than a little reason to believe that Deng personally insisted

that Wei be incarcerated and not be let out, and so it isn't surprising that his final

release came only after Deng died earlier this year.

MARGARET WARNER: Prof. Goldman, why do you think the Chinese government decided to release him now?

MERLE GOLDMAN: Well, I think, in part, it is because this government wants to be part of the modern world.

They want to be part of the international community. It is very important to them. It is very like--it is unlike Mao Tse Tung, when Mao didn't care what the rest of the world thought of China or himself, they really care, and they know that the price for being part of that modern world is to have a good relationship or at

least a constructive relationship with the United States and since Wei became such an

important figure in that relationship, I think in part this was to improve or continue to

improve that relationship in the United States. And it does prove that engagement does succeed.

MARGARET WARNER: Prof. Lieberthal, do you agree with that assessment about why?

KENNETH LIEBERTHAL: Absolutely. I think--to put it in slightly different

terms--had President Clinton not welcomed President Jiang to Washington several

weeks ago, Wei Jingsheng would still be sitting in a Chinese prison looking at another

12 years of hell in jail, so that this suggests strongly that we can get things that we want

from China if we are willing to meet with the Chinese to show that while protecting our

own interest, we also recognize their domestic needs, and to develop a constructive relationship. Within that context both sides are able to move some

distance toward
meeting the highest priorities of the other side, so this is very
much a
vindication of that
basic strategy.

MARGARET WARNER: Well, there is, of course, a great
debate within the human rights community over
that, but
Prof.

Goldman, how do you see it?

MERLE GOLDMAN: Well, I tend to agree with this
constructive engagement. I must admit that after

June
4, 1989,

I felt there had to be a period in which we
didn't
have anything
to do with the regime; there had to have been a cooling off period,
but I
feel since the

mid 1990's that the only way to bring about change in China is to
deal
with China

constructively and positively to isolate them, to alienate them. It
will
not help anybody,

won't help China, won't help ourselves, and also I think the
example of
the former

Soviet Union is important. When we were in a period of detente, we
got
much better

response on the Soviet side in terms of human rights activists.

MARGARET WARNER: Okay. Professor Lieberthal, do you think the release
of
Wei

signals any fundamental shift in policy on the part of the Beijing
government toward
political dissent in general?

KENNETH LIEBERTHAL: No, I don't. I think that this was
done largely because President Clinton--when he met with
Jiang Zemin earlier--Sandy Berger when he met with his
Chinese counterparts--Madeleine Albright when she met with
them--all indicated this was right up at the top of the American
agenda, so this was done to help to meet our requirements for
the relationship. Having said that, let me say I think the broad
drift of developments in China is not toward a multi-party democracy
but

certainly has
been in the direction of greater degrees of freedom for most citizens

of
China, more
choice of job, of lifestyle, of mate choice, and so forth, things
that are
highly important
to people if you actually live there. But I would not confuse that
with a
general lessening
of repression of active democratic dissidents.

MARGARET WARNER: Do you agree with that, Prof. Goldman?

MERLE GOLDMAN: I do. The dissidents are still there. They are
silent,
they are in
prison, and I feel that their situation might improve slightly
because
they know outside
pressure might help them, but they still had very little chance to
speak
out today--

MARGARET WARNER: Were you surprised that Wei agreed to these terms,
that
is,
to go into exile? The report said that he has been offered this deal
before
and refused.

MERLE GOLDMAN: Well, I think physically he is in
bad
shape. He has been beaten up several times in
prison, in
fact, just
a few days ago. I think that if he had stayed
there for
another 14
years, as he was sentenced, he would not make it
out
alive,
and this is so important. I think he feels he can
work
from
abroad to try to bring about change in China.

MARGARET WARNER: Prof. Lieberthal, what is your assessment of that
point,
why
he agreed to this, and what kind of influence he will or won't have
outside of China?

KENNETH LIEBERTHAL: As to why he agreed to
this I think we are going to have to wait until he is out of
the hospital and able to talk to the media. I think Merle

Goldman !,s comment that he may have felt that his health had deteriorated to the point where he really had no choice, you know, very possibly is accurate. We just don !,t know. As far as his influence outside of China we !,ll have to see, but let me say the record to date is fairly clear.

