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THE NEW DEMOCRAT

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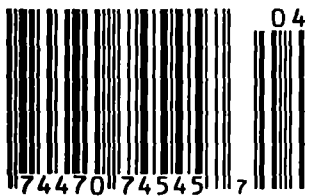
HAD ENOUGH?

How We Can Turn the Corner on Violent Crime



John J. DiIulio Jr.
Mark A.R. Kleiman
Ed Kilgore
Andrew Rotherham
Joe Lieberman
The Editors

display until September 15, 1999



does with specific policy changes that rationalize the conditions under which citizens receive public support or suffer public penalties: Violent criminals who commit new crimes get reincarcerated for longer periods and at higher rates; police crack down on quality-of-life criminals and open up to community leaders; welfare recipients are required to work and helped to find jobs; and so on. One leading re-administering theorist, Lawrence Mead, terms these changes in social-policy implementation "the new paternalism." Continue to re-administer social policies paternalistically, he argues, and we will continue to see good social results for years to come.

There is something to be said for each thesis. Take the case of Boston. For nearly two and a half years beginning in 1995, the city had no gun-related youth homicides. Re-norming was undoubtedly a part of the story. Inner-city faith communities mobilized grassroots campaigns to "stop the noise" (deviancy norms were redefined back up). Re-administering mattered too. The shooting ceased as the number of young males busted for probation violations quadrupled (detention centers were filled back up). Re-norming met re-administering as preachers and probation chiefs joined together on a slew of new community-based anti-violence initiatives. Some youths have been shot dead in Boston since 1997, but the city's homicide rates have remained at levels not seen since the mid-1960s.

Still, there are many significant inter- and intra-city differences in rates of violent crime and other social ills that neither thesis captures and neither would predict. Why has Boston been re-norming and re-administering but not Philadelphia? How does re-norming relate to the fact that in 1997 non-marital births were twice as high in New Mexico as they were in Idaho? Why did homicide

rates go into a free fall in New York City as officials re-administered policing, but also in Los Angeles and other cities where officials did no such thing?

Watch, Wait, Work, Wince — and Pray

Re-norming and re-administering aside, what of "reinvesting," as in the nation's unprecedented post-1993 economic boom? Didn't Boston also witness an expansion in jobs and economic opportunity in the violence-ridden neighborhoods where more than 80 percent of the city's serious street violence had long been concentrated? In Boston and nationally, what will happen to re-norming and re-administering during the next recession?

What of the fact that fatherlessness remains a norm in many communities and for an estimated 1.3 million sons and daughters of incarcerated men? What of the fact that we have yet to re-administer a single big-city child protective services agency even though the incidence of substantiated child maltreatment has reached record highs, and even as we acknowledge that today's abused kindergartners will by the year 2006 number among the country's 21 million teens, the largest teen cohort since 1980?

What it took over three decades to ruin should take at least a decade to predictably and reliably regain. If the violent crime data and other positive post-1993 social trends are still looking so good on New Year's Eve 2003, let's celebrate. For now, however, let's watch, wait, work, wince — and pray. ♦

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THE NEW FRONT LINE

Converting Probation into a Serious Crimefighting Tool

BY MARK A. R. KLEIMAN

In 1990, there were roughly 732,000 inmates in our federal and state prisons. By 1997, the number had risen to nearly 1.2 million, plus another half-million in local and county jails. Despite that massive and expensive increase in incarceration, the rate of violent crime in the United States, while declining, remains at several times the levels of any other advanced industrial society.

Clearly, America has too much crime and too many prisoners. For both issues, part of the problem, and the most promising solution, is probation. Instead of being a real attempt to supervise and help offenders in the community, probation is now for the most part merely a legal

status that means government can incarcerate them for future offenses without the fuss and bother of a criminal trial.

The probation system's inadequacies drives judges who want to subject criminals to meaningful punishment to overuse incarceration. Until we learn how to punish criminals and control their behavior without paying their room and board, we won't get a handle on crime, and we will continue to spend millions each year keeping wrongdoers behind bars.

We need to convert probation (and the smaller parole system) into a serious means of punishing, monitoring,

controlling, and rehabilitating criminals. The key is to use frequent drug testing in tandem with new location-monitoring technologies to keep far closer track of probationers' and parolees' behavior. In conjunction with those steps, we should give community corrections officials authority to impose swift, predictable sanctions on offenders when they violate the terms of their probation or parole. If we take these steps, we can reduce crime and rein in spending on corrections.

More Criminals Than Cells to Hold Them

There are more convicted criminals in America today than there are prison cells to hold them. About three-quarters of the people under criminal justice supervision aren't behind bars but rather are on parole or probation. Nevertheless, we continue to spend more on incarceration than on community corrections. Our prisons hold only one-quarter of all offenders, yet they get about two-thirds of the money spent on corrections.

While the parole system — which handles those being released from prison early — is somewhat better-staffed than probation, even parole caseloads are absurdly high, and the "truth-in-sentencing" movement has led to a great reduction in the period of post-release supervision. Probation caseloads are ludicrous — hundreds per officer — and result in only nominal supervision. The primary supervisory technique — one-on-one meetings — is profligate of officer time and produces little useful information about compliance with probation conditions. Better monitoring techniques are the key to making the system work.

✕ We know that probationers and parolees consume approximately half of all the hard drugs (i.e., methamphetamine, heroin, and cocaine) sold nationwide and that criminals on release who use such drugs are far more likely than others to commit new crimes. Urine tests covering up to five drugs at a time only cost about \$5 per test, yet probation and parole agencies rarely administer them to offenders under their supervision. For example, Los Angeles County averages about one drug test per probationer per year.

+ Likewise, existing wireless communications technology would allow probation and parole agencies to continuously track the location of the offenders they supervise to within several yards. Yet few parole and probation offices use electronic monitoring devices.

Uncertainty of Punishment

Probationers who violate the terms of their release cannot be punished without a court hearing. Moreover, punishment is entirely at the discretion of a judge and therefore is not a sure thing.

Many first-time offenders regard being sentenced to probation as an effective acquittal. Handing out nominal punishments to those just beginning their adult criminal careers encourages them to continue offending.

Most serious crimes are committed by repeat offenders who cycle through the community corrections system again and again, both before they go to prison for the first time and in between subsequent prison terms. Repeat offenders tend to be reckless and impulsive. Controlling their behavior depends more on the certainty of swift punishment than it does on the severity of the sanctions eventually imposed. ✕

Getting Out From Behind Their Desks

Community corrections officers need to get out from behind their desks and go to where their clients are, employing their extraordinary powers of search to monitor behavior.

The legal foundation for a modernized, more effective community corrections system is largely in place. By law, probation and parole officers already possess powers of search that far exceed those of the police (at least with respect to probationers). Again by law, community corrections departments already possess wide discretion over the terms of probation and parole and have authority to vary those conditions from client to client and from time to time. ✕

Abstinence from hard drugs, verified by frequent drug testing, should be a routine condition of probation and parole. So too should curfews or other limits on freedom of movement, verified by electronic position monitoring. Offenders who comply with these and other conditions of their release should be rewarded with fewer drug tests and relaxed restrictions on their movement. Conversely, punishments should be ratcheted up for those who continue to break the rules. }

Offenders who violate the terms of their release should be subjected to unambiguous, formula-based sanctions, with punishment meted out swiftly by community corrections officers. For example, states could pass laws authorizing probation and parole officers or their supervisors to impose sanctions that would be subject to judicial review. Alternatively, states could begin to assign "on call" judges to probation offices.

Probationers and parolees whose reading and writing skills limit their job prospects also should be required to attend literacy programs. States also should create direct data links between community corrections offices and adult-education centers, drug rehabilitation clinics, job-training offices, and the like. With such links in place, probation and parole officers could determine instantly whether the criminals they are supervising are complying with release conditions involving such agencies.

The New Front Line of Crime Control

If we are going to make parole and probation offices our front-line crime-control agencies, we'll need far more community corrections officers. These officers will need better training and vastly expanded access to information ✕

technology. In some cases, they will need to be armed. Pay and working conditions will have to be adjusted to reflect their heightened role in ensuring that probationers and parolees stop committing crimes, don't use drugs, and accept family and workplace responsibilities.

Elected officials and opinion-makers need to put community corrections on the political agenda. If they do, they could create a climate in which community correc-

tions gets the resources and the responsibility it needs to become as important an element as the police in the struggle to control crime and preserve liberty. ♦

Mark A.R. Kleiman is a professor of policy studies at the University of California-Los Angeles and chairman of BOTEK Analysis Corp. An expanded version of this essay will appear in a forthcoming issue of the UCLA Law Review.

GUN? RUN!

Gun Control and the Republican Politics of Evasion

BY ED KILGORE

Maybe all this talk of gun control is just an overreaction to Littleton that will go away. Maybe Democrats will overreach and propose something unpopular, like a handgun ban. Maybe we can finesse the issue by supporting something innocuous — or bury it by supporting something the Democrats will surely oppose. Maybe we can muddle legislation so thoroughly that no one knows whom to blame for its demise. Maybe we can talk about something else and hope no one notices.

So go the tortured musings of Republicans as they vainly try to straddle the gap between their opposition to even modest gun control laws and the American people's decided support for them. They squirm and wriggle but cannot accept the obvious: Americans want tighter control over gun sales and possession.

Some reasons for the GOP's gun problem are obvious. First there's the power and campaign contributions of the National Rifle Association and more extreme groups such as the Gun Owners of America. In addition, many grassroots conservatives, especially those in rural areas where guns are considered a benign tool of daily life, passionately oppose gun control.

But it's hard to view the recent gun control debate in Congress without concluding that the GOP has a more fundamental problem with gun violence: They wish the issue would just go away. Like so many Democrats in the 1980s and early 1990s who refused to acknowledge the salience of national defense, crime, welfare reform, and other "Republican" issues, Republicans today treat gun control as a "Democratic" issue to be evaded at all costs.

The recent spectacle in the House over legislation to tighten background checks for gun show purchases, require childproof trigger locks, and limit importation of multishot ammunition clips amply illustrated the GOP's politics of evasion on guns.

As the House prepared to vote, conservatives and the gun lobby loudly denounced Senate Republicans who voted for similar legislation a few weeks earlier.

("Treason!" cried the Gun Owners of America with its usual self-restraint.) House Speaker Dennis Hastert, only hours after a macho display of crack-the-whip leadership on appropriations bills, suddenly announced that the House Republican leadership would not even try to craft a unified party position on gun violence. Instead he scheduled several days of debate, during which House conservatives railed against parents, pop culture, the 1960s, and of course, the Supreme Court for banishing the Ten Commandments from public schools — against everyone and everything, it seems, except irresponsible gun manufacturers, importers, and sellers.

Pro-gun Republicans next orchestrated a series of poison-pill amendments that were helpfully sponsored by pro-gun Democrats. Rep. John Dingell (D-Mich.) proposed to weaken existing laws governing background checks at gun shows, while Rep. Virgil Goode (D-Va.) moved to kill the District of Columbia's ban on handgun possession — the only one of its kind in America. In the ensuing fog of partisan charges and countercharges, the bill went down by a big, bipartisan margin. The gun lobby and House Majority Whip Tom DeLay (R-Texas) seemed to be the only ones happy with the outcome.

Embracing Old Democratic Tactics

This melodrama featured the same kill-the-bill, spread-the-blame tactics Republicans have used to keep campaign finance reform bottled up since they assumed control of Congress in 1995. But it also eerily resembled efforts by congressional Democrats in the 1980s and early 1990s to bury popular conservative causes with too-clever-by-half procedural maneuvers and constant efforts to change the subject.

Make no mistake: Today's modest gun control proposals are just as popular as term limits, balanced budget amendments, and welfare reform were when Democrats controlled Congress in the 1980s and early

December 1, 1998

MEMORANDUM FOR MICHAEL WALDMAN

FROM: JEFF SHESOL

SUBJECT: STATE OF THE UNION ADDRESS; VARIATIONS ON A THEME

The following is a quixotic tilt at the windmills of history: an argument for a tightly thematic approach to the State of the Union Address.

I am certainly not the first to note that the 1999 State of the Union Address is pivotal. Even accounting for events unforeseen, it is hardly hyperbolic to suggest that this is the most important speech the President will deliver for the duration of his term.

That, in my view, raises the bar considerably. It demands something different than what has worked in the past. A performance on par with last year's successful Address will be dismissed by this year's chattering and nattering nabobs, who are already aware that "the President is good at these things" and that, less charitably, he "loves a laundry list." They expect nothing more or less than what their tired and jaundiced eyes have seen.

So confound the critics. Literally. Or, at least, surprise them. *This century's best Addresses are remembered not for policies proposed so much as ideas introduced, or arguments boldly engaged.* The 1999 State of the Union Address presents the President his best remaining opportunity to clarify, to place in bold relief, his political philosophy. In this way, he can define not only the nation's agenda, as he has done so successfully in the past; he can also define this moment, his moment, in history.

A tall order, to be sure. I suppose I would be vain to suggest it is a task best left to the historians. I would be wrong, as well: the President himself, from "unity" dinners to the NYU conference on the "Third Way," has led the discussion. He has sketched the intellectual and ideological contours of a vast and growing body of policy. He has spoken broadly of his vision of government. The public, to the extent that it is listening, likes what it hears, and certainly likes what it has seen over the past six years. But few, I wager, could complete this sentence: "Above all, President Clinton believes . . ."

The State of the Union Address is an opportunity to define -- explicitly, cogently, concisely -- what, above all, President Clinton believes. Here is my instinct: ***the President believes in a government that knows its limits, but also knows its obligations to the people it serves.***

This, I think, is the secret to his success. It is the vision that has guided his policies from the beginning. It collapses outmoded or false distinctions between left and right, between old and new, between activism and conservatism, between what is pragmatic and what is just. It is a view (however inchoate) that is widely held by the public and has been repeatedly endorsed at

the ballot box, from 1992 to this most recent reaffirmation.

The President has shaped this new consensus by steering a sensible course between federal paternalism and laissez faire, making the strong and winning argument that government action does not mean government unbound. Now let us do our best to ensure that the next two years, and the historical record, reflect that.

Parenthetically, I would caution that "The Four (or Six or Sixteen) Challenges of the New Century" is not a theme. It is instead a schema or a framework that invites the audience to *infer* a theme (ie., "If President Clinton sees these particular things as our key challenges, then he must, above all, believe [*insert ideology here*]"). In this Address the President should, to be sure, define coming challenges and outline his proposals to meet them, but *the theme is the thing*: it must precede and give shape to any discussion of what the government's role should or should not be in any particular arena.

FINAL SOTU ADDRESSES

- 1. George Washington: December 7, 1796**
- 2. Andrew Jackson: December 5, 1836**
- 3. Woodrow Wilson: December 7, 1920**
- 4. Harry S. Truman: January 7, 1953**
- 5. Dwight D. Eisenhower: January 12, 1961**
- 6. Ronald Reagan: January 25, 1988**

and securing them. A statement of our present military force will be laid before you by the Department of War.

With the review of our Army establishment is naturally connected that of the militia. It will merit inquiry what imperfections in the existing plan further experience may have unfolded. The subject is of so much moment in my estimation as to excite a constant solicitude that the consideration of it may be renewed until the greatest attainable perfection shall be accomplished. Time is wearing away some advantages for forwarding the object, while none better deserves the persevering attention of the public councils.

While we indulge the satisfaction which the actual condition of our Western borders so well authorizes, it is necessary that we should not lose sight of an important truth which continually receives new confirmations, namely, that the provisions heretofore made with a view to the protection of the Indians from the violences of the lawless part of our frontier inhabitants are insufficient. It is demonstrated that these violences can now be perpetrated with impunity, and it can need no argument to prove that unless the murdering of Indians can be restrained by bringing the murderers to condign punishment, all the exertions of the Government to prevent destructive retaliations by the Indians will prove fruitless and all our present agreeable prospects illusory. The frequent destruction of innocent women and children, who are chiefly the victims of retaliation, must continue to shock humanity, and an enormous expense to drain the Treasury of the Union.

To enforce upon the Indians the observance of justice it is indispensable that there shall be competent means of rendering justice to them. If these means can be devised by the wisdom of Congress, and especially if there can be added an adequate provision for supplying the necessities of the Indians on reasonable terms (a measure the mention of which I the more readily repeat, as in all the conferences with them they urge it with solicitude), I should not hesitate to entertain a strong hope of rendering our tranquillity permanent. I add with pleasure that the probability even of their civilization is not diminished by the experiments which have been thus far made under the auspices of Government. The accomplishment of this work, if practicable, will reflect undecaying luster on our national character and administer the most grateful consolations that virtuous minds can know.

Gentlemen of the House of Representatives:

The state of our revenue, with the sums which have been borrowed and reimbursed pursuant to different acts of Congress, will be submitted from the proper Department, together with an estimate of the appropriations necessary to be made for the service of the ensuing year.

Whether measures may not be advisable to reenforce the provision for the redemption of the public debt will naturally engage your examination.

Congress have demonstrated their sense to be, and it were superfluous to repeat mine, that whatsoever will tend to accelerate the honorable extinction of our public debt accords as much with the true interest of our country as with the general sense of our constituents.

Gentlemen of the Senate and of the House of Representatives:

The statements which will be laid before you relative to the Mint will shew the situation of that institution and the necessity of some further legislative provisions for carrying the business of it more completely into effect, and for checking abuses which appear to be arising in particular quarters.

The progress in providing materials for the frigates and in building them, the state of the fortifications of our harbors, the measures which have been pursued for obtaining proper sites for arsenals and for replenishing our magazines with military stores, and the steps which have been taken toward the execution of the law for opening a trade with the Indians will likewise be presented for the information of Congress.

Temperate discussion of the important subjects which may arise in the course of the session and mutual forbearance where there is a difference of opinion are too obvious and necessary for the peace, happiness, and welfare of our country to need any recommendation of mine.

EIGHTH ANNUAL ADDRESS.

UNITED STATES, December 7, 1796.

Fellow-Citizens of the Senate and of the House of Representatives:

In recurring to the internal situation of our country since I had last the pleasure to address you, I find ample reason for a renewed expression of that gratitude to the Ruler of the Universe which a continued series of prosperity has so often and so justly called forth.

The acts of the last session which required special arrangements have been as far as circumstances would admit carried into operation.

Measures calculated to insure a continuance of the friendship of the Indians and to preserve peace along the extent of our interior frontier have been digested and adopted. In the framing of these care has been taken to guard on the one hand our advanced settlements from the predatory incursions of those unruly individuals who can not be restrained by their tribes, and on the other hand to protect the rights secured to the Indians by treaty—to draw them nearer to the civilized state and inspire

them with correct conceptions of the power as well as justice of the Government.

The meeting of the deputies from the Creek Nation at Colerain, in the State of Georgia, which had for a principal object the purchase of a parcel of their land by that State, broke up without its being accomplished, the nation having previous to their departure instructed them against making any sale. The occasion, however, has been improved to confirm by a new treaty with the Creeks their preexisting engagements with the United States, and to obtain their consent to the establishment of trading houses and military posts within their boundary, by means of which their friendship and the general peace may be more effectually secured.

The period during the late session at which the appropriation was passed for carrying into effect the treaty of amity, commerce, and navigation between the United States and His Britannic Majesty necessarily procrastinated the reception of the posts stipulated to be delivered beyond the date assigned for that event. As soon, however, as the Governor-General of Canada could be addressed with propriety on the subject, arrangements were cordially and promptly concluded for their evacuation, and the United States took possession of the principal of them, comprehending Oswego, Niagara, Detroit, Michilimackinac, and Fort Miami, where such repairs and additions have been ordered to be made as appeared indispensable.

The commissioners appointed on the part of the United States and of Great Britain to determine which is the river St. Croix mentioned in the treaty of peace of 1783, agreed in the choice of Egbert Benson, esq., of New York, for the third commissioner. The whole met at St. Andrew's, in Passamaquoddy Bay, in the beginning of October, and directed surveys to be made of the rivers in dispute; but deeming it impracticable to have these surveys completed before the next year, they adjourned to meet at Boston in August, 1797, for the final decision of the question.

Other commissioners appointed on the part of the United States, agreeably to the seventh article of the treaty with Great Britain, relative to captures and condemnation of vessels and other property, met the commissioners of His Britannic Majesty in London in August last, when John Trumbull, esq., was chosen by lot for the fifth commissioner. In October following the board were to proceed to business. As yet there has been no communication of commissioners on the part of Great Britain to unite with those who have been appointed on the part of the United States for carrying into effect the sixth article of the treaty.

The treaty with Spain required that the commissioners for running the boundary line between the territory of the United States and His Catholic Majesty's provinces of East and West Florida should meet at the Natchez before the expiration of six months after the exchange of the ratifications, which was effected at Aranjuez on the 25th day of April; and the troops of His Catholic Majesty occupying any posts within the limits of the United States were within the same period to be withdrawn. The com-

missioner of the United States therefore commenced his journey for the Natchez in September, and troops were ordered to occupy the posts from which the Spanish garrisons should be withdrawn. Information has been recently received of the appointment of a commissioner on the part of His Catholic Majesty for running the boundary line, but none of any appointment for the adjustment of the claims of our citizens whose vessels were captured by the armed vessels of Spain.

In pursuance of the act of Congress passed in the last session for the protection and relief of American seamen, agents were appointed, one to reside in Great Britain and the other in the West Indies. The effects of the agency in the West Indies are not yet fully ascertained, but those which have been communicated afford grounds to believe the measure will be beneficial. The agent destined to reside in Great Britain declining to accept the appointment, the business has consequently devolved on the minister of the United States in London, and will command his attention until a new agent shall be appointed.

After many delays and disappointments arising out of the European war, the final arrangements for fulfilling the engagements made to the Dey and Regency of Algiers will in all present appearance be crowned with success, but under great, though inevitable, disadvantages in the pecuniary transactions occasioned by that war, which will render further provision necessary. The actual liberation of all our citizens who were prisoners in Algiers, while it gratifies every feeling heart, is itself an earnest of a satisfactory termination of the whole negotiation. Measures are in operation for effecting treaties with the Regencies of Tunis and Tripoli.

To an active external commerce the protection of a naval force is indispensable. This is manifest with regard to wars in which a State is itself a party. But besides this, it is in our own experience that the most sincere neutrality is not a sufficient guard against the depredations of nations at war. To secure respect to a neutral flag requires a naval force organized and ready to vindicate it from insult or aggression. This may even prevent the necessity of going to war by discouraging belligerent powers from committing such violations of the rights of the neutral party as may, first or last, leave no other option. From the best information I have been able to obtain it would seem as if our trade to the Mediterranean without a protecting force will always be insecure and our citizens exposed to the calamities from which numbers of them have but just been relieved.

These considerations invite the United States to look to the means, and to set about the gradual creation of a navy. The increasing progress of their navigation promises them at no distant period the requisite supply of seamen, and their means in other respects favor the undertaking. It is an encouragement, likewise, that their particular situation will give weight and influence to a moderate naval force in their hands. Will it

not, then, be advisable to begin without delay to provide and lay up the materials for the building and equipping of ships of war, and to proceed in the work by degrees, in proportion as our resources shall render it practicable without inconvenience, so that a future war of Europe may not find our commerce in the same unprotected state in which it was found by the present?

Congress have repeatedly, and not without success, directed their attention to the encouragement of manufactures. The object is of too much consequence not to insure a continuance of their efforts in every way which shall appear eligible. As a general rule, manufactures on public account are inexpedient; but where the state of things in a country leaves little hope that certain branches of manufacture will for a great length of time obtain, when these are of a nature essential to the furnishing and equipping of the public force in time of war, are not establishments for procuring them on public account to the extent of the ordinary demand for the public service recommended by strong considerations of national policy as an exception to the general rule? Ought our country to remain in such cases dependent on foreign supply, precarious because liable to be interrupted? If the necessary article should in this mode cost more in time of peace, will not the security and independence thence arising form an ample compensation? Establishments of this sort, commensurate only with the calls of the public service in time of peace, will in time of war easily be extended in proportion to the exigencies of the Government, and may even perhaps be made to yield a surplus for the supply of our citizens at large, so as to mitigate the privations from the interruption of their trade. If adopted, the plan ought to exclude all those branches which are already, or likely soon to be, established in the country, in order that there may be no danger of interference with pursuits of individual industry.

It will not be doubted that with reference either to individual or national welfare agriculture is of primary importance. In proportion as nations advance in population and other circumstances of maturity this truth becomes more apparent, and renders the cultivation of the soil more and more an object of public patronage. Institutions for promoting it grow up, supported by the public purse; and to what object can it be dedicated with greater propriety? Among the means which have been employed to this end none have been attended with greater success than the establishment of boards (composed of proper characters) charged with collecting and diffusing information, and enabled by premiums and small pecuniary aids to encourage and assist a spirit of discovery and improvement. This species of establishment contributes doubly to the increase of improvement by stimulating to enterprise and experiment, and by drawing to a common center the results everywhere of individual skill and observation, and spreading them thence over the whole nation. Experience accordingly has shewn that they are very cheap instruments of

immense national benefits.

I have heretofore proposed to the consideration of Congress the expediency of establishing a national university and also a military academy. The desirableness of both these institutions has so constantly increased with every new view I have taken of the subject that I can not omit the opportunity of once for all recalling your attention to them.

The assembly to which I address myself is too enlightened not to be fully sensible how much a flourishing state of the arts and sciences contributes to national prosperity and reputation.

True it is that our country, much to its honor, contains many seminaries of learning highly respectable and useful; but the funds upon which they rest are too narrow to command the ablest professors in the different departments of liberal knowledge for the institution contemplated, though they would be excellent auxiliaries.

Amongst the motives to such an institution, the assimilation of the principles, opinions, and manners of our countrymen by the common education of a portion of our youth from every quarter well deserves attention. The more homogeneous our citizens can be made in these particulars the greater will be our prospect of permanent union; and a primary object of such a national institution should be the education of our youth in the science of *government*. In a republic what species of knowledge can be equally important and what duty more pressing on its legislature than to patronize a plan for communicating it to those who are to be the future guardians of the liberties of the country?

The institution of a military academy is also recommended by cogent reasons. However pacific the general policy of a nation may be, it ought never to be without an adequate stock of military knowledge for emergencies. The first would impair the energy of its character, and both would hazard its safety or expose it to greater evils when war could not be avoided; besides that, war might often not depend upon its own choice. In proportion as the observance of pacific maxims might exempt a nation from the necessity of practicing the rules of the military art ought to be its care in preserving and transmitting, by proper establishments, the knowledge of that art. Whatever argument may be drawn from particular examples superficially viewed, a thorough examination of the subject will evince that the art of war is at once comprehensive and complicated, that it demands much previous study, and that the possession of it in its most improved and perfect state is always of great moment to the security of a nation. This, therefore, ought to be a serious care of every government, and for this purpose an academy where a regular course of instruction is given is an obvious expedient which different nations have successfully employed.

The compensations to the officers of the United States in various instances, and in none more than in respect to the most important stations, appear to call for legislative revision. The consequences of a defective

provision are of serious import to the Government. If private wealth is to supply the defect of public retribution, it will greatly contract the sphere within which the selection of character for office is to be made, and will proportionally diminish the probability of a choice of men able as well as upright. Besides that, it would be repugnant to the vital principles of our Government virtually to exclude from public trusts talents and virtue unless accompanied by wealth.

While in our external relations some serious inconveniences and embarrassments have been overcome and others lessened, it is with much pain and deep regret I mention that circumstances of a very unwelcome nature have lately occurred. Our trade has suffered and is suffering extensive injuries in the West Indies from the cruisers and agents of the French Republic, and communications have been received from its minister here which indicate the danger of a further disturbance of our commerce by its authority, and which are in other respects far from agreeable.

It has been my constant, sincere, and earnest wish, in conformity with that of our nation, to maintain cordial harmony and a perfectly friendly understanding with that Republic. This wish remains unabated, and I shall persevere in the endeavor to fulfill it to the utmost extent of what shall be consistent with a just and indispensable regard to the rights and honor of our country; nor will I easily cease to cherish the expectation that a spirit of justice, candor, and friendship on the part of the Republic will eventually insure success.

In pursuing this course, however, I can not forget what is due to the character of our Government and nation, or to a full and entire confidence in the good sense, patriotism, self-respect, and fortitude of my countrymen.

I reserve for a special message a more particular communication on this interesting subject.

Gentlemen of the House of Representatives:

I have directed an estimate of the appropriations necessary for the service of the ensuing year to be submitted from the proper Department, with a view of the public receipts and expenditures to the latest period to which an account can be prepared.

It is with satisfaction I am able to inform you that the revenues of the United States continue in a state of progressive improvement.

A reenforcement of the existing provisions for discharging our public debt was mentioned in my address at the opening of the last session. Some preliminary steps were taken toward it, the maturing of which will no doubt engage your zealous attention during the present. I will only add that it will afford me a heartfelt satisfaction to concur in such further measures as will ascertain to our country the prospect of a speedy extinguishment of the debt. Posterity may have cause to regret if from

any motive intervals of tranquillity are left unimproved for accelerating this valuable end.

Gentlemen of the Senate and of the House of Representatives:

My solicitude to see the militia of the United States placed on an efficient establishment has been so often and so ardently expressed that I shall but barely recall the subject to your view on the present occasion, at the same time that I shall submit to your inquiry whether our harbors are yet sufficiently secured.

The situation in which I now stand for the last time, in the midst of the representatives of the people of the United States, naturally recalls the period when the administration of the present form of government commenced, and I can not omit the occasion to congratulate you and my country on the success of the experiment, nor to repeat my fervent supplications to the Supreme Ruler of the Universe and Sovereign Arbiter of Nations that His providential care may still be extended to the United States, that the virtue and happiness of the people may be preserved, and that the Government which they have instituted for the protection of their liberties may be perpetual.

features of our system that one of its most important securities consists in the separation of the legislative and executive powers at the same time that each is held responsible to the great source of authority, which is acknowledged to be supreme, in the will of the people constitutionally expressed. My reflection and experience satisfy me that the framers of the Constitution, although they were anxious to mark this feature as a settled and fixed principle in the structure of the Government, did not adopt all the precautions that were necessary to secure its practical observance, and that we can not be said to have carried into complete effect their intentions until the evils which arise from this organic defect are remedied.

Considering the great extent of our Confederacy, the rapid increase of its population, and the diversity of their interests and pursuits, it can not be disguised that the contingency by which one branch of the Legislature is to form itself into an electoral college can not become one of ordinary occurrence without producing incalculable mischief. What was intended as the medicine of the Constitution in extreme cases can not be frequently used without changing its character and sooner or later producing incurable disorder.

Every election by the House of Representatives is calculated to lessen the force of that security which is derived from the distinct and separate character of the legislative and executive functions, and while it exposes each to temptations adverse to their efficiency as organs of the Constitution and laws, its tendency will be to unite both in resisting the will of the people, and thus give a direction to the Government antirepublican and dangerous. All history tells us that a free people should be watchful of delegated power, and should never acquiesce in a practice which will diminish their control over it. This obligation, so universal in its application to all the principles of a republic, is peculiarly so in ours, where the formation of parties founded on sectional interests is so much fostered by the extent of our territory. These interests, represented by candidates for the Presidency, are constantly prone, in the zeal of party and selfish objects, to generate influences unmindful of the general good and forgetful of the restraints which the great body of the people would enforce if they were in no contingency to lose the right of expressing their will. The experience of our country from the formation of the Government to the present day demonstrates that the people can not too soon adopt some stronger safeguard for their right to elect the highest officers known to the Constitution than is contained in that sacred instrument as it now stands.

It is my duty to call the particular attention of Congress to the present condition of the District of Columbia. From whatever cause the great depression has arisen which now exists in the pecuniary concerns of this District, it is proper that its situation should be fully understood and such relief or remedies provided as are consistent with the powers of Congress. I earnestly recommend the extension of every

political right to the citizens of this District which their true interests require, and which does not conflict with the provisions of the Constitution. It is believed that the laws for the government of the District require revisal and amendment, and that much good may be done by modifying the penal code so as to give uniformity to its provisions.

Your attention is also invited to the defects which exist in the judicial system of the United States. As at present organized the States of the Union derive unequal advantages from the Federal judiciary, which have been so often pointed out that I deem it unnecessary to repeat them here. It is hoped that the present Congress will extend to all the States that equality in respect to the benefits of the laws of the Union which can only be secured by the uniformity and efficiency of the judicial system.

With these observations on the topics of general interest which are deemed worthy of your consideration, I leave them to your care, trusting that the legislative measures they call for will be met as the wants and the best interests of our beloved country demand.

EIGHTH ANNUAL MESSAGE.

WASHINGTON, December 5, 1836.