There are other very articulate, very insightful democratic activists from China that have gone into exile in the United States. The general rule is that they have been active and visible for a matter of months, or maybe a year or so when attention is focused on them, and then they begin to have less of an impact. They have less of an impact abroad because the media spotlight moves elsewhere. They have less of an impact in China because they really do not have access to the population of China, and in a sense they !,re seen as people who have left and, therefore, are less relevant. It !,s a kind of classic tragedy of the dissident in exile.

MARGARET WARNER: And, Prof. Goldman, do you agree with that, that it !,s very hard to have influence once you leave?

MERLE GOLDMAN: It is, especially since the dissident community abroad is so factionalized. If they were able to unite in some way and come forth with a common program, they might be able exert more influence, but it is true, and that !,s one of the reasons he didn !,t want to go abroad because he knew if he was going to change or help to change China, he had to be home.

MARGARET WARNER: Yes; he told one of his top aides at one point just fairly recently that he didn !,t want to go into exile for that reason.

MERLE GOLDMAN: That is true, and that is the real

tragedy

of the situation. But at this point he is alive;

he is

able to speak

out at least in the United States; and that is

certainly better than

dying in prison.

MARGARET WARNER: Prof. Lieberthal, so if there are other younger, would-be

Wei Jingshengs in China, is there any lesson to them in this?

KENNETH LIEBERTHAL: Well, I think--

MARGARET WARNER: Is there any encouragement? How would they be reading this?

KENNETH LIEBERTHAL: I think actually the reality of life in contemporary China is that the younger, restless people overwhelmingly tend to go into business, rather than into political opposition. Wei Jingsheng was in a different era. In his era there were no other outlets, and a courage person like him went into direct opposition. There certainly are people in China who are political activists, but they are relatively few in number at this point because--I think in part because there are so many other avenues available to them. If I were a young dissident in China and wanted to be active against the government, I would not regard this release as particularly encouraging because it comes only after the man spent a total of roughly 17 years in prison. That is hardly a future that one would look forward to, and so I think that it really has limited lessons for activists in China. We should keep in mind that China, itself, is changing in a way that political activism is not the only outlet for restless youths there in the 1990's.

MARGARET WARNER: All right. Well, Prof. Lieberthal, Prof. Goldman, thank you both very much.

END

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News Hour with Jim Lehrer
Aired on January 19, 1998

AVENUE TO DIVERSITY

On the day celebrating the 69th birthday of Dr. Martin Luther King Jr., Rev. Jesse Jackson and the Rainbow/Push Coalition met with the captains of industry on Wall Street. The aim of the meeting, entitled "Expanding the Marketplace," was to encourage corporate investment in America's inner city and diversify the business world.

PAUL SOLMAN: A cold
mist clouded New York last
Thursday, the actual date of
Martin Luther King!,s
birthday. He would have
been 69. But at the foot of

Manhattan Island, atop World Trade Center Tower
One, they were also marking the first anniversary of
the Rainbow PUSH Coalition!,s Wall Street Project.
Host Jesse Jackson had pulled together an all-star
cast from government and business and ensconced
them for two days in a glittery setting to address this
year!,s theme: expanding the marketplace through
inclusion, according to the conference, the key to
economic growth. The Reverend Jackson has been
sounding this theme for decades, a theme he learned
from Dr. King.

Rev. Jackson: "Whenever we include and
walls come down and bridges are built,
we tend to grow."

REV. JESSE JACKSON:

Those of us who come out of
preaching circles, the dream
was the alliterative, poetic
climax that was not the
substance of his address. If
you look back at the 1963 marching pictures, you will
not see one that says anything about dream. It was
about jobs and justice and equal opportunity. When
we include the under-utilized, we grow; when we
developed the undeveloped, we grow. Whenever we
include and walls come down and bridges are built,
we tend to grow.

PAUL SOLMAN: In other words, integrating inner
city residents into the economic mainstream is in
everyone!,s self-interest. Secretary of the Treasury
Robert Rubin gave the keynote address.

SEC. ROBERT RUBIN:

This may be, and I believe it
is, a moral and a social issue.
But it is also an economic
issue of vital importance to all
of us. Just think for a moment
of the profound difference in
terms of productivity, reduced social costs, and
economic growth if the residents of the inner city
became parts of the economic mainstream.