Fellow-Citizens of the Senate and House of Representatives:

Addressing to you the last annual message I shall ever present to the Congress of the United States, it is a source of the most heartfelt satisfaction to be able to congratulate you on the high state of prosperity which our beloved country has attained. With no causes at home or abroad to lessen the confidence with which we look to the future for continuing proofs of the capacity of our free institutions to produce all the fruits of good government, the general condition of our affairs may well excite our national pride.

I can not avoid congratulating you, and my country particularly, on the success of the efforts made during my Administration by the Executive and Legislature, in conformity with the sincere, constant, and earnest desire of the people, to maintain peace and establish cordial relations with all foreign powers. Our gratitude is due to the Supreme Ruler of the Universe, and I invite you to unite with me in offering to Him fervent supplications that His providential care may ever be extended to those who follow us, enabling them to avoid the dangers and the horrors of war consistently with a just and indispensable regard to the rights

and honor of our country. But although the present state of our foreign affairs, standing, without important change, as they did when you separated in July last, is flattering in the extreme, I regret to say that many questions of an interesting character, at issue with other powers, are yet unadjusted. Amongst the most prominent of these is that of our northeastern boundary. With an undiminished confidence in the sincere desire of His Britannic Majesty's Government to adjust that question, I am not yet in possession of the precise grounds upon which it proposes a satisfactory adjustment.

With France our diplomatic relations have been resumed, and under circumstances which attest the disposition of both Governments to preserve a mutually beneficial intercourse and foster those amicable feelings which are so strongly required by the true interests of the two countries. With Russia, Austria, Prussia, Naples, Sweden, and Denmark the best understanding exists, and our commercial intercourse is gradually expanding itself with them. It is encouraged in all these countries, except Naples, by their mutually advantageous and liberal treaty stipulations with us.

The claims of our citizens on Portugal are admitted to be just, but provision for the payment of them has been unfortunately delayed by frequent political changes in that Kingdom.

The blessings of peace have not been secured by Spain. Our connections with that country are on the best footing, with the exception of the burdens still imposed upon our commerce with her possessions out of Europe.

The claims of American citizens for losses sustained at the bombardment of Antwerp have been presented to the Governments of Holland and Belgium, and will be pressed, in due season, to settlement.

With Brazil and all our neighbors of this continent we continue to maintain relations of amity and concord, extending our commerce with them as far as the resources of the people and the policy of their Governments will permit. The just and long-standing claims of our citizens upon some of them are yet sources of dissatisfaction and complaint. No danger is apprehended, however, that they will not be peacefully, although tardily, acknowledged and paid by all, unless the irritating effect of her struggle with Texas should unfortunately make our immediate neighbor, Mexico, an exception.

It is already known to you, by the correspondence between the two Governments communicated at your last session, that our conduct in relation to that struggle is regulated by the same principles that governed us in the dispute between Spain and Mexico herself, and I trust that it will be found on the most severe scrutiny that our acts have strictly corresponded with our professions. That the inhabitants of the United States should feel strong prepossessions for the one party is not surprising. But this circumstance should of itself teach us great caution, lest it lead us

into the great error of suffering public policy to be regulated by partiality or prejudice; and there are considerations connected with the possible result of this contest between the two parties of so much delicacy and importance to the United States that our character requires that we should neither anticipate events nor attempt to control them. The known desire of the Texans to become a part of our system, although its gratification depends upon the reconciliation of various and conflicting interests, necessarily a work of time and uncertain in itself, is calculated to expose our conduct to misconstruction in the eyes of the world. There are already those who, indifferent to principle themselves and prone to suspect the want of it in others, charge us with ambitious designs and insidious policy. You will perceive by the accompanying documents that the extraordinary mission from Mexico has been terminated on the sole ground that the obligations of this Government to itself and to Mexico, under treaty stipulations, have compelled me to trust a discretionary authority to a high officer of our Army to advance into territory claimed as part of Texas if necessary to protect our own or the neighboring frontier from Indian depredation. In the opinion of the Mexican functionary who has just left us, the honor of his country will be wounded by American soldiers entering, with the most amicable avowed purposes, upon ground from which the followers of his Government have been expelled, and over which there is at present no certainty of a serious effort on its part being made to reestablish its dominion. The departure of this minister was the more singular as he was apprised that the sufficiency of the causes assigned for the advance of our troops by the commanding general had been seriously doubted by me, and there was every reason to suppose that the troops of the United States, their commander having had time to ascertain the truth or falsehood of the information upon which they had been marched to Nacogdoches, would be either there in perfect accordance with the principles admitted to be just in his conference with the Secretary of State by the Mexican minister himself, or were already withdrawn in consequence of the impressive warnings their commanding officer had received from the Department of War. It is hoped and believed that his Government will take a more dispassionate and just view of this subject, and not be disposed to construe a measure of justifiable precaution, made necessary by its known inability in execution of the stipulations of our treaty to act upon the frontier, into an encroachment upon its rights or a stain upon its honor.

In the meantime the ancient complaints of injustice made on behalf of our citizens are disregarded, and new causes of dissatisfaction have arisen, some of them of a character requiring prompt remonstrance and ample and immediate redress. I trust, however, by tempering firmness with courtesy and acting with great forbearance upon every incident that has occurred or that may happen, to do and to obtain justice, and thus avoid the necessity of again bringing this subject to the view of

Congress.

It is my duty to remind you that no provision has been made to execute our treaty with Mexico for tracing the boundary line between the two countries. Whatever may be the prospect of Mexico's being soon able to execute the treaty on its part, it is proper that we should be in anticipation prepared at all times to perform our obligations, without regard to the probable condition of those with whom we have contracted them.

The result of the confidential inquiries made into the condition and prospects of the newly declared Texan Government will be communicated to you in the course of the session.

Commercial treaties promising great advantages to our enterprising merchants and navigators have been formed with the distant Governments of Muscat and Siam. The ratifications have been exchanged, but have not reached the Department of State. Copies of the treaties will be transmitted to you if received before, or published if arriving after, the close of the present session of Congress.

Nothing has occurred to interrupt the good understanding that has long existed with the Barbary Powers, nor to check the good will which is gradually growing up from our intercourse with the dominions of the Government of the distinguished chief of the Ottoman Empire.

Information has been received at the Department of State that a treaty with the Emperor of Morocco has just been negotiated, which, I hope, will be received in time to be laid before the Senate previous to the close of the session.

You will perceive from the report of the Secretary of the Treasury that the financial means of the country continue to keep pace with its improvement in all other respects. The receipts into the Treasury during the present year will amount to about \$47,691,898; those from customs being estimated at \$22,523,151, those from lands at about \$24,000,000, and the residue from miscellaneous sources. The expenditures for all objects during the year are estimated not to exceed \$32,000,000, which will leave a balance in the Treasury for public purposes on the 1st day of January next of about \$41,723,959. This sum, with the exception of \$5,000,000, will be transferred to the several States in accordance with the provisions of the act regulating the deposits of the public money.

The unexpended balances of appropriation on the 1st day of January next are estimated at \$14,636,062, exceeding by \$9,636,062 the amount which will be left in the deposit banks, subject to the draft of the Treasurer of the United States, after the contemplated transfers to the several States are made. If, therefore, the future receipts should not be sufficient to meet these outstanding and future appropriations, there may be soon a necessity to use a portion of the funds deposited with the States.

The consequences apprehended when the deposit act of the last session received a reluctant approval have been measurably realized. Though

an act merely for the deposit of the surplus moneys of the United States in the State treasuries for safe-keeping until they may be wanted for the service of the General Government, it has been extensively spoken of as an act to give the money to the several States, and they have been advised to use it as a gift, without regard to the means of refunding it when called for. Such a suggestion has doubtless been made without a due consideration of the obligations of the deposit act, and without a proper attention to the various principles and interests which are affected by it. It is manifest that the law itself can not sanction such a suggestion, and that as it now stands the States have no more authority to receive and use these deposits without intending to return them than any deposit bank or any individual temporarily charged with the safe-keeping or application of the public money would now have for converting the same to their private use without the consent and against the will of the Government. But independently of the violation of public faith and moral obligation which are involved in this suggestion when examined in reference to the terms of the present deposit act, it is believed that the considerations which should govern the future legislation of Congress on this subject will be equally conclusive against the adoption of any measure recognizing the principles on which the suggestion has been made.

Considering the intimate connection of the subject with the financial interests of the country and its great importance in whatever aspect it can be viewed, I have bestowed upon it the most anxious reflection, and feel it to be my duty to state to Congress such thoughts as have occurred to me, to aid their deliberation in treating it in the manner best calculated to conduce to the common good.

The experience of other nations admonished us to hasten the extinguishment of the public debt; but it will be in vain that we have congratulated each other upon the disappearance of this evil if we do not guard against the equally great one of promoting the unnecessary accumulation of public revenue. No political maxim is better established than that which tells us that an improvident expenditure of money is the parent of profligacy, and that no people can hope to perpetuate their liberties who long acquiesce in a policy which taxes them for objects not necessary to the legitimate and real wants of their Government. Flattering as is the condition of our country at the present period, because of its unexampled advance in all the steps of social and political improvement, it can not be disguised that there is a lurking danger already apparent in the neglect of this warning truth, and that the time has arrived when the representatives of the people should be employed in devising some more appropriate remedy than now exists to avert it.

Under our present revenue system there is every probability that there will continue to be a surplus beyond the wants of the Government, and it has become our duty to decide whether such a result be consistent with the true objects of our Government.

Should a surplus be permitted to accumulate beyond the appropriations, it must be retained in the Treasury, as it now is, or distributed among the people or the States.

To retain it in the Treasury unemployed in any way is impracticable; it is, besides, against the genius of our free institutions to lock up in vaults the treasure of the nation. To take from the people the right of bearing arms and put their weapons of defense in the hands of a standing army would be scarcely more dangerous to their liberties than to permit the Government to accumulate immense amounts of treasure beyond the supplies necessary to its legitimate wants. Such a treasure would doubtless be employed at some time, as it has been in other countries, when opportunity tempted ambition.

To collect it merely for distribution to the States would seem to be highly impolitic, if not as dangerous as the proposition to retain it in the Treasury. The shortest reflection must satisfy everyone that to require the people to pay taxes to the Government merely that they may be paid back again is sporting with the substantial interests of the country, and no system which produces such a result can be expected to receive the public countenance. Nothing could be gained by it even if each individual who contributed a portion of the tax could receive back promptly the same portion. But it is apparent that no system of the kind can ever be enforced which will not absorb a considerable portion of the money to be distributed in salaries and commissions to the agents employed in the process and in the various losses and depreciations which arise from other causes, and the practical effect of such an attempt must ever be to burden the people with taxes, not for purposes beneficial to them, but to swell the profits of deposit banks and support a band of useless public officers.

A distribution to the people is impracticable and unjust in other respects. It would be taking one man's property and giving it to another. Such would be the unavoidable result of a rule of equality (and none other is spoken of or would be likely to be adopted), inasmuch as there is no mode by which the amount of the individual contributions of our citizens to the public revenue can be ascertained. We know that they contribute *unequally*, and a rule, therefore, that would distribute to them *equally* would be liable to all the objections which apply to the principle of an equal division of property. To make the General Government the instrument of carrying this odious principle into effect would be at once to destroy the means of its usefulness and change the character designed for it by the framers of the Constitution.

But the more extended and injurious consequences likely to result from a policy which would collect a surplus revenue for the purpose of distributing it may be forcibly illustrated by an examination of the effects already produced by the present deposit act. This act, although certainly designed to secure the safe-keeping of the public revenue, is

not entirely free in its tendencies from any of the objections which apply to this principle of distribution. The Government had without necessity received from the people a large surplus, which, instead of being employed as heretofore and returned to them by means of the public expenditure, was deposited with sundry banks. The banks proceeded to make loans upon this surplus, and thus converted it into banking capital, and in this manner it has tended to multiply bank charters and has had a great agency in producing a spirit of wild speculation. The possession and use of the property out of which this surplus was created belonged to the people, but the Government has transferred its possession to incorporated banks, whose interest and effort it is to make large profits out of its use. This process need only be stated to show its injustice and bad policy.

And the same observations apply to the influence which is produced by the steps necessary to collect as well as to distribute such a revenue. About three-fifths of all the duties on imports are paid in the city of New York, but it is obvious that the means to pay those duties are drawn from every quarter of the Union. Every citizen in every State who purchases and consumes an article which has paid a duty at that port contributes to the accumulating mass. The surplus collected there must therefore be made up of moneys or property withdrawn from other points and other States. Thus the wealth and business of every region from which these surplus funds proceed must be to some extent injured, while that of the place where the funds are concentrated and are employed in banking are proportionably extended. But both in making the transfer of the funds which are first necessary to pay the duties and collect the surplus and in making the retransfer which becomes necessary when the time arrives for the distribution of that surplus there is a considerable period when the funds can not be brought into use, and it is manifest that, besides the loss inevitable from such an operation, its tendency is to produce fluctuations in the business of the country, which are always productive of speculation and detrimental to the interests of regular trade. Argument can scarcely be necessary to show that a measure of this character ought not to receive further legislative encouragement.

By examining the practical operation of the ratio for distribution adopted in the deposit bill of the last session we shall discover other features that appear equally objectionable. Let it be assumed, for the sake of argument, that the surplus moneys to be deposited with the States have been collected and belong to them in the ratio of their federal representative population—an assumption founded upon the fact that any deficiencies in our future revenue from imposts and public lands must be made up by direct taxes collected from the States in that ratio. It is proposed to distribute this surplus—say \$30,000,000—not according to the ratio in which it has been collected and belongs to the people of

the States, but in that of their votes in the colleges of electors of President and Vice-President. The effect of a distribution upon that ratio is shown by the annexed table, marked A.

By an examination of that table it will be perceived that in the distribution of a surplus of \$30,000,000 upon that basis there is a great departure from the principle which regards representation as the true measure of taxation, and it will be found that the tendency of that departure will be to increase whatever inequalities have been supposed to attend the operation of our federal system in respect to its bearings upon the different interests of the Union. In making the basis of representation the basis of taxation the framers of the Constitution intended to equalize the burdens which are necessary to support the Government, and the adoption of that ratio, while it accomplished this object, was also the means of adjusting other great topics arising out of the conflicting views respecting the political equality of the various members of the Confederacy. Whatever, therefore, disturbs the liberal spirit of the compromises which established a rule of taxation so just and equitable, and which experience has proved to be so well adapted to the genius and habits of our people, should be received with the greatest caution and distrust.

A bare inspection in the annexed table of the differences produced by the ratio used in the deposit act compared with the results of a distribution according to the ratio of direct taxation must satisfy every unprejudiced mind that the former ratio contravenes the spirit of the Constitution and produces a degree of injustice in the operations of the Federal Government which would be fatal to the hope of perpetuating it. By the ratio of direct taxation, for example, the State of Delaware in the collection of \$30,000,000 of revenue would pay into the Treasury \$188,716, and in a distribution of \$30,000,000 she would receive back from the Government, according to the ratio of the deposit bill, the sum of \$306,122; and similar results would follow the comparison between the small and the large States throughout the Union, thus realizing to the small States an advantage which would be doubtless as unacceptable to them as a motive for incorporating the principle in any system which would produce it as it would be inconsistent with the rights and expectations of the large States. It was certainly the intention of that provision of the Constitution which declares that "all duties, imposts, and excises" shall "be uniform throughout the United States" to make the burdens of taxation fall equally upon the people in whatever State of the Union they may reside. But what would be the value of such a uniform rule if the moneys raised by it could be immediately returned by a different one which will give to the people of some States much more and to those of others much less than their fair proportions? Were the Federal Government to exempt in express terms the imports, products, and manufactures of some portions of the country from all duties while it imposed heavy ones on others, the injustice could not be greater.

It would be easy to show how by the operation of such a principle the large States of the Union would not only have to contribute their just share toward the support of the Federal Government, but also have to bear in some degree the taxes necessary to support the governments of their smaller sisters; but it is deemed unnecessary to state the details where the general principle is so obvious.

A system liable to such objections can never be supposed to have been sanctioned by the framers of the Constitution when they conferred on Congress the taxing power, and I feel persuaded that a mature examination of the subject will satisfy everyone that there are insurmountable difficulties in the operation of any plan which can be devised of collecting revenue for the purpose of distributing it. Congress is only authorized to levy taxes "*to pay the debts and provide for the common defense and general welfare of the United States.*" There is no such provision as would authorize Congress to collect together the property of the country, under the name of revenue, for the purpose of dividing it equally or unequally among the States or the people. Indeed, it is not probable that such an idea ever occurred to the States when they adopted the Constitution. But however this may be, the only safe rule for us in interpreting the powers granted to the Federal Government is to regard the absence of express authority to touch a subject so important and delicate as this is as equivalent to a prohibition.