PAUL SOLMAN: Secretary Rubin was followed by
Jacques Nassar, a Lebanese Australian at

multicultural Ford Motor Company who!,s in line to become the next CEO.

JACQUES NASSAR: I!,m really just a simple person representing 380,000 people around the world. I didn!,t mean it to come out that way.

PAUL SOLMAN: Nassar is attuned to a world of cultural subtleties, thinks that if a company masters them, it can profit from them. If Ford!,s planning a car for Italy, say--

JACQUES NASSAR: What do you think the real favorite color of Italians would be?

And I think a lot of you would immediately jump and say red. The favorite color in Italy

is a very dark somber blue, or black, or dark gray, or dark green, very dark because

Italians treat their cars as a serious machine. What!,s the favorite color in Germany?

Exactly the opposite--bright colors. Now, someone would say, well, the Germans are just looking for something bright in their life. But I wouldn!,t say that; I wouldn!,t say.

But there!,s another example of a national characteristic that you jump to immediately.

PAUL SOLMAN: Ford is gung ho on global investments, but Nassar believes they can be risky, given the fickleness of foreign markets and the volatility of currencies like

Korea!,s woebegone "won" or Thailand!,s battered "baht."

JACQUES NASSAR: Yet, right here in the U.S. you have underdeveloped markets, communities and markets where buying power and our communication with those markets isn!,t optional. And if you can develop those markets, one risk you don!,t have, of course, is the currency risk

because
you!,re

dealing right here in the same currency.

PAUL SOLMAN: So you don!,t have to worry about the inner city baht
losing
80

percent of its value.

JACQUES NASSAR: Well, if you want to put it that way, yes.

Investing in the inner city.

PAUL SOLMAN: The inner city as an emerging market, neglected by
investors
compared to Latin America say, or Asia. The point was echoed by even
the
conference!,s heaviest hitters.

ALAN GREENSPAN: Although the image of free market
capitalism has been elevated throughout the world from its
sorry state at the end of World War II, the application of it
within the United States, its largest adherent, is regrettably
incomplete. Too many barriers still prevent the free flow of
capital and people to their most productive employment.

PRESIDENT CLINTON: And if it!,s a good argument for America to sell
more
and
invest more around the world, it!,s a good argument for America to
sell
more and invest
more down the street.

PAUL SOLMAN: It was compelling stuff, much of it. But as
the distinguished speakers came and went, New Yorkers
bearing up under it all with their usual good humor, mundane
economic questions kept nagging at us. For instance, is the
profitability of the African-American market really what!,s
drawn Wall Street here? Or is it the fear of Jesse Jackson
denouncing them, even threatening to boycott them for not showing up?

Wall Street's fears?

REV. JESSE JACKSON: It could be part morality, part fear, but mostly
enlightened
interest. Wall Street has walled itself off from a growing emerging
market. The idea of
the wall around China was to be a fortress to protect it. In fact, it
lo
cked it out of world
growth. In many ways, Wall Street has missed, beneath its nose, a
\$600
billion

emerging market.

PAUL SOLMAN: But, we asked, if the emerging market is so profitable,
why
haven't
American companies already developed it in their economic self
interest?

REV. JESSE JACKSON: Could be a matter of cultural blindness. I mean,
why
didn't
business leaders see that there was a pool of players--Jackie
Robinson
but, more than
that, Hank Aaron, and, more than that, Willie Mays? Cultural
blindness.

PAUL SOLMAN: Okay. Rev. Jackson seems on pretty firm ground here, but
Jackson
wants to fix things not only by investing in inner cities, but also
by
hiring minorities and
helping them up the corporate ladder.

REV. JESSE JACKSON: When you have a more diversely
educated population, and a more diverse work force, that can
relate to, invest in, appeal to a more diverse consume market
of high volume consumers, that is all growth.

PAUL SOLMAN: But to some at the conference this sort of
affirmative action on Wall Street won't do much for those hurt most
by
the exclusions
of the past.

ERIC WILLIAMS: If you talk to somebody at say Tinton Avenue in the
South
Bronx,
this doesn't have any relevance whatsoever.