Even if our powers were less doubtful in this respect as the Constitution now stands, there are considerations afforded by recent experience which would seem to make it our duty to avoid a resort to such a system.

All will admit that the simplicity and economy of the State governments mainly depend on the fact that money has to be supplied to support them by the same men, or their agents, who vote it away in appropriations. Hence when there are extravagant and wasteful appropriations there must be a corresponding increase of taxes, and the people, becoming awakened, will necessarily scrutinize the character of measures which thus increase their burdens. By the watchful eye of self-interest the agents of the people in the State governments are repressed and kept within the limits of a just economy. But if the necessity of levying the taxes be taken from those who make the appropriations and thrown upon a more distant and less responsible set of public agents, who have power to approach the people by an indirect and stealthy taxation, there is reason to fear that prodigality will soon supersede those characteristics which have thus far made us look with so much pride and confidence to the State governments as the mainstay of our Union and liberties. The State legislatures, instead of studying to restrict their State expenditures to the smallest possible sum, will claim credit for their profusion, and harass the General Government for increased supplies. Practically there would soon be but one taxing power, and that vested in a body of men

far removed from the people, in which the farming and mechanic interests would scarcely be represented. The States would gradually lose their purity as well as their independence; they would not dare to murmur at the proceedings of the General Government, lest they should lose their supplies; all would be merged in a practical consolidation, cemented by widespread corruption, which could only be eradicated by one of those bloody revolutions which occasionally overthrow the despotic systems of the Old World. In all the other aspects in which I have been able to look at the effect of such a principle of distribution upon the best interests of the country I can see nothing to compensate for the disadvantages to which I have adverted. If we consider the protective duties, which are in a great degree the source of the surplus revenue, beneficial to one section of the Union and prejudicial to another, there is no corrective for the evil in such a plan of distribution. On the contrary, there is reason to fear that all the complaints which have sprung from this cause would be aggravated. Everyone must be sensible that a distribution of the surplus must beget a disposition to cherish the means which create it, and any system, therefore, into which it enters must have a powerful tendency to increase rather than diminish the tariff. If it were even admitted that the advantages of such a system could be made equal to all the sections of the Union, the reasons already so urgently calling for a reduction of the revenue would nevertheless lose none of their force, for it will always be improbable that an intelligent and virtuous community can consent to raise a surplus for the mere purpose of dividing it, diminished as it must inevitably be by the expenses of the various machinery necessary to the process.

The safest and simplest mode of obviating all the difficulties which have been mentioned is to collect only revenue enough to meet the wants of the Government, and let the people keep the balance of their property in their own hands, to be used for their own profit. Each State will then support its own government and contribute its due share toward the support of the General Government. There would be no surplus to cramp and lessen the resources of individual wealth and enterprise, and the banks would be left to their ordinary means. Whatever agitations and fluctuations might arise from our unfortunate paper system, they could never be attributed, justly or unjustly, to the action of the Federal Government. There would be some guaranty that the spirit of wild speculation which seeks to convert the surplus revenue into banking capital would be effectually checked; and that the scenes of demoralization which are now so prevalent through the land would disappear.

Without desiring to conceal that the experience and observation of the last two years have operated a partial change in my views upon this interesting subject, it is nevertheless regretted that the suggestions made by me in my annual messages of 1829 and 1830 have been greatly misunderstood. At that time the great struggle was begun against that

latitudinarian construction of the Constitution which authorizes the unlimited appropriation of the revenues of the Union to internal improvements within the States, tending to invest in the hands and place under the control of the General Government all the principal roads and canals of the country, in violation of State rights and in derogation of State authority. At the same time the condition of the manufacturing interest was such as to create an apprehension that the duties on imports could not without extensive mischief be reduced in season to prevent the accumulation of a considerable surplus after the payment of the national debt. In view of the dangers of such a surplus, and in preference to its application to internal improvements in derogation of the rights and powers of the States, the suggestion of an amendment of the Constitution to authorize its distribution was made. It was an alternative for what were deemed greater evils—a temporary resort to relieve an overburdened treasury until the Government could, without a sudden and destructive revulsion in the business of the country, gradually return to the just principle of raising no more revenue from the people in taxes than is necessary for its economical support. Even that alternative was not spoken of but in connection with an amendment of the Constitution. No temporary inconvenience can justify the exercise of a prohibited power or a power not granted by that instrument, and it was from a conviction that the power to distribute even a temporary surplus of revenue is of that character that it was suggested only in connection with an appeal to the source of all legal power in the General Government, the States which have established it. No such appeal has been taken, and in my opinion a distribution of the surplus revenue by Congress either to the States or the people is to be considered as among the prohibitions of the Constitution. As already intimated, my views have undergone a change so far as to be convinced that no alteration of the Constitution in this respect is wise or expedient. The influence of an accumulating surplus upon the legislation of the General Government and the States, its effect upon the credit system of the country, producing dangerous extensions and ruinous contractions, fluctuations in the price of property, rash speculation, idleness, extravagance, and a deterioration of morals, have taught us the important lesson that any transient mischief which may attend the reduction of our revenue to the wants of our Government is to be borne in preference to an overflowing treasury.

I beg leave to call your attention to another subject intimately associated with the preceding one—the currency of the country.

It is apparent from the whole context of the Constitution, as well as the history of the times which gave birth to it, that it was the purpose of the Convention to establish a currency consisting of the precious metals. These, from their peculiar properties which rendered them the standard of value in all other countries, were adopted in this as well to

establish its commercial standard in reference to foreign countries by a permanent rule as to exclude the use of a mutable medium of exchange, such as of certain agricultural commodities recognized by the statutes of some States as a tender for debts, or the still more pernicious expedient of a paper currency. The last, from the experience of the evils of the issues of paper during the Revolution, had become so justly obnoxious as not only to suggest the clause in the Constitution forbidding the emission of bills of credit by the States, but also to produce that vote in the Convention which negated the proposition to grant power to Congress to charter corporations—a proposition well understood at the time as intended to authorize the establishment of a national bank, which was to issue a currency of bank notes on a capital to be created to some extent out of Government stocks. Although this proposition was refused by a direct vote of the Convention, the object was afterwards in effect obtained by its ingenious advocates through a strained construction of the Constitution. The debts of the Revolution were funded at prices which formed no equivalent compared with the nominal amount of the stock, and under circumstances which exposed the motives of some of those who participated in the passage of the act to distrust.

The facts that the value of the stock was greatly enhanced by the creation of the bank, that it was well understood that such would be the case, and that some of the advocates of the measure were largely benefited by it belong to the history of the times, and are well calculated to diminish the respect which might otherwise have been due to the action of the Congress which created the institution.

On the establishment of a national bank it became the interest of its creditors that gold should be superseded by the paper of the bank as a general currency. A value was soon attached to the gold coins which made their exportation to foreign countries as a mercantile commodity more profitable than their retention and use at home as money. It followed as a matter of course, if not designed by those who established the bank, that the bank became in effect a substitute for the Mint of the United States.

Such was the origin of a national-bank currency, and such the beginning of those difficulties which now appear in the excessive issues of the banks incorporated by the various States.

Although it may not be possible by any legislative means within our power to change at once the system which has thus been introduced, and has received the acquiescence of all portions of the country, it is certainly our duty to do all that is consistent with our constitutional obligations in preventing the mischiefs which are threatened by its undue extension. That the efforts of the fathers of our Government to guard against it by a constitutional provision were founded on an intimate knowledge of the subject has been frequently attested by the bitter experience of the country. The same causes which led them to refuse

their sanction to a power authorizing the establishment of incorporations for banking purposes now exist in a much stronger degree to urge us to exert the utmost vigilance in calling into action the means necessary to correct the evils resulting from the unfortunate exercise of the power, and it is to be hoped that the opportunity for effecting this great good will be improved before the country witnesses new scenes of embarrassment and distress.

Variableness must ever be the characteristic of a currency of which the precious metals are not the chief ingredient, or which can be expanded or contracted without regard to the principles that regulate the value of those metals as a standard in the general trade of the world. With us bank issues constitute such a currency, and must ever do so until they are made dependent on those just proportions of gold and silver as a circulating medium which experience has proved to be necessary not only in this but in all other commercial countries. Where those proportions are not infused into the circulation and do not control it, it is manifest that prices must vary according to the tide of bank issues, and the value and stability of property must stand exposed to all the uncertainty which attends the administration of institutions that are constantly liable to the temptation of an interest distinct from that of the community in which they are established.

The progress of an expansion, or rather a depreciation, of the currency by excessive bank issues is always attended by a loss to the laboring classes. This portion of the community have neither time nor opportunity to watch the ebbs and flows of the money market. Engaged from day to day in their useful toils, they do not perceive that although their wages are nominally the same, or even somewhat higher, they are greatly reduced in fact by the rapid increase of a spurious currency, which, as it appears to make money abound, they are at first inclined to consider a blessing. It is not so with the speculator, by whom this operation is better understood, and is made to contribute to his advantage. It is not until the prices of the necessities of life become so dear that the laboring classes can not supply their wants out of their wages that the wages rise and gradually reach a justly proportioned rate to that of the products of their labor. When thus, by the depreciation in consequence of the quantity of paper in circulation, wages as well as prices become exorbitant, it is soon found that the whole effect of the adulteration is a tariff on our home industry for the benefit of the countries where gold and silver circulate and maintain uniformity and moderation in prices. It is then perceived that the enhancement of the price of land and labor produces a corresponding increase in the price of products until these products do not sustain a competition with similar ones in other countries, and thus both manufactured and agricultural productions cease to bear exportation from the country of the spurious currency, because they can not be sold for cost. This is the process by which specie is banished by the paper

of the banks. Their vaults are soon exhausted to pay for foreign commodities. The next step is a stoppage of specie payment—a total degradation of paper as a currency—unusual depression of prices, the ruin of debtors, and the accumulation of property in the hands of creditors and cautious capitalists.

It was in view of these evils, together with the dangerous power wielded by the Bank of the United States and its repugnance to our Constitution, that I was induced to exert the power conferred upon me by the American people to prevent the continuance of that institution. But although various dangers to our republican institutions have been obviated by the failure of that bank to extort from the Government a renewal of its charter, it is obvious that little has been accomplished except a salutary change of public opinion toward restoring to the country the sound currency provided for in the Constitution. In the acts of several of the States prohibiting the circulation of small notes, and the auxiliary enactments of Congress at the last session forbidding their reception or payment on public account, the true policy of the country has been advanced and a larger portion of the precious metals infused into our circulating medium. These measures will probably be followed up in due time by the enactment of State laws banishing from circulation bank notes of still higher denominations, and the object may be materially promoted by further acts of Congress forbidding the employment as fiscal agents of such banks as continue to issue notes of low denominations and throw impediments in the way of the circulation of gold and silver.

The effects of an extension of bank credits and overissues of bank paper have been strikingly illustrated in the sales of the public lands. From the returns made by the various registers and receivers in the early part of last summer it was perceived that the receipts arising from the sales of the public lands were increasing to an unprecedented amount. In effect, however, these receipts amounted to nothing more than credits in bank. The banks lent out their notes to speculators. They were paid to the receivers and immediately returned to the banks, to be lent out again and again, being mere instruments to transfer to speculators the most valuable public land and pay the Government by a credit on the books of the banks. Those credits on the books of some of the Western banks, usually called deposits, were already greatly beyond their immediate means of payment, and were rapidly increasing. Indeed, each speculation furnished means for another; for no sooner had one individual or company paid in the notes than they were immediately lent to another for a like purpose, and the banks were extending their business and their issues so largely as to alarm considerate men and render it doubtful whether these bank credits if permitted to accumulate would ultimately be of the least value to the Government. The spirit of expansion and speculation was not confined to the deposit banks, but pervaded the whole multitude of banks throughout the Union and was giving rise

to new institutions to aggravate the evil.

The safety of the public funds and the interest of the people generally required that these operations should be checked; and it became the duty of every branch of the General and State Governments to adopt all legitimate and proper means to produce that salutary effect. Under this view of my duty I directed the issuing of the order which will be laid before you by the Secretary of the Treasury, requiring payment for the public lands sold to be made in specie, with an exception until the 15th of the present month in favor of actual settlers. This measure has produced many salutary consequences. It checked the career of the Western banks and gave them additional strength in anticipation of the pressure which has since pervaded our Eastern as well as the European commercial cities. By preventing the extension of the credit system it measurably cut off the means of speculation and retarded its progress in monopolizing the most valuable of the public lands. It has tended to save the new States from a nonresident proprietorship, one of the greatest obstacles to the advancement of a new country and the prosperity of an old one. It has tended to keep open the public lands for entry by emigrants at Government prices instead of their being compelled to purchase of speculators at double or triple prices. And it is conveying into the interior large sums in silver and gold, there to enter permanently into the currency of the country and place it on a firmer foundation. It is confidently believed that the country will find in the motives which induced that order and the happy consequences which will have ensued much to commend and nothing to condemn.

It remains for Congress if they approve the policy which dictated this order to follow it up in its various bearings. Much good, in my judgment, would be produced by prohibiting sales of the public lands except to actual settlers at a reasonable reduction of price, and to limit the quantity which shall be sold to them. Although it is believed the General Government never ought to receive anything but the constitutional currency in exchange for the public lands, that point would be of less importance if the lands were sold for immediate settlement and cultivation. Indeed, there is scarcely a mischief arising out of our present land system, including the accumulating surplus of revenues, which would not be remedied at once by a restriction on land sales to actual settlers; and it promises other advantages to the country in general and to the new States in particular which can not fail to receive the most profound consideration of Congress.

Experience continues to realize the expectations entertained as to the capacity of the State banks to perform the duties of fiscal agents for the Government at the time of the removal of the deposits. It was alleged by the advocates of the Bank of the United States that the State banks, whatever might be the regulations of the Treasury Department, could not make the transfers required by the Government or negotiate

the domestic exchanges of the country. It is now well ascertained that the real domestic exchanges performed through discounts by the United States Bank and its twenty-five branches were at least one-third less than those of the deposit banks for an equal period of time; and if a comparison be instituted between the amounts of service rendered by these institutions on the broader basis which has been used by the advocates of the United States Bank in estimating what they consider the domestic exchanges transacted by it, the result will be still more favorable to the deposit banks.

The whole amount of public money transferred by the Bank of the United States in 1832 was \$16,000,000. The amount transferred and actually paid by the deposit banks in the year ending the 1st of October last was \$39,319,899; the amount transferred and paid between that period and the 6th of November was \$5,399,000, and the amount of transfer warrants outstanding on that day was \$14,450,000, making an aggregate of \$59,168,894. These enormous sums of money first mentioned have been transferred with the greatest promptitude and regularity, and the rates at which the exchanges have been negotiated previously to the passage of the deposit act were generally below those charged by the Bank of the United States. Independently of these services, which are far greater than those rendered by the United States Bank and its twenty-five branches, a number of the deposit banks have, with a commendable zeal to aid in the improvement of the currency, imported from abroad, at their own expense, large sums of the precious metals for coinage and circulation.

In the same manner have nearly all the predictions turned out in respect to the effect of the removal of the deposits—a step unquestionably necessary to prevent the evils which it was foreseen the bank itself would endeavor to create in a final struggle to procure a renewal of its charter. It may be thus, too, in some degree with the further steps which may be taken to prevent the excessive issue of other bank paper, but it is to be hoped that nothing will now deter the Federal and State authorities from the firm and vigorous performance of their duties to themselves and to the people in this respect.

In reducing the revenue to the wants of the Government your particular attention is invited to those articles which constitute the necessities of life. The duty on salt was laid as a war tax, and was no doubt continued to assist in providing for the payment of the war debt. There is no article the release of which from taxation would be felt so generally and so beneficially. To this may be added all kinds of fuel and provisions. Justice and benevolence unite in favor of releasing the poor of our cities from burdens which are not necessary to the support of our Government and tend only to increase the wants of the destitute.

It will be seen by the report of the Secretary of the Treasury and the accompanying documents that the Bank of the United States has made

no payment on account of the stock held by the Government in that institution, although urged to pay any portion which might suit its convenience, and that it has given no information when payment may be expected. Nor, although repeatedly requested, has it furnished the information in relation to its condition which Congress authorized the Secretary to collect at their last session. Such measures as are within the power of the Executive have been taken to ascertain the value of the stock and procure the payment as early as possible.

The conduct and present condition of that bank and the great amount of capital vested in it by the United States require your careful attention. Its charter expired on the 3d day of March last, and it has now no power but that given in the twenty-first section, "to use the corporate name, style, and capacity for the purpose of suits for the final settlement and liquidation of the affairs and accounts of the corporation, and for the sale and disposition of their estate—real, personal, and mixed—but not for any other purpose or in any other manner whatsoever, nor for a period exceeding two years after the expiration of the said term of incorporation." Before the expiration of the charter the stockholders of the bank obtained an act of incorporation from the legislature of Pennsylvania, excluding only the United States. Instead of proceeding to wind up their concerns and pay over to the United States the amount due on account of the stock held by them, the president and directors of the old bank appear to have transferred the books, papers, notes, obligations, and most or all of its property to this new corporation, which entered upon business as a continuation of the old concern. Amongst other acts of questionable validity, the notes of the expired corporation are known to have been used as its own and again put in circulation. That the old bank had no right to issue or reissue its notes after the expiration of its charter can not be denied, and that it could not confer any such right on its substitute any more than exercise it itself is equally plain. In law and honesty the notes of the bank in circulation at the expiration of its charter should have been called in by public advertisement, paid up as presented, and, together with those on hand, canceled and destroyed. Their reissue is sanctioned by no law and warranted by no necessity. If the United States be responsible in their stock for the payment of these notes, their reissue by the new corporation for their own profit is a fraud on the Government. If the United States is not responsible, then there is no legal responsibility in any quarter, and it is a fraud on the country. They are the redeemed notes of a dissolved partnership, but, contrary to the wishes of the retiring partner and without his consent, are again reissued and circulated.

It is the high and peculiar duty of Congress to decide whether any further legislation be necessary for the security of the large amount of public property now held and in use by the new bank, and for vindicating the rights of the Government and compelling a speedy and honest settle-

ment with all the creditors of the old bank, public and private, or whether the subject shall be left to the power now possessed by the Executive and judiciary. It remains to be seen whether the persons who as managers of the old bank undertook to control the Government, retained the public dividends, shut their doors upon a committee of the House of Representatives, and filled the country with panic to accomplish their own sinister objects may now as managers of a new bank continue with impunity to flood the country with a spurious currency, use the seven millions of Government stock for their own profit, and refuse to the United States all information as to the present condition of their own property and the prospect of recovering it into their own possession.

The lessons taught by the Bank of the United States can not well be lost upon the American people. They will take care never again to place so tremendous a power in irresponsible hands, and it will be fortunate if they seriously consider the consequences which are likely to result on a smaller scale from the facility with which corporate powers are granted by their State governments.

It is believed that the law of the last session regulating the deposit banks operates onerously and unjustly upon them in many respects, and it is hoped that Congress, on proper representations, will adopt the modifications which are necessary to prevent this consequence.

The report of the Secretary of War *ad interim* and the accompanying documents, all which are herewith laid before you, will give you a full view of the diversified and important operations of that Department during the past year.

The military movements rendered necessary by the aggressions of the hostile portions of the Seminole and Creek tribes of Indians, and by other circumstances, have required the active employment of nearly our whole regular force, including the Marine Corps, and of large bodies of militia and volunteers. With all these events so far as they were known at the seat of Government before the termination of your last session you are already acquainted, and it is therefore only needful in this place to lay before you a brief summary of what has since occurred.

The war with the Seminoles during the summer was on our part chiefly confined to the protection of our frontier settlements from the incursions of the enemy, and, as a necessary and important means for the accomplishment of that end, to the maintenance of the posts previously established. In the course of this duty several actions took place, in which the bravery and discipline of both officers and men were conspicuously displayed, and which I have deemed it proper to notice in respect to the former by the granting of brevet rank for gallant services in the field. But as the force of the Indians was not so far weakened by these partial successes as to lead them to submit, and as their savage incursions were frequently repeated, early measures were taken for placing at the disposal of Governor Call, who as commander in chief of the Terri-

torial militia had been temporarily invested with the command, an ample force for the purpose of resuming offensive operations in the most efficient manner so soon as the season should permit. Major-General Jesup was also directed, on the conclusion of his duties in the Creek country, to repair to Florida and assume the command.

The result of the first movement made by the forces under the direction of Governor Call in October last, as detailed in the accompanying papers, excited much surprise and disappointment. A full explanation has been required of the causes which led to the failure of that movement, but has not yet been received. In the meantime, as it was feared that the health of Governor Call, who was understood to have suffered much from sickness, might not be adequate to the crisis, and as Major-General Jesup was known to have reached Florida, that officer was directed to assume the command, and to prosecute all needful operations with the utmost promptitude and vigor. From the force at his disposal and the dispositions he has made and is instructed to make, and from the very efficient measures which it is since ascertained have been taken by Governor Call, there is reason to hope that they will soon be enabled to reduce the enemy to subjection. In the meantime, as you will perceive from the report of the Secretary, there is urgent necessity for further appropriations to suppress these hostilities.

Happily for the interests of humanity, the hostilities with the Creeks were brought to a close soon after your adjournment, without that effusion of blood which at one time was apprehended as inevitable. The unconditional submission of the hostile party was followed by their speedy removal to the country assigned them west of the Mississippi. The inquiry as to alleged frauds in the purchase of the reservations of these Indians and the causes of their hostilities, requested by the resolution of the House of Representatives of the 1st of July last to be made by the President, is now going on through the agency of commissioners appointed for that purpose. Their report may be expected during your present session.

The difficulties apprehended in the Cherokee country have been prevented, and the peace and safety of that region and its vicinity effectually secured, by the timely measures taken by the War Department, and still continued.

The discretionary authority given to General Gaines to cross the Sabine and to occupy a position as far west as Nacogdoches, in case he should deem such a step necessary to the protection of the frontier and to the fulfillment of the stipulations contained in our treaty with Mexico, and the movement subsequently made by that officer have been alluded to in a former part of this message. At the date of the latest intelligence from Nacogdoches our troops were yet at that station, but the officer who has succeeded General Gaines has recently been advised that from the facts known at the seat of Government there would seem to be no

adequate cause for any longer maintaining that position, and he was accordingly instructed, in case the troops were not already withdrawn under the discretionary powers before possessed by him, to give the requisite orders for that purpose on the receipt of the instructions, unless he shall then have in his possession such information as shall satisfy him that the maintenance of the post is essential to the protection of our frontiers and to the due execution of our treaty stipulations, as previously explained to him.

Whilst the necessities existing during the present year for the service of militia and volunteers have furnished new proofs of the patriotism of our fellow-citizens, they have also strongly illustrated the importance of an increase in the rank and file of the Regular Army. The views of this subject submitted by the Secretary of War in his report meet my entire concurrence, and are earnestly commended to the deliberate attention of Congress. In this connection it is also proper to remind you that the defects in our present militia system are every day rendered more apparent. The duty of making further provision by law for organizing, arming, and disciplining this arm of defense has been so repeatedly presented to Congress by myself and my predecessors that I deem it sufficient on this occasion to refer to the last annual message and to former Executive communications in which the subject has been discussed.

It appears from the reports of the officers charged with mustering into service the volunteers called for under the act of Congress of the last session that more presented themselves at the place of rendezvous in Tennessee than were sufficient to meet the requisition which had been made by the Secretary of War upon the governor of that State. This was occasioned by the omission of the governor to apportion the requisition to the different regiments of militia so as to obtain the proper number of troops and no more. It seems but just to the patriotic citizens who repaired to the general rendezvous under circumstances authorizing them to believe that their services were needed and would be accepted that the expenses incurred by them while absent from their homes should be paid by the Government. I accordingly recommend that a law to this effect be passed by Congress, giving them a compensation which will cover their expenses on the march to and from the place of rendezvous and while there; in connection with which it will also be proper to make provision for such other equitable claims growing out of the service of the militia as may not be embraced in the existing laws.

On the unexpected breaking out of hostilities in Florida, Alabama, and Georgia it became necessary in some cases to take the property of individuals for public use. Provision should be made by law for indemnifying the owners; and I would also respectfully suggest whether some provision may not be made, consistently with the principles of our Government, for the relief of the sufferers by Indian depredations or by the

operations of our own troops.

No time was lost after the making of the requisite appropriations in resuming the great national work of completing the unfinished fortifications on our seaboard and of placing them in a proper state of defense. In consequence, however, of the very late day at which those bills were passed, but little progress could be made during the season which has just closed. A very large amount of the moneys granted at your last session accordingly remains unexpended; but as the work will be again resumed at the earliest moment in the coming spring, the balance of the existing appropriations, and in several cases which will be laid before you, with the proper estimates, further sums for the like objects, may be usefully expended during the next year.

The recommendations of an increase in the Engineer Corps and for a reorganization of the Topographical Corps, submitted to you in my last annual message, derive additional strength from the great embarrassments experienced during the present year in those branches of the service, and under which they are now suffering. Several of the most important surveys and constructions directed by recent laws have been suspended in consequence of the want of adequate force in these corps.

The like observations may be applied to the Ordnance Corps and to the general staff, the operations of which as they are now organized must either be frequently interrupted or performed by officers taken from the line of the Army, to the great prejudice of the service.

For a general view of the condition of the Military Academy and of other branches of the military service not already noticed, as well as for fuller illustrations of those which have been mentioned, I refer you to the accompanying documents, and among the various proposals contained therein for legislative action I would particularly notice the suggestion of the Secretary of War for the revision of the pay of the Army as entitled to your favorable regard.

The national policy, founded alike in interest and in humanity, so long and so steadily pursued by this Government for the removal of the Indian tribes originally settled on this side of the Mississippi to the west of that river, may be said to have been consummated by the conclusion of the late treaty with the Cherokees. The measures taken in the execution of that treaty and in relation to our Indian affairs generally will fully appear by referring to the accompanying papers. Without dwelling on the numerous and important topics embraced in them, I again invite your attention to the importance of providing a well-digested and comprehensive system for the protection, supervision, and improvement of the various tribes now planted in the Indian country. The suggestions submitted by the Commissioner of Indian Affairs, and enforced by the Secretary, on this subject, and also in regard to the establishment of additional military posts in the Indian country, are entitled to your profound consideration. Both measures are necessary, for the double pur-

pose of protecting the Indians from intestine war, and in other respects complying with our engagements to them, and of securing our western frontier against incursions which otherwise will assuredly be made on it. The best hopes of humanity in regard to the aboriginal race, the welfare of our rapidly extending settlements, and the honor of the United States are all deeply involved in the relations existing between this Government and the emigrating tribes. I trust, therefore, that the various matters submitted in the accompanying documents in respect to those relations will receive your early and mature deliberation, and that it may issue in the adoption of legislative measures adapted to the circumstances and duties of the present crisis.

You are referred to the report of the Secretary of the Navy for a satisfactory view of the operations of the Department under his charge during the present year. In the construction of vessels at the different navy-yards and in the employment of our ships and squadrons at sea that branch of the service has been actively and usefully employed. While the situation of our commercial interests in the West Indies required a greater number than usual of armed vessels to be kept on that station, it is gratifying to perceive that the protection due to our commerce in other quarters of the world has not proved insufficient. Every effort has been made to facilitate the equipment of the exploring expedition authorized by the act of the last session, but all the preparation necessary to enable it to sail has not yet been completed. No means will be spared by the Government to fit out the expedition on a scale corresponding with the liberal appropriations for the purpose and with the elevated character of the objects which are to be effected by it.

I beg leave to renew the recommendation made in my last annual message respecting the enlistment of boys in our naval service, and to urge upon your attention the necessity of further appropriations to increase the number of ships afloat and to enlarge generally the capacity and force of the Navy. The increase of our commerce and our position in regard to the other powers of the world will always make it our policy and interest to cherish the great naval resources of our country.

The report of the Postmaster-General presents a gratifying picture of the condition of the Post-Office Department. Its revenues for the year ending the 30th June last were \$3,398,455.19, showing an increase of revenue over that of the preceding year of \$404,878.53, or more than 13 per cent. The expenditures for the same year were \$2,755,623.76, exhibiting a surplus of \$642,831.43. The Department has been redeemed from embarrassment and debt, has accumulated a surplus exceeding half a million of dollars, has largely extended and is preparing still further to extend the mail service, and recommends a reduction of postages equal to about 20 per cent. It is practicing upon the great principle which should control every branch of our Government of rendering to the public the greatest good possible with the least possible taxation

to the people.

The scale of postages suggested by the Postmaster-General recommends itself, not only by the reduction it proposes, but by the simplicity of its arrangement, its conformity with the Federal currency, and the improvement it will introduce into the accounts of the Department and its agents.

Your particular attention is invited to the subject of mail contracts with railroad companies. The present laws providing for the making of contracts are based upon the presumption that competition among bidders will secure the service at a fair price; but on most of the railroad lines there is no competition in that kind of transportation, and advertising is therefore useless. No contract can now be made with them except such as shall be negotiated before the time of offering or afterwards, and the power of the Postmaster-General to pay them high prices is practically without limitation. It would be a relief to him and no doubt would conduce to the public interest to prescribe by law some equitable basis upon which such contracts shall rest, and restrict him by a fixed rule of allowance. Under a liberal act of that sort he would undoubtedly be able to secure the services of most of the railroad companies, and the interest of the Department would be thus advanced.

The correspondence between the people of the United States and the European nations, and particularly with the British Islands, has become very extensive, and requires the interposition of Congress to give it security. No obstacle is perceived to an interchange of mails between New York and Liverpool or other foreign ports, as proposed by the Postmaster-General. On the contrary, it promises, by the security it will afford, to facilitate commercial transactions and give rise to an enlarged intercourse among the people of different nations, which can not but have a happy effect. Through the city of New York most of the correspondence between the Canadas and Europe is now carried on, and urgent representations have been received from the head of the provincial post-office asking the interposition of the United States to guard it from the accidents and losses to which it is now subjected. Some legislation appears to be called for as well by our own interest as by comity to the adjoining British provinces.

The expediency of providing a fireproof building for the important books and papers of the Post-Office Department is worthy of consideration. In the present condition of our Treasury it is neither necessary nor wise to leave essential public interests exposed to so much danger when they can so readily be made secure. There are weighty considerations in the location of a new building for that Department in favor of placing it near the other executive buildings.

The important subjects of a survey of the coast and the manufacture of a standard of weights and measures for the different custom-houses have been in progress for some years under the general direction of the

Executive and the immediate superintendence of a gentleman possessing high scientific attainments. At the last session of Congress the making of a set of weights and measures for each State in the Union was added to the others by a joint resolution.

The care and correspondence as to all these subjects have been devolved on the Treasury Department during the last year. A special report from the Secretary of the Treasury will soon be communicated to Congress, which will show what has been accomplished as to the whole, the number and compensation of the persons now employed in these duties, and the progress expected to be made during the ensuing year, with a copy of the various correspondence deemed necessary to throw light on the subjects which seem to require additional legislation. Claims have been made for retrospective allowances in behalf of the superintendent and some of his assistants, which I did not feel justified in granting. Other claims have been made for large increases in compensation, which, under all the circumstances of the several cases, I declined making without the express sanction of Congress. In order to obtain that sanction the subject was at the last session, on my suggestion and by request of the immediate superintendent, submitted by the Treasury Department to the Committee on Commerce of the House of Representatives. But no legislative action having taken place, the early attention of Congress is now invited to the enactment of some express and detailed provisions in relation to the various claims made for the past, and to the compensation and allowances deemed proper for the future.

It is further respectfully recommended that, such being the inconvenience of attention to these duties by the Chief Magistrate, and such the great pressure of business on the Treasury Department, the general supervision of the coast survey and the completion of the weights and measures, if the works are kept united, should be devolved on a board of officers organized specially for that purpose, or on the Navy Board attached to the Navy Department.

All my experience and reflection confirm the conviction I have so often expressed to Congress in favor of an amendment of the Constitution which will prevent in any event the election of the President and Vice-President of the United States devolving on the House of Representatives and the Senate, and I therefore beg leave again to solicit your attention to the subject. There were various other suggestions in my last annual message not acted upon, particularly that relating to the want of uniformity in the laws of the District of Columbia, that are deemed worthy of your favorable consideration.