PAUL SOLMAN: Eric Williams is a radio reporter who covers the
African-American
community in inner city, New York.

ERIC WILLIAMS: You have a lot of disillusioned
young
people, and they're going to say, ah, this is
just a
bunch of
guys in a bunch of suits, including the President,
who
is going
to make all kinds of promises that they can't
deliver

on, and

that doesn't really impact upon my life.

PAUL SOLMAN: And what if we had gone to one of the housing projects within range of the World Trade Center and asked disaffected young people about the relevance of this conference to them, what would Jesse Jackson expect them to have answered?

REV. JESSE JACKSON: It would be as unfair to ask them that as to ask you about a scientific experiment you have no expertise in. That would be exploiting them to ask them a question that is stupid. What they do understand is that, in fact, there is no chain of store grocery store in Harlem; there is no auto dealership, with all that density of population, just uptown beyond Central Park.

PAUL SOLMAN: The idea, then, is more investment in the emerging African-American market, leading to more African-American jobs, for which the Wall Street Push would provide more role models of the sort kids in the inner city so badly need. Sheila Vaden-Williams, an associate of Rev. Jackson's.

SHEILA VADEN-WILLIAMS: Why do you think you see so many kids on the basketball court? It's because, in their minds, that's all they've seen in their neighborhoods that has been a traditional entree out of what they're trying to escape.

PAUL SOLMAN: But basketball's fun.

SHEILA VADEN-WILLIAMS: But it's also fun to be able to feed your family; to travel on vacations, to buy a home, to see your stock portfolio grow. That's fun also.

The meeting's four objectives.

PAUL SOLMAN: In the end, the point of the conference was arguably four-fold:

appeal to Wall Street, reason with Wall Street, pressure Wall Street, and, by the by, afford African-Americans already on the way up a means of furthering their businesses and careers by talking amongst themselves.

LAURA HARRIS: That!,s the whole purpose of being here, that!,s what it!,s all about, networking, relationships.

PAUL SOLMAN: Well, networking was the purpose for these two music promoters. But Rev. Jackson had something bigger in mind last week.

REV. JESSE JACKSON: You who gather today are grateful and let the heavens

define the glory of God, and let Dr. King rejoice, as he watches us realize his dream.

The lions and lambs will lie together, and none will be afraid. There will be peace in the valley. Thank you very much.

CURSE OR CURE?

Since the collapse of Asia's economies, the International Monetary Fund's

practices have been the topic of much debate. Some experts have criticized the

I.M.F. for not preventing the economic crisis, while others have charged that its

remedies have made the crisis more severe. Following a background report,

Margaret Warner and guests discuss the I.M.F.'s handling of the Asian economic crisis and the debate surrounding its policies.

MARGARET WARNER:

The I.M.F. has asked the U.S. for an additional \$18 billion to bolster the fund!,s lending power. Congress must approve such a request.

We examine the I.M.F.'s role and approach now beginning with Robert Hormats, vice president of Goldman Sachs International and a former economic

official in the Ford, Carter, and Reagan administrations, and Larry Kudlow, senior vice president and chief economist at American Skandia, a financial investment firm. He was the budget official in the Reagan administration. Mr. Kudlow, starting with you, should the I.M.F. be bailing out these banks in Asia, and these whole economies in Asia?

Mr. Kudlow: "In recent years the I.M.F. has been a force for bad; it's cure is worse than a disease."

LAWRENCE KUDLOW:
Economist: I believe the I.M.F. should not be bailing them out. You know, I think there was a time after World War II when the I.M.F. was a force for good and they made short-term loans to stabilize currencies. That was a positive function. But in recent years the I.M.F. has been a force for bad; it's cure is worse than a disease. And I think, essentially, these bailouts enable the very system of state-directed, crony capitalism--Japan and Korea, et cetera--the very system that we are trying to change--is being supported and enabled by the I.M.F.. And let me add, I think there's a new doctrine being introduced here, and that is, private profits are okay. You privatize the profits, but the losses are subsidized or even socialized. And I think for American taxpayers and taxpayers in other nations, this is a heads you win, tails I lose proposition.

MARGARET WARNER: Explain that a little bit--

LAWRENCE KUDLOW: And that is not a good idea.

MARGARET WARNER:
All right. Explain that a little more. Whose private profits and whose losses?