Before concluding this paper I think it due to the various Executive Departments to bear testimony to their prosperous condition and to the ability and integrity with which they have been conducted. It has been my aim to enforce in all of them a vigilant and faithful discharge of the public business, and it is gratifying to me to believe that there is no just

cause of complaint from any quarter at the manner in which they have fulfilled the objects of their creation.

Having now finished the observations deemed proper on this the last occasion I shall have of communicating with the two Houses of Congress at their meeting, I can not omit an expression of the gratitude which is due to the great body of my fellow-citizens, in whose partiality and indulgence I have found encouragement and support in the many difficult and trying scenes through which it has been my lot to pass during my public career. Though deeply sensible that my exertions have not been crowned with a success corresponding to the degree of favor bestowed upon me, I am sure that they will be considered as having been directed by an earnest desire to promote the good of my country, and I am consoled by the persuasion that whatever errors have been committed will find a corrective in the intelligence and patriotism of those who will succeed us. All that has occurred during my Administration is calculated to inspire me with increased confidence in the stability of our institutions; and should I be spared to enter upon that retirement which is so suitable to my age and infirm health and so much desired by me in other respects, I shall not cease to invoke that beneficent Being to whose providence we are already so signally indebted for the continuance of His blessings on our beloved country.

day that will make men more hopeful and enthusiastic in their various tasks, that will make for more comfort and happiness in living and a more tolerable condition among all classes of men. Certainly human intelligence can devise some acceptable tribunal for adjusting the differences between capital and labor.

This is the hour of test and trial for America. By her prowess and strength, and the indomitable courage of her soldiers, she demonstrated her power to vindicate on foreign battlefields her conceptions of liberty and justice. Let not her influence as a mediator between capital and labor be weakened and her own failure to settle matters of purely domestic concern be proclaimed to the world. There are those in this country who threaten direct action to force their will upon a majority. Russia today, with its blood and terror, is a painful object lesson of the power of minorities. It makes little difference what minority it is; whether capital or labor, or any other class; no sort of privilege will ever be permitted to dominate this country. We are a partnership or nothing that is worth while. We are a democracy, where the majority are the masters, or all the hopes and purposes of the men who founded this government have been defeated and forgotten. In America there is but one way by which great reforms can be accomplished and the relief sought by classes obtained, and that is through the orderly processes of representative government. Those who would propose any other method of reform are enemies of this country. America will not be daunted by threats nor lose her composure or calmness in these distressing times. We can afford, in the midst of this day of passion and unrest, to be self-contained and sure. The instrument of all reform in America is the ballot. The road to economic and social reform in America is the straight road of justice to all classes and conditions of men. Men have but to follow this road to realize the full fruition of their objects and purposes. Let those beware who would take the shorter road of disorder and revolution. The right road is the road of justice and orderly process.

EIGHTH ANNUAL MESSAGE.

[Read Before Congress on December 7, 1920.]

GENTLEMEN OF THE CONGRESS:

When I addressed myself to performing the duty laid upon the President by the Constitution to present to you an annual report on the

state of the Union, I found my thought dominated by an immortal sentence of Abraham Lincoln's—"Let us have faith that right makes might, and in that faith let us dare to do our duty as we understand it"—a sentence immortal because it embodies in a form of utter simplicity and purity the essential faith of the nation, the faith in which it was conceived, and the faith in which it has grown to glory and power. With that faith and the birth of a nation founded upon it came the hope into the world that a new order would prevail throughout the affairs of mankind, an order in which reason and right would take precedence over covetousness and force; and I believe that I express the wish and purpose of every thoughtful American when I say that this sentence marks for us in the plainest manner the part we should play alike in the arrangement of our domestic affairs and in our exercise of influence upon the affairs of the world.

By this faith, and by this faith alone, can the world be lifted out of its present confusion and despair. It was this faith which prevailed over the wicked force of Germany. You will remember that the beginning of the end of the war came when the German people found themselves face to face with the conscience of the world and realized that right was everywhere arrayed against the wrong that their government was attempting to perpetrate. I think, therefore, that it is true to say that this was the faith which won the war. Certainly this is the faith with which our gallant men went into the field and out upon the seas to make sure of victory.

This is the mission upon which Democracy came into the world. Democracy is an assertion of the right of the individual to live and to be treated justly as against any attempt on the part of any combination of individuals to make laws which will overburden him or which will destroy his equality among his fellows in the matter of right or privilege; and I think we all realize that the day has come when Democracy is being put upon its final test. The Old World is just now suffering from a wanton rejection of the principle of democracy and a substitution of the principle of autocracy as asserted in the name, but without the authority and sanction, of the multitude. This is the time of all others when Democracy should prove its purity and its spiritual power to prevail. It is surely the manifest destiny of the United States to lead in the attempt to make this spirit prevail.

There are two ways in which the United States can assist to accomplish this great object. First, by offering the example within her own borders of the will and power of Democracy to make and enforce laws which are unquestionably just and which are equal in their administration—laws which secure its full right to Labor and yet at the same time safeguard the integrity of property, and particularly of that property which is devoted to the development of industry and the increase

of the necessary wealth of the world. Second, by standing for right and justice as toward individual nations. The law of Democracy is for the protection of the weak, and the influence of every democracy in the world should be for the protection of the weak nation, the nation which is struggling toward its right and toward its proper recognition and privilege in the family of nations.

The United States cannot refuse this role of champion without putting the stigma of rejection upon the great and devoted men who brought its government into existence and established it in the face of almost universal opposition and intrigue, even in the face of wanton force, as, for example, against the Orders in Council of Great Britain and the arbitrary Napoleonic decrees which involved us in what we know as the War of 1812.

I urge you to consider that the display of an immediate disposition on the part of the Congress to remedy any injustices or evils that may have shown themselves in our own national life will afford the most effectual offset to the forces of chaos and tyranny which are playing so disastrous a part in the fortunes of the free peoples of more than one part of the world. The United States is of necessity the sample democracy of the world, and the triumph of Democracy depends upon its success.

Recovery from the disturbing and sometimes disastrous effects of the late war has been exceedingly slow on the other side of the water, and has given promise, I venture to say, of early completion only in our own fortunate country; but even with us the recovery halts and is impeded at times, and there are immediately serviceable acts of legislation which it seems to me we ought to attempt, to assist that recovery and prove the indestructible recuperative force of a great government of the people. One of these is to prove that a great democracy can keep house as successfully and in as business-like a fashion as any other government. It seems to me that the first step toward providing this is to supply ourselves with a systematic method of handling our estimates and expenditures and bringing them to the point where they will not be an unnecessary strain upon our income or necessitate unreasonable taxation; in other words, a workable budget system. And I respectfully suggest that two elements are essential to such a system—namely, not only that the proposal of appropriations should be in the hands of a single body, such as a single appropriations committee in each house of the Congress, but also that this body should be brought into such cooperation with the Departments of the Government and with the Treasury of the United States as would enable it to act upon a complete conspectus of the needs of the Government and the resources from which it must draw its income.

I reluctantly vetoed the budget bill passed by the last session of the

Congress because of a constitutional objection. The House of Representatives subsequently modified the bill in order to meet this objection. In the revised form, I believe that the bill, coupled with action already taken by the Congress to revise its rules and procedure, furnishes the foundation for an effective national budget system. I earnestly hope, therefore, that one of the first steps to be taken by the present session of the Congress will be to pass the budget bill.

The nation's finances have shown marked improvement during the last year. The total ordinary receipts of \$6,694,000,000 for the fiscal year 1920 exceeded those for 1919 by \$1,542,000,000, while the total net ordinary expenditures decreased from \$18,514,000,000 to \$6,403,000,000. The gross public debt, which reached its highest point on August 31, 1919, when it was \$26,596,000,000, had dropped on November 30, 1920, to \$24,175,000,000.

There has also been a marked decrease in holdings of government war securities by the banking institutions of the country, as well as in the amount of bills held by the Federal Reserve Banks secured by government war obligations. This fortunate result has relieved the banks and left them freer to finance the needs of Agriculture, Industry, and Commerce. It has been due in large part to the reduction of the public debt, especially of the floating debt, but more particularly to the improved distribution of government securities among permanent investors. The cessation of the Government's borrowings, except through short-term certificates of indebtedness, has been a matter of great consequence to the people of the country at large, as well as to the holders of Liberty Bonds and Victory Notes, and has had an important bearing on the matter of effective credit control.

The year has been characterized by the progressive withdrawal of the Treasury from the domestic credit market and from a position of dominant influence in that market. The future course will necessarily depend upon the extent to which economies are practiced and upon the burdens placed upon the Treasury, as well as upon industrial developments and the maintenance of tax receipts at a sufficiently high level. The fundamental fact which at present dominates the Government's financial situation is that seven and a half billions of its war indebtedness mature within the next two and a half years. Of this amount, two and a half billions are floating debt and five billions, Victory Notes and War Savings Certificates. The fiscal program of the Government must be determined with reference to these maturities. Sound policy demands that Government expenditures be reduced to the lowest amount which will permit the various services to operate efficiently and that Government receipts from taxes and salvage be maintained sufficiently high to provide for current requirements, including interest and sinking fund charges on the public debt, and at the same time

retire the floating debt and part of the Victory Loan before maturity.

With rigid economy, vigorous salvage operations, and adequate revenues from taxation, a surplus of current receipts over current expenditures can be realized and should be applied to the floating debt. All branches of the Government should cooperate to see that this program is realized. I cannot overemphasize the necessity of economy in Government appropriations and expenditures and the avoidance by the Congress of practices which take money from the Treasury by indefinite or revolving fund appropriations. The estimates for the present year show that over a billion dollars of expenditures were authorized by the last Congress in addition to the amounts shown in the usual compiled statements of appropriations. This strikingly illustrates the importance of making direct and specific appropriations. The relation between the current receipts and current expenditures of the Government during the present fiscal year, as well as during the last half of the last fiscal year, has been disturbed by the extraordinary burdens thrown upon the Treasury by the Transportation Act, in connection with the return of the railroads to private control. Over \$600,000,000 has already been paid to the railroads under this act—\$350,000,000 during the present fiscal year; and it is estimated that further payments aggregating possibly \$650,000,000 must still be made to the railroads during the current year. It is obvious that these large payments have already seriously limited the Government's progress in retiring the floating debt.

Closely connected with this, it seems to me, is the necessity for an immediate consideration of the revision of our tax laws. Simplification of the income and profits taxes has become an immediate necessity. These taxes performed an indispensable service during the war. The need for their simplification, however, is very great, in order to save the taxpayer inconvenience and expense and in order to make his liability more certain and definite. Other and more detailed recommendations with regard to taxes will no doubt be laid before you by the Secretary of the Treasury and the Commissioner of Internal Revenue.

It is my privilege to draw to the attention of Congress for very sympathetic consideration the problem of providing adequate facilities for the care and treatment of former members of the military and naval forces who are sick and disabled as the result of their participation in the war. These heroic men can never be paid in money for the service they patriotically rendered the nation. Their reward will lie rather in realization of the fact that they vindicated the rights of their country and aided in safeguarding civilization. The nation's gratitude must be effectively revealed to them by the most ample provision for their medical care and treatment as well as for their vocational training and placement. The time has come when a more complete pro-

gram can be formulated and more satisfactorily administered for their treatment and training, and I earnestly urge that the Congress give the matter its early consideration. The Secretary of the Treasury and the Board for Vocational Education will outline in their annual reports proposals covering medical care and rehabilitation which I am sure will engage your earnest study and commend your most generous support.

Permit me to emphasize once more the need for action upon certain matters upon which I dwelt at some length in my message to the second session of the Sixty-sixth Congress. The necessity, for example, of encouraging the manufacture of dyestuffs and related chemicals; the importance of doing everything possible to promote agricultural production along economic lines, to improve agricultural marketing, and to make rural life more attractive and healthful; the need for a law regulating cold storage in such a way as to limit the time during which goods may be kept in storage, prescribing the method of disposing of them if kept beyond the permitted period, and requiring goods released from storage in all cases to bear the date of their receipt. It would also be most serviceable if it were provided that all goods released from cold storage for interstate shipment should have plainly marked upon each package the selling or market price at which they went into storage, in order that the purchaser might be able to learn what profits stood between him and the producer or the wholesale dealer. Indeed, it would be very serviceable to the public if all goods destined for interstate commerce were made to carry upon every packing case whose form made it possible a plain statement of the price at which they left the hands of the producer. I respectfully call your attention also to the recommendations of the message referred to with regard to a federal license for all corporations engaged in interstate commerce.

In brief, the immediate legislative need of the time is the removal of all obstacles to the realization of the best ambitions of our people in their several classes of employment and the strengthening of all instrumentalities by which difficulties are to be met and removed and justice dealt out, whether by law or by some form of mediation and conciliation. I do not feel it to be my privilege at present to suggest the detailed and particular methods by which these objects may be attained, but I have faith that the inquiries of your several committees will discover the way and the method.

In response to what I believe to be the impulse of sympathy and opinion throughout the United States, I earnestly suggest that the Congress authorize the Treasury of the United States to make to the struggling government of Armenia such a loan as was made to several of the Allied governments during the war, and I would also suggest that it would be desirable to provide in the legislation itself that the expenditure of the money thus loaned should be under the supervision of a com-

mission, or at least a commissioner, from the United States in order that revolutionary tendencies within Armenia itself might not be afforded by the loan a further tempting opportunity.

Allow me to call your attention to the fact that the people of the Philippine Islands have succeeded in maintaining a stable government since the last action of the Congress in their behalf, and have thus fulfilled the condition set by the Congress as precedent to a consideration of granting independence to the Islands. I respectfully submit that this condition precedent having been fulfilled, it is now our liberty and our duty to keep our promise to the people of those islands by granting them the independence which they so honorably covet.

I have not so much laid before you a series of recommendations, gentlemen, as sought to utter a confession of faith, of the faith in which I was bred and which it is my solemn purpose to stand by until my last fighting day. I believe this to be the faith of America, the faith of the future, and of all the victories which await national action in the days to come, whether in America or elsewhere.



Warren G. Harding

March 4, 1921 to August 2, 1923

own people. We need to take action toward the wider enjoyment of civil rights. Freedom is the birthright of every American.

The executive branch has been making real progress toward full equality of treatment and opportunity in the Armed Forces, in the civil service, and in private firms working for the Government. Further advances require action by the Congress, and I hope that means will be provided to give the Members of the Senate and the House a chance to vote on them.

I am glad to hear that home rule for the District of Columbia will be the first item of business before the Senate. I hope that it, as well as statehood for Hawaii and Alaska, will be adopted promptly.

All these measures I have been talking about—measures to advance the well-being of our people—demonstrate to the world the forward movement of our free society.

This demonstration of the way free men govern themselves has a more powerful influence on the people of the world, on both sides of the iron curtain, than all the trick slogans and pie-in-the-sky promises of the Communists.

But our shortcomings, as well as our progress, are watched from abroad. And there is one shortcoming I want to speak plainly about.

Our kind of government above all others cannot tolerate dishonesty among its public servants.

Some dishonest people worm themselves into almost every human organization. It is all the more shocking, however, when they make their way into a government such as ours, which is based on the principle of justice for all. Such unworthy public servants must be weeded out. I intend to see to it that Federal employees who have been guilty of misconduct are punished for it. I also intend to see to it that the honest and hard-working majority of our Federal employees are protected against partisan slander and malicious attack.

I have already made some recommendations to the Congress to help accomplish these purposes. I intend to submit further recommendations to this end. I will welcome the cooperation of the Congress in this effort.

I also think that the Congress can do a great deal to strengthen confidence in our institutions by applying rigorous standards of moral integrity in its own operations—and by finding an effective way to control campaign expenditures—and by protecting the rights of individuals in congressional investigations.

To meet the crisis which now hangs over the world, we need many different kinds of strength: Military, economic, political, and moral. And of all these, I am convinced that moral strength is the most vital.

When you come right down to it, it is the courage and the character of our Nation—and of each one of us as individuals—that will really decide how well we meet this challenge.

We are engaged in a great undertaking at home and abroad—the greatest, in fact, that any nation has ever been privileged to embark upon. We are working night and day to bring peace to the world and to spread the democratic ideals of justice and self-government to all people. Our accomplishments are already remarkable. We ought to be full of pride in what we are doing, and full of confidence and hope in the outcome. No nation ever had greater resources, or greater energy, or nobler traditions to inspire it.

And yet, day in and day out, we see a long procession of timid and fearful men who wring their hands and cry out that we have lost the way; that we don't know what we are doing; that we are bound to fail. Some say we should give up the struggle for peace, and others say we should have a war and get it over with. That is a terrible statement, but I have heard it. They want us to forget the great objective of preventing another world war—the objective for which our soldiers have been fighting in the hills of Korea.

If we are to be worthy of all that has been done for us by our soldiers in the field, we must be true to the ideals for which they are fighting. We must reject the counsels of defeat and despair. We must have the determination to complete the great work for which our men have laid down their lives.

In all we do we should remember who we are and what we stand for. We are Americans. Our forefathers had far greater obstacles than we have, and much poorer chances of success. They did not lose heart, or turn aside from their goals. In that darkest of all winters in American history, at Valley Forge, George Washington said: "We must not, in so great a contest, expect to meet with nothing but sunshine." With that spirit they won their fight for freedom.

We must have that same faith and vision. In the great contest in which we are engaged today we cannot expect to have fair weather all the way. But it is a contest just as important for this country and for all men as the desperate struggle that George Washington fought through to victory.

Let us prove, again, that we are not merely sunshine patriots and summer soldiers. Let us go forward, trusting in the God of Peace, to win the goals we seek.

EIGHTH ANNUAL MESSAGE.

THE WHITE HOUSE, January 7, 1953.

To the Congress of the United States:

I have the honor to report to the Congress on the state of the Union.

This is the eighth such report that, as President, I have been privileged to present to you and to the country. On previous occasions it has been my custom to set forth proposals for legislative action in the coming year. But that is not my purpose today. The presentation of a legislative program falls properly to my successor, not to me, and I would not infringe upon his responsibility to chart the forward course. Instead, I wish to speak of the course we have been following the past 8 years and the position at which we have arrived.

In just 2 weeks General Eisenhower will be inaugurated as President of the United States and I will resume, most gladly, my place as a private citizen of this Republic. The Presidency last changed hands 8 years ago this coming April. That was a tragic time: a time of grieving for President Roosevelt—the great and gallant human being who had been taken from us; a time of unrelieved anxiety to his successor, thrust so suddenly into the complexities and burdens of the Presidential office.

Not so this time. This time we see the normal transition under our democratic system. One President, at the conclusion of his term, steps back to private life; his successor, chosen by the people, begins his tenure of the office. And the Presidency of the United States continues to function without a moment's break.

Since the election I have done my best to assure that the transfer from one administration to another shall be smooth and orderly.

From General Eisenhower and his associates I have had friendly and understanding collaboration in this endeavor. I have not sought to thrust upon him—nor has he sought to take—the responsibility which must be mine until 12 o'clock noon on January 20. But together I hope and believe we have found means whereby the incoming President can obtain the full and detailed information he will need to assume the responsibility the moment he takes the oath of office.

The President-elect is about to take up the greatest burdens, the most compelling responsibilities, given to any man. And I, with you and all Americans, wish for him all possible success in undertaking the tasks that will so soon be his.

What are these tasks? The President is Chief of State, elected representative of all the people, national spokesman for them and to them. He is Commander in Chief of our Armed Forces. He is charged with the conduct of our foreign relations. He is Chief Executive of the Nation's largest civilian organization. He must select and nominate all top officials of the executive branch and all Federal judges. And, on the legislative side, he has the obligation and the opportunity to recommend and to approve or veto legislation. Besides all this, it is to him that a great political party turns naturally for leadership, and that, too, he must provide as President.

This bundle of burdens is unique; there is nothing else like it on the face of the earth. Each task could be a full-time job. Together they would be a tremendous undertaking in the easiest of times.

But our times are not easy; they are hard—as hard and complex, perhaps, as any in our history. Now the President not only has to carry on these tasks in such a way that our democracy may grow and flourish and our people prosper, but he also has to lead the whole free world in overcoming the Communist menace—and all this under the shadow of the atomic bomb.

This is a huge challenge to the human being who occupies the Presidential office. But it is not a challenge to him alone, for in reality he cannot meet it alone. The challenge runs not just to him but to his whole administration, to the Congress, to the country.

Ultimately, no President can master his responsibilities, save as his fellow citizens—indeed, the whole people—comprehend the challenge of our times and move, with him, to meet it.

It has been my privilege to hold the Presidential office for nearly 8 years now, and much has been done in which I take great pride. But this is not personal pride. It is pride in the people, in the Nation. It is pride in our political system and our form of government—balky sometimes, mechanically deficient perhaps, in many ways, but enormously alive and vigorous; able through these years to keep the Republic on the right course, rising to the great occasions, accomplishing the essentials, meeting the basic challenge of our times.

There have been misunderstandings and controversies these past

8 years, but through it all the President of the United States has had that measure of support and understanding without which no man could sustain the burdens of the Presidential office, or hope to discharge its responsibilities.

For this I am profoundly grateful—grateful to my associates in the executive branch, most of them nonpartisan civil servants; grateful, despite our disagreements, to the Members of the Congress on both sides of the aisle; grateful especially to the American people, the citizens of this Republic, governors of us all.

We are still so close to recent controversies that some of us may find it hard to understand the accomplishments of these past 8 years. But the accomplishments are real and very great, not as the President's, not as the Congress', but as the achievements of our country and all the people in it.

Let me remind you of some of the things we have done since I first assumed my duties as President of the United States.

I took the oath of office on April 12, 1945. In May of that same year the Nazis surrendered. Then, in July, that great white flash of light, man-made at Alamogordo, heralded swift and final victory in World War II and opened the doorway to the atomic age.

Consider some of the great questions that were posed for us by sudden, total victory in World War II. Consider also how well we, as a Nation, have responded.

Would the American economy collapse after the war? That was one question. Would there be another depression here—a repetition of 1921 or 1929? The free world feared and dreaded it. The Communists hoped for it and built their policies upon that hope.

We answered that question—answered it with a resounding “No.” Our economy has grown tremendously. Free enterprise has flourished as never before. Sixty-two million people are now gainfully employed, compared with fifty-one million 7 years ago. Private businessmen and farmers have invested more than \$200 billion in new plant and equipment since the end of World War II. Prices have risen further than they should have done—but incomes, by and large, have risen even more, so that real living standards are now considerably higher than 7 years ago. Aided by sound Government policies, our expanding economy has shown the strength and flexibility for swift and almost painless reconversion from war to peace, in 1945 and 1946; for quick reaction and recovery—well before Korea—from the beginnings of recession in 1949. Above all, this live and vital economy of ours has now shown the remarkable capacity to sustain a great mobilization program for defense, a vast outpouring of aid to friends and allies all around the world—and still to produce more goods and services for peaceful use at home than we have ever known before.

This has been our answer, up to now, to those who feared or hoped for a depression in this country.

How have we handled our national finances? That was another question arising at war's end. In the administration of the Government, no problem takes more of the President's time, year in and year out, than fashioning the budget, and the related problem of managing the public debt.

Financing World War II left us with a tremendous public debt,

which reached \$279 billion at its peak in February 1946.

Beginning in July 1946, when war and reconversion financing had ended, we have held quite closely to the sound standard that in times of high employment and high national income the Federal budget should be balanced and the debt reduced.

For the four fiscal years from July 1, 1946, to June 30, 1950, we had a net surplus of \$4.3 billion. Using this surplus, and the Treasury's excess cash reserves, the debt was reduced substantially, reaching a low point of \$251 billion in June 1949, and ending up at \$257 billion on June 30, 1950.

In July of 1950 we began our rapid rearmament, and for 2 years held very close to a pay-as-we-go policy. But in the current fiscal year, and the next, rising expenditures for defense will substantially outrun receipts. This will pose an immediate and serious problem for the new Congress.

Now let me turn to another question we faced at the war's end. Would we take up again, and carry forward, the great projects of social welfare—so badly needed, so long overdue—that the New Deal had introduced into our national life? Would our Government continue to have a heart for the people, or was the progress of the New Deal to be halted in the aftermath of war as decisively as the progress of Woodrow Wilson's New Freedom had been halted after the First World War?

This question, too, we have answered. We have answered it by doubling old-age insurance benefits and extending coverage to 10,000,000 more people. We have answered it by increasing our minimum wage. We have answered by the 3,000,000 privately constructed homes, that the Federal Government has helped finance since the war, and the 155,000 units of low-rent public housing placed under construction since 1949.

We have answered with the 42,000 new hospital beds provided since 1946 through the joint efforts of the Federal Government and local communities.

We have answered by helping 8,000,000 veterans of World War II to obtain advanced education, 196,000 to start in business, and 64,000 to buy farms.

We have answered by continuing to help farmers obtain electric power, until today nearly 90 percent of our farms have power line electric service.

In these and other ways we have demonstrated, up to now, that our democracy has not forgotten how to use the powers of the Government to promote the people's welfare and security.

Another of the big postwar questions was this: What we would do with the Nation's natural resources—its soils and water, forests and grasslands. Would we continue the strong conservation movement of the 1930's, or would we, as we did after the First World War, slip back into the practices of monopoly, exploitation, and waste?

The answer is plain. All across our country the soil conservation movement has spread, aided by Government programs, enriching private and public lands, preserving them from destruction, improving them for future use. In our river basins we have invested nearly \$5 billion of public funds in the last 8 years—invested them in projects to control floods, irrigate farmlands, produce low-cost power and get it to the housewives and farmers and businessmen who need it. We

have been vigilant in protecting the people's property—lands and forests and oil and minerals.

We have had to fight hard against those who would use our resources for private greed; we have met set-backs; we have had to delay work because of defense priorities but, on the whole, we can be proud of our record in protecting our natural heritage and in using our resources for the public good.

Here is another question we had to face at the war's close: Would we continue, in peace as well as war, to promote equality of opportunity for all our citizens, seeking ways and means to guarantee for all of them the full enjoyment of their civil rights?

During the war we achieved great economic and social gains for millions of our fellow citizens who had been held back by prejudice. Were we prepared, in peacetime, to keep on moving toward full realization of the democratic promise? Or would we let it be submerged, wiped out, in postwar riots and reaction, as after World War I?

We answered these questions in a series of forward steps at every level of Government and in many spheres of private life. In our Armed Forces, our civil service, our universities, our railway trains, the residential districts of our cities, in stores and factories all across the Nation, in the polling booths as well, the barriers are coming down. This is happening, in part, at the mandate of the courts; in part, at the insistence of Federal, State, and local governments; in part, through the enlightened action of private groups and persons in every region and every walk of life.

There has been a great awakening of the American conscience on the issues of civil rights. And all this progress—still far from complete but still continuing—has been our answer, up to now, to those who questioned our intention to live up to the promises of equal freedom for us all.

There was another question posed for us at the war's end, which equally concerned the future course of our democracy: Could the machinery of government and politics in this Republic be changed, improved, adapted rapidly enough to carry through, responsibly and well, the vast, new, complicated undertakings called for in our time?

We have answered this question, too; answered it by tackling the most urgent, most specific, problems which the war experience itself had brought into sharp focus. The reorganization of the Congress in 1946; the unification of our armed services, beginning in 1947; the closer integration of foreign and military policy through the National Security Council created that same year; and the Executive reorganizations, before and after the Hoover-Acheson Commission report in 1949—these are landmarks in our continuing endeavor to make government an effective instrument of service to the people.

I come now to the most vital question of all, the greatest of our concerns: Could there be built in the world a durable structure of security, a lasting peace for all the nations, or would we drift, as after World War I, toward another terrible disaster—a disaster which this time might be the holocaust of atomic war?

That is still the overriding question of our time. We cannot know the answer yet; perhaps we will not know it finally for a long time to come. But day and night, these past 8 years, we have been building

for peace, searching out the way that leads most surely to security and freedom and justice in the world for us and all mankind.

This, above all else, has been the task of our Republic since the end of World War II, and our accomplishment so far should give real pride to all Americans. At the very least a total war has been averted, each day up to this hour. And at the most we may already have succeeded in establishing conditions which can keep that kind of war from happening, for as far ahead as man can see.

The Second World War radically changed the power relationships of the world. Nations once great were left shattered and weak; channels of communication, routes of trade, political and economic ties of many kinds were ripped apart.

And in this changed, disrupted, chaotic situation, the United States and the Soviet Union emerged as the two strongest powers of the world. Each had tremendous human and natural resources, actual or potential, on a scale unmatched by any other nation.

Nothing could make plainer why the world is in its present state—and how that came to pass—than an understanding of the diametrically opposite principles and policies of these two great powers in a war-ruined world.

For our part, we in this Republic were—and are—free men, heirs of the American Revolution, dedicated to the truths of our Declaration of Independence:

* * * that all men are created equal, that they are endowed by their Creator with certain unalienable Rights * * * That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed, * * *

Our postwar objective has been in keeping with this great idea. The United States has sought to use its preeminent position of power to help other nations recover from the damage and dislocation of the war. We held out a helping hand to enable them to restore their national lives and to regain their positions as independent, self-supporting members of the great family of nations. This help was given without any attempt on our part to dominate or control any nation. We did not want satellites but partners.

The Soviet Union, however, took exactly the opposite course.

Its rulers saw in the weakened condition of the world not an obligation to assist in the great work of reconstruction, but an opportunity to exploit misery and suffering for the extension of their power. Instead of help, they brought subjugation. They extinguished, blotted out, the national independence of the countries that the military operations of World War II had left within their grasp.

The difference stares at us from the map of Europe today. To the west of the line that tragically divides Europe we see nations continuing to act and live in the light of their own traditions and principles. On the other side we see the dead uniformity of a tyrannical system imposed by the rulers of the Soviet Union. Nothing could point up more clearly what the global struggle between the free world and the Communists is all about.

It is a struggle as old as recorded history; it is freedom versus tyranny.

For the dominant idea of the Soviet regime is the terrible conception that men do not have rights but live at the mercy of the state.

Inevitably this idea of theirs—and all the consequences flowing

from it—collided with the efforts of free nations to build a just and peaceful world. The "cold war" between the Communists and the free world is nothing more or less than the Soviet attempt to checkmate and defeat our peaceful purposes, in furtherance of their own dread objective.

We did not seek this struggle; God forbid. We did our utmost to avoid it. In World War II we and the Russians had fought side by side, each in our turn attacked and forced to combat by the aggressors. After the war we hoped that our wartime collaboration could be maintained, that the frightful experience of Nazi invasion, of devastation in the heart of Russia, had turned the Soviet rulers away from their old proclaimed allegiance to world revolution and Communist dominion. But instead they violated, one by one, the solemn agreements they had made with us in wartime. They sought to use the rights and privileges they had obtained in the United Nations; to frustrate its purposes and cut down its powers as an effective agent of world progress and the keeper of the world's peace.

Despite this outcome the efforts we made toward peaceful collaboration are a source of our present strength. They demonstrated that we believed what we proclaimed, that we actually sought honest agreements as the way to peace. Our whole moral position, our leadership in the free world today, is fortified by that fact.

The world is divided, not through our fault or failure, but by Soviet design. They, not we, began the cold war. And because the free world saw this happen—because men know we made the effort and the Soviet rulers spurned it—the free nations have accepted leadership from our Republic in meeting and mastering the Soviet offensive.

It seems to me especially important that all of us be clear, in our own thinking, about the nature of the threat we have faced—and will face for a long time to come. The measures we have devised to meet it take shape and pattern only as we understand what we were, and are, up against.

The Soviet Union occupies a territory of 8,000,000 square miles. Beyond its borders, east and west, are the nearly 5,000,000 square miles of the satellite states—virtually incorporated into the Soviet Union—and of China, now its close partner. This vast land mass contains an enormous store of natural resources sufficient to support an economic development comparable to our own.

That is the Stalinist world. It is a world of great natural diversity in geography and climate, in distribution of resources, in population, language, and living standards, in economic and cultural development. It is a world whose people are not all convinced Communists by any means. It is a world where history and national traditions, particularly in its borderlands, tend more toward separation than unification, and run counter to the enforced combination that has been made of these areas today.

But it is also a world of great man-made uniformities, a world that bleeds its population white to build huge military forces; a world in which the police are everywhere and their authority unlimited; a world where terror and slavery are deliberately administered both as instruments of government and as means of production; a world where all effective social power is the state's monopoly—yet the

state itself is the creature of the Communist tyrants.

The Soviet Union, with its satellites, and China are held in the tight grip of Communist Party chieftains. The party dominates all social and political institutions. The party regulates and centrally directs the whole economy. In Moscow's sphere, and in Peiping's, all history, philosophy, morality, and law are centrally established by rigid dogmas, incessantly drummed into the whole population and subject to interpretation, or to change, by none except the party's own inner circle.