LAWRENCE KUDLOW:
Well, when the system's going okay, when loans made by banks, by investors, by mutual funds, by companies, when those loans are going fine and they show a good return, nobody steps in. So the private firms who make the loans retain the profits.

MARGARET WARNER: And you're talking about western firms here?

LAWRENCE KUDLOW: Well, indeed, the bulk of it is, in

fact, western firms, sure. United States firms are the leaders in many cases, though not all. Now we have a second principle the I.M.F. has introduced. Under the ruse of liquidity problems or re-negotiating or rescheduling debt payments, in effect, I.M.F. loans go to Asian governments and central banks, and that eases or creates a welfare safety net cushions underneath the risks

that should be

borne by the leaders. In effect, their losses are being either subsidized or socialized.

They are not taking the kind of haircut they should be taking. I think

this subverts the

free market discipline and the free market competition, which is the principal intellectual

force in the global economy today, and the only force that is going to

promote true

world growth and recovery.

MARGARET WARNER: Bob Hormats, are these bailouts essentially socialism for western financial institutions?

The I.M.F.'s handling of economic crisis.

ROBERT HORMATS, Economist: No, not at all. I have a very different view from Larry Kudlow on this.

First of all, the

I.M.F. certainly has made its share of mistakes.

And I am not

here to defend all aspects of all of its programs.

But I think

basically the I.M.F. does a number of things and

does them in

a very important way. First, it does help

countries whose

currencies are collapsing and whose economies are collapsing. It is brought into very

difficult circumstances and by helping these countries forge stabilization

programs,

themselves, the countries really develop these programs with the I.M.

F.,

and helping to

provide funds for these countries, they cushion a very difficult

decline

in currencies or

decline in economies and help countries over a very difficult period. Second, they also help these countries to put together programs that will in the longer run improve the structure of their economies, which is really what they're doing in Asia.

The primary elements of I.M.F. programs today in most of Asia are to help countries to improve supervision of the banking system, to strengthen the banking system, to increase investment from abroad in these economies, to help deal with industrial structure. Many

of these countries have industrial structures that need modernization and strengthening, so the bulk of these programs are aimed at opening up economies, at free market

policies, less government regulation. And that's very important in strengthening these economies over the longer run. Without that, if there were a real further collapse in these economies or currencies, it would hurt the U.S. badly. It would hurt our trade. It

would cause social instability; it could cause security problems in countries that are very important to us. It is a good investment in the future. It may look expensive now but the cost of not doing it would be much greater economically, politically in terms of our national security.

MARGARET WARNER: Larry Kudlow, what about that argument? You said we shouldn't be bailing them out, but what about the consequences?

LAWRENCE KUDLOW: Well, let me say two things. No. 1, I think the I.M.F. cure is worse than a disease. The typical cure is massive currency devaluation. The list of countries you named at the intro average 60, 70, 80 percent currency devaluations. That is going to cause a sharp inflation increase in the domestic countries, in Korea, in Thailand, and so forth. That is causing devastation with undermining real wages and destroying their savings, and we're going to have high inflation and contraction, economic contraction, at the same

time. But

that Asia's problem. The United States, in my judgment, is not going to be affected.

In the upcoming congressional debate, with respect to whether or not to refund the

I.M.F. should put the U.S. question aside. The incoming evidence for the economic

data in November and December show very clearly that our growth path remains on a

healthy course. It's devastating what's going on in Asia, but I.M.F.

policies have higher

taxation, loose money, currency devaluation, and bailouts and subsidies for bad loans,

all part of the state-directed command and control system. The I.M.F. is interfering

with the therapy of the free market discipline. That's the only way to restore them to health.

MARGARET WARNER: Bob Hormats.

ROBERT HORMATS: Well, let me take the currency issue

for a moment because there is--and I share the concern about

countries that have sharply depreciating currencies. It does

cause inflation. It also means that corporations that have

borrowed a lot of money abroad find it much more difficult to

repay that money since their own domestic currency is worth

less, which means you have to earn a lot more domestic currency to repay a foreign

debt, the I.M.F. over a period of time is aiming at helping to stabilize those currencies if

you didn't have additional money from the I.M.F., the chances are those currencies

would collapse far more sharply than they have already, and that

would add
to the
so-called contamination effect because it would affect other
countries in
other parts of
the world. That's one reason the U.S. supports I.M.F. programs. The
second point
about the risk, we should not forget the fact that a lot of people
have
invested in these
countries. And there have been losses. If you bought stock in
companies in
these
countries, if you bought bonds of these companies in various parts of
the
world, if your
mutual fund bought--made investments in these countries, you would
have
lost money.
Lots of money in these countries has been lost, and lots of foreign
investment in these
countries have been lost. So this hasn't been painless at all. And
I
think that there are
now changes underway in these countries to improve the corporate
structure, to
improve the banking structure, to make it more market-oriented, and
if you
didn't have
some assistance from the I.M.F. in support, it would be much more
difficult to make
the kind of changes that will make these economies more market
oriented
down the
road.

MARGARET WARNER: Mr. Kudlow, wait a second. Let's bring in our two
other
guests now first: Jeffrey Sachs, he directs the Institute for
International Development at
Harvard and gives economic advice to Indonesia and other foreign
governments; and
Mary Bush is president of her own financial advisory firm. She served
on
the I.M.F.
executive board between 1984 and 1988. Jeffrey Sachs, do you think
these
bailouts
are working? You've been critical of the I.M.F. methods. Are they
working
in Asia?

Mr. Sachs: "The I.M.F. has helped to really stir up a hornet's
nest."

JEFFREY SACHS, Harvard University: I'd like to agree with Bob Hormats, but I find myself agreeing with Larry Kudlow, that I'd like to believe that the I.M.F. programs are going to do all the wonderful things. I'm afraid that from the very beginning I more feared the entry of the I.M.F. into the region than the good that it might do, both with its money and with its advice. And I'm afraid that to date, over the past six months, the I.M.F. has helped to really stir up a hornet's nest, rather than to calm markets down. It's quite amazing that even last week when it seemed we had half the U.S. cabinet out in Jakarta and we had the managing director of the International Monetary Fund and we had a great, great, great build-up to the new Indonesia program, as soon as it was signed, the markets went down again. And the currency continues to fall. The markets simply aren't finding credible the kind of medicine that the I.M.F. is dishing out right now. And I must say I had those fears right from the beginning, even when we talked a couple of months ago, that instead of stabilizing currencies, the I.M.F. was creating an even greater sense of financial panic by its very casual manner of closing down banks when there isn't a proper regulatory system in place, leading to depositor panics, foreign creditor panic, and the currencies have absolutely continued to plummet. So the I.M.F. potentially could do the job that Bob Hormats wants it to do and I very much like it to do but it hasn't done the job yet. The program in the first six months throughout the region has contributed to further financial panic. And even now, the I.M.F. in its own internal documents is really acknowledging this. I think we need a second phase of this

approach with a very, very different strategy for the reason.

MARGARET WARNER: Mary Bush, weigh in on this. Do you think it is working, or is another approach needed?

MARY BUSH, Former I.M.F. Board Member: Well, I think to try to make judgments within a period of six months, when you have had several things going on, including some of the countries that have taken on I.M.F. programs not following the commitments, but that they signed up to, it is very, very difficult to make judgments about success. That is one point. A second point is that the markets, as you know, react on the basis of information day to day, and what is required in Asia and many of the countries that have I.M.F. programs, it is really going to be a pretty long lead time before you can determine whether or not there will be success. I think that some of the things that the I.M.F. doing that are very correct are things that the I.M.F. has not really addressed very much before in its programs with borrowing countries. It is really delving into the problems in the banking systems that have been mentioned here. You have had credit extended by banks being directed by governments, being directed based on relationships, not being directed based on the health of a particular company, or an industry that was receiving loans from the banks. You have had caps put on interest rates to various industries. It is the old industrial planning motto. And the I.M.F., I think, really, you know, for the first time in history is really going at these

things in a major

way. When it is saying close down banks, close down financial institutions, it is closing

down institutions that are not healthy, that, you know, if they operated according to

market principles, simply could not continue to operate. It is also saying

allow foreign

investors in. It is also saying free up your markets for trade and that

kind of thing. And

those things are very important.

MARGARET WARNER: Jeffrey Sachs, do you disagree with those prescriptions, those ones that deal with the way the private businesses in these countries are operating?

JEFFREY SACHS: I think it needs a little bit of subtlety. To arrive on the scene and within four or five days say that 16 banks in Indonesia should close down and then to incite a panic, which the I.M.F.

internally has now recognized, in which 2/3 of the banking sector within four weeks is

subject to a panic run of depositors is just not good performance. To do the same thing

in Thailand and Korea is simply not good performance. What we have now is a

colossal banking crisis, far beyond the proportions that had to have occurred if the

policies had been more subtle. I think the long-term direction of reform

is good, but it

also is no license to use a sledge hammer when a much more subtle instrument is

needed. And I believe that the I.M.F. has a tendency to do this. In many, many

countries it comes in with the sledge hammer. Then things work out very differently

from what is expected, and then they say, well, yes, but the government didn't do what

we said. In fact, in Asia, it couldn't be more clear. Every one of these countries has

suffered a collapsed currency since the I.M.F. came in; every one has had

a collapsed

stock market since the I.M.F. has come in; and every one of them has

a
banking crisis
far more severe than was true just six months ago.

MARGARET WARNER: Mary Bush, I want to get to one last issue and go around with all four of you. So briefly, if you can, but on Capitol Hill, many members of Congress are talking about having some conditions on any new money to the I.M.F., and they're saying, in particular, they want the U.S. Government to insist that western banks and financial institutions take some of the hits in these loans. Is there a way to structure I.M.F. programs that would do that, that would share the pain?

The I.M.F. and Latin America.

MARY BUSH: The I.M.F., yes, can play a very important role in that. In the debt crisis, the Latin debt crisis of the 1980's, the I.M.F. worked very closely in conjunction with banks around the world to be sure that banks won continued lending, rolled over their loans, and also restructured. Those banks do have to take a hit. That is a very important market principle. The loans were made by banks by investors, and it's important that they play a role in helping with the bailout.

MARGARET WARNER: All right. And Larry Kudlow, are you seeing that happening now, or do you think that is doable?

LAWRENCE KUDLOW: I'm not seeing it happen now. I don't think it's doable, and I disagree with my friend Mary Bush's historical rendition here, particularly with respect to Latin America. By and large, the negotiations were conducted by a private lending

committee of U.S. banks who then worked with private South American banks and governments to reschedule and renegotiate the debt. And at the end of the day the U.S.

Treasury came in with some collateralized debts, so-called Brady bonds. I don't think

the I.M.F.'s central planners are any better than the old Russian central planners or the

East European central planners or the Suharto central planners. The role of markets has

to be expanded. The role of the I.M.F. has to be pulled back. First and foremost,

we're not going to solve this problem until we get to the heart of it, which is a monetary

and currency crisis. Six months after this crisis broke and repeated visitations by the

high officials of the I.M.F. average money supply growth among the Asian tigers is

running in excess of 20 percent per year--

MARGARET WARNER: Can I interrupt--

LAWRENCE KUDLOW: --at a time when no one wants to hold their money.

MARGARET WARNER: Let me interrupt you--

LAWRENCE KUDLOW: These policies have to be reformed.

MARGARET WARNER: Mr. Kudlow, let me interrupt you. Just let Bob Hormats

have a last word on this one point very briefly. Do you think there's a way of

reorganizing this so that western banks and investment houses are taking more of a hit?

ROBERT HORMATS: Well, people who invest in these countries, mutual funds, individuals, bond

holders, stock

holders, have already taken a very sizable hit, as

have investors

in those countries. I think the key point now is not so much to talk about who takes the hit, but to help these countries and the banks work out ways in which money can continue to flow into these countries because they need funds in order to continue their growth and to help these countries to get back into capital markets so that they can get money they need for the industrial restructuring they need and to regain reasonable levels of growth, so that they can avoid the sort of social pains that would occur if they can't obtain money on the global markets on reasonable terms. This should be our objective, a constructive objective, and I think we have to look at our national interests, how do we restore growth and opportunity in these countries as soon as we can--

MARGARET WARNER: All right.

ROBERT HORMATS: --and allow the markets in these countries to work more efficiently. That ought to be the key.

MARGARET WARNER: Thanks, Mr. Hormats and everybody .

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