And, lest their people learn too much of other ways of life, the Communists have walled off their world, deliberately and uniformly, from the rest of human society.

That is the Communist base of operation in their cold war. In addition they have at their command hundreds and thousands of dedicated foreign Communists, people in nearly every free country who will serve Moscow's ends. Thus the masters of the Kremlin are provided with deluded followers all through the free world, whom they can manipulate, cynically and quite ruthlessly, to serve the purposes of the Soviet state.

Given their vast internal base of operations, and their agents in foreign lands, what are the Communist rulers trying to do?

Inside their homeland the Communists are trying to maintain and modernize huge military forces. And, simultaneously, they are endeavoring to weld their whole vast area and population into a completely self-contained, advanced industrial society. They aim, some day, to equal or better the production levels of Western Europe and North America combined—thus shifting the balance of world economic power, and war potential, to their side.

They have a long way to go, and they know it. But they are prepared to levy upon living generations any sacrifice that helps strengthen their armed power, or speed industrial development.

Externally the Communist rulers are trying to expand the boundaries of their world, whenever and wherever they can. This expansion they have pursued steadfastly since the close of World War II, using any means available to them.

Where the Soviet Army was present, as in the countries of Eastern Europe, they have gradually squeezed free institutions to death.

Where postwar chaos existed in industrialized nations, as in Western Europe, the local Stalinists tried to gain power through political processes, politically inspired strikes, and every available means for subverting free institutions to their evil ends.

Where conditions permitted, the Soviet rulers have stimulated and aided armed insurrection by Communist-led revolutionary forces, as in Greece, Indochina, the Philippines, and China, or outright aggression by one of their satellites, as in Korea.

Where the forces of nationalism, independence, and an economic change were at work throughout the great sweep of Asia and Africa, the Communists tried to identify themselves with the cause of progress, tried to picture themselves as the friends of freedom and advancement—surely one of the most cynical efforts of which history offers record.

Thus everywhere in the free world the Communists seek to fish in troubled waters, to seize more countries, to enslave more millions of human souls. They were, and are, ready to ally themselves with any

group, from the extreme left to the extreme right, that offers them an opportunity to advance their ends.

Geography gives them a central position. They are both a European and an Asian power, with borders touching many of the most sensitive and vital areas in the free world around them. So situated, they can use their armies and their economic power to set up simultaneously a whole series of threats, or inducements, to such widely dispersed places as Western Germany, Iran, and Japan. These pressures and attractions can be sustained at will, or quickly shifted from place to place.

Thus the Communist rulers are moving, with implacable will, to create greater strength in their vast empire, and to create weakness and division in the free world, preparing for the time their false creed teaches them must come: The time when the whole world outside their sway will be so torn by strife and contradictions that it will be ripe for the Communist plucking.

This is the heart of the distorted Marxist interpretation of history. This is the glass through which Moscow and Peiping look out upon the world, the glass through which they see the rest of us. They seem really to believe that history is on their side. And they are trying to boost "history" along, at every opportunity, in every way they can.

I have set forth here the nature of the Communist menace confronting our Republic and the whole free world. This is the measure of the challenge we have faced since World War II—a challenge partly military and partly economic, partly moral and partly intellectual, confronting us at every level of human endeavor and all around the world.

It has been and must be the free world's purpose not only to organize defenses against aggression and subversion, not only to build a structure of resistance and salvation for the community of nations outside the iron curtain, but in addition to give expression and opportunity to the forces of growth and progress in the free world, to so organize and unify the cooperative community of free men that we will not crumble but grow stronger over the years, and the Soviet Empire, not the free world, will eventually have to change its ways or fall.

Our whole program of action to carry out this purpose has been directed to meet two requirements.

The first of these had to do with security. Like the pioneers who settled this great continent of ours, we have had to carry a musket while we went about our peaceful business. We realized that if we and our allies did not have military strength to meet the growing Soviet military threat, we would never have the opportunity to carry forward our efforts to build a peaceful world of law and order—the only environment in which our free institutions could survive and flourish.

Did this mean we had to drop everything else and concentrate on armies and weapons? Of course it did not; side by side with this urgent military requirement, we had to continue to help create conditions of economic and social progress in the world. This work had to be carried forward alongside the first, not only in order to meet the nonmilitary aspects of the Communist drive for power, but also be-

cause this creative effort toward human progress is essential to bring about the kind of world we as freemen want to live in.

These two requirements—military security and human progress—are more closely related in action than we sometimes recognize. Military security depends upon a strong economic underpinning and a stable and hopeful political order; conversely, the confidence that makes for economic and political progress does not thrive in areas that are vulnerable to military conquest.

These requirements are related in another way. Both of them depend upon unity of action among the free nations of the world. This, indeed, has been the foundation of our whole effort, for the drawing together of the free people of the world has become a condition essential not only to their progress but to their survival as free people.

This is the conviction that underlies all the steps we have been taking to strengthen and unify the free nations during the past 7 years.

What have these steps been? First of all, How have we gone about meeting the requirement of providing for our security against this world-wide challenge?

Our starting point, as I have said on many occasions, has been and remains the United Nations.

We were prepared, and so were the other nations of the free world, to place our reliance on the machinery of the United Nations to safeguard peace. But before the United Nations could give full expression to the concept of international security embodied in the Charter, it was essential that the five permanent members of the Security Council honor their solemn pledge to cooperate to that end. This the Soviet Union has not done.

I do not need to outline here the dreary record of Soviet obstruction and veto and the unceasing efforts of the Soviet representatives to sabotage the United Nations. It is important, however, to distinguish clearly between the principle of collective security embodied in the Charter and the mechanisms of the United Nations to give that principle effect. We must frankly recognize that the Soviet Union has been able, in certain instances, to stall the machinery of collective security. Yet it has not been able to impair the principle of collective security. The free nations of the world have retained their allegiance to that idea. They have found the means to act despite the Soviet veto, both through the United Nations itself and through the application of this principle in regional and other security arrangements that are fully in harmony with the Charter and give expression to its purposes.

The free world refused to resign itself to collective suicide merely because of the technicality of a Soviet veto.

The principle of collective measures to forestall aggression has found expression in the Treaty of Rio de Janeiro, the North Atlantic Treaty, now extended to include Greece and Turkey, and the several treaties we have concluded to reinforce security in the Pacific area.

But the free nations have not this time fallen prey to the dangerous illusion that treaties alone will stop an aggressor. By a series of vigorous actions, as varied as the nature of the threat, the free nations have successfully thwarted aggression or the threat of aggression in many different parts of the world.

Our country has led or supported these collective measures. The aid we have given to people determined to act in defense of their freedom has often spelled the difference between success and failure.

We all know what we have done, and I shall not review in detail the steps we have taken. Each major step was a milepost in the developing unity, strength, and resolute will of the free nations.

The first was the determined and successful effort made through the United Nations to safeguard the integrity and independence of Iran in 1945 and 1946.

Next was our aid and support to embattled Greece, which enabled her to defeat the forces threatening her national independence.

In Turkey cooperative action resulted in building up a bulwark of military strength for an area vital to the defenses of the entire free world.

In 1949 we began furnishing military aid to our partners in the North Atlantic Community and to a number of other free countries.

The Soviet Union's threats against Germany and Japan, its neighbors to the west and to the east, have been successfully withstood. Free Germany is on its way to becoming a member of the peaceful community of nations, and a partner in the common defense. The Soviet effort to capture Berlin by blockade was thwarted by the courageous Allied airlift. An independent and democratic Japan has been brought back into the community of free nations.

In the Far East the tactics of Communist imperialism have reached heights of violence unmatched elsewhere, and the problem of concerted action by the free nations has been at once more acute and more difficult.

Here, in spite of outside aid and support, the free Government of China succumbed to the Communist assault. Our aid has enabled the free Chinese to rebuild and strengthen their forces on the island of Formosa. In other areas of the Far East—in Indochina, Malaya, and the Philippines—our assistance has helped sustain a staunch resistance against Communist insurrectionary attacks.

The supreme test, up to this point, of the will and determination of the free nations came in Korea, when Communist forces invaded the Republic of Korea, a state that was in a special sense under the protection of the United Nations. The response was immediate and resolute. Under our military leadership the free nations for the first time took up arms, collectively, to repel aggression.

Aggression was repelled, driven back, punished. Since that time Communist strategy has seen fit to prolong the conflict, in spite of honest efforts by the United Nations to reach an honorable truce. The months of deadlock have demonstrated that the Communists cannot achieve by persistence, or by diplomatic trickery, what they failed to achieve by sneak attack. Korea has demonstrated that the free world has the will and the endurance to match the Communist effort to overthrow international order through local aggression.

It has been a bitter struggle and it has cost us much in brave lives and human suffering, but it has made it plain that the free nations will fight side by side, that they will not succumb to aggression or intimidation, one by one. This, in the final analysis, is the only way to halt the Communist drive to world power.

At the heart of the free world's defense is the military strength of

the United States.

From 1945 to 1949 the United States was sole possessor of the atomic bomb. That was a great deterrent and protection in itself.

But when the Soviets produced an atomic explosion—as they were bound to do in time—we had to broaden the whole basis of our strength. We had to endeavor to keep our lead in atomic weapons. We had to strengthen our Armed Forces generally and to enlarge our productive capacity—our mobilization base. Historically, it was the Soviet atomic explosion in the fall of 1949, 9 months before the aggression in Korea, which stimulated the planning for our program of defense mobilization.

What we needed was not just a central force that could strike back against aggression. We also needed strength along the outer edges of the free world, defenses for our allies as well as for ourselves, strength to hold the line against attack as well as to retaliate.

We have made great progress on this task of building strong defenses. In the last 2½ years we have more than doubled our own defenses, and we have helped to increase the protection of nearly all the other free nations.

All the measures of collective security, resistance to aggression, and the building of defenses, constitute the first requirement for the survival and progress of the free world. But, as I have pointed out, they are interwoven with the necessity of taking steps to create and maintain economic and social progress in the free nations. There can be no military strength except where there is economic capacity to back it. There can be no freedom where there is economic chaos or social collapse. For these reasons our national policy has included a wide range of economic measures.

In Europe the grand design of the Marshall plan permitted the people of Britain and France and Italy and a half dozen other countries, with help from the United States, to lift themselves from stagnation and find again the path of rising production, rising incomes, rising standards of living. The situation was changed almost overnight by the Marshall plan; the people of Europe have a renewed hope and vitality, and they are able to carry a share of the military defense of the free world that would have been impossible a few years ago.

Now the countries of Europe are moving rapidly toward political and economic unity, changing the map of Europe in more hopeful ways than it has been changed for 500 years. Customs unions, European economic institutions like the Schuman plan, the movement toward European political integration, the European Defense Community, all are signs of practical and effective growth toward greater common strength and unity. The countries of Western Europe, including the free Republic of Germany are working together, and the whole free world is the gainer.

It sometimes happens, in the course of history, that steps taken to meet an immediate necessity serve an ultimate purpose greater than may be apparent at the time. This, I believe, is the meaning of what has been going on in Europe under the threat of aggression. The free nations there, with our help, have been drawing together in defense of their free institutions. In so doing they have laid the foundations of a unity that will endure as a major creative force beyond the exigencies of this period of history. We may, at this close range, be

but dimly aware of the creative surge this movement represents, but I believe it to be of historic importance. I believe its benefits will survive long after Communist tyranny is nothing but an unhappy memory.

In Asia and Africa the economic and social problems are different, but no less urgent. There hundreds of millions of people are in ferment, exploding into the twentieth century, thrusting toward equality and independence and improvement in the hard conditions of their lives.

Politically, economically, socially, things cannot and will not stay in their prewar mold in Africa and Asia. Change must come, is coming, fast. Just in the years I have been President, 12 free nations, with more than 600,000,000 people, have become independent: Burma, Indonesia, the Philippines, Korea, Israel, Libya, India, Pakistan and Ceylon, and the three Associated States of Indochina, now members of the French Union. These names alone are testimony to the sweep of the great force which is changing the face of half the world.

Working out new relationships among the peoples of the free world would not be easy in the best of times. Even if there were no Communist drive for expansion, there would be hard and complex problems of transition from old social forms, old political arrangements, old economic institutions to the new ones our century demands—problems of guiding change into constructive channels, of helping new nations grow strong and stable. But now, with the Soviet rulers striving to exploit this ferment for their own purposes, the task has become harder and more urgent—terribly urgent.

In this situation we see the meaning and the importance of the Point IV program, through which we can share our store of know-how and of capital to help these people develop their economies and reshape their societies. As we help Iranians to raise more grain, Indians to reduce the incidence of malaria, Liberians to educate their children better, we are at once helping to answer the desires of the people for advancement, and demonstrating the superiority of freedom over communism. There will be no quick solution for any of the difficulties of the new nations of Asia and Africa—but there may be no solution at all if we do not press forward with full energy to help these countries grow and flourish in freedom and in cooperation with the rest of the free world.

Our measures of economic policy have already had a tremendous effect on the course of events. Eight years ago the Kremlin thought postwar collapse in Western Europe and Japan—with economic dislocation in America—might give them the signal to advance. We demonstrated they were wrong. Now they wait with hope that the economic recovery of the free world has set the stage for violent and disastrous rivalry among the economically developed nations, struggling for each other's markets and a greater share of trade. Here is another test that we shall have to meet and master in the years immediately ahead. And it will take great ingenuity and effort—and much time—before we prove the Kremlin wrong again. But we can do it. It is true that economic recovery presents its problems, as does economic decline, but they are problems of another order. They are the problems of distributing abundance fairly, and they can be solved by the process of international cooperation that has already brought us so far.

These are the measures we must continue. This is the path we must follow. We must go on, working with our free associates, building an international structure for military defense and for economic, social, and political progress. We must be prepared for war, because war may be thrust upon us. But the stakes in our search for peace are immensely higher than they have ever been before.

For now we have entered the atomic age, and war has undergone a technological change which makes it a very different thing from what it used to be. War today between the Soviet Empire and the free nations might dig the grave not only of our Stalinist opponents but of our own society, our world as well as theirs.

This transformation has been brought to pass in the 7 years from Alamogordo to Eniwetok. It is only 7 years, but the new force of atomic energy has turned the world into a very different kind of place.

Science and technology have worked so fast that war's new meaning may not yet be grasped by all the peoples who would be its victims; nor, perhaps, by the rulers in the Kremlin. But I have been President of the United States, these 7 years, responsible for the decisions which have brought our science and our engineering to their present place. I know what this development means now. I know something of what it will come to mean in the future.

We in this Government realized, even before the first successful atomic explosion, that this new force spelled terrible danger for all mankind unless it were brought under international control. We promptly advanced proposals in the United Nations to take this new source of energy out of the arena of national rivalries; to make it impossible to use as a weapon of war. These proposals, so pregnant with benefit for all humanity, were rebuffed by the rulers of the Soviet Union.

The language of science is universal; the movement of science is always forward into the unknown. We could not assume that the Soviet Union would not develop the same weapon, regardless of all our precautions, nor that there were not other and even more terrible means of destruction lying in the unexplored field of atomic energy.

We had no alternative, then, but to press on, to probe the secrets of atomic power to the uttermost of our capacity, to maintain, if we could, our initial superiority in the atomic field. At the same time we sought persistently for some avenue, some formula, for reaching an agreement with the Soviet rulers that would place this new form of power under effective restraints—that would guarantee no nation would use it in war. I do not have to recount here the proposals we made, the steps taken in the United Nations, striving at least to open a way to ultimate agreement. I hope and believe that we will continue to make these efforts so long as there is the slightest possibility of progress. All civilized nations are agreed on the urgency of the problem and have shown their willingness to agree on effective measures of control—all save the Soviet Union and its satellites. But they have rejected every reasonable proposal.

Meanwhile, the progress of scientific experiment has outrun our expectations. Atomic science is in the full tide of development; the unfolding of the innermost secrets of matter is uninterrupted and irresistible. Since Alamogordo we have developed atomic weapons with many times the explosive force of the early models, and we have

produced them in substantial quantities. And recently in the thermonuclear tests at Eniwetok, we have entered another stage in the world-shaking development of atomic energy. From now on man moves into a new era of destructive power, capable of creating explosions of a new order of magnitude, dwarfing the mushroom clouds of Hiroshima and Nagasaki.

We have no reason to think that the stage we have now reached in the release of atomic energy will be the last. Indeed, the speed of our scientific and technical progress over the last 7 years shows no signs of abating. We are being hurried forward, in our mastery of the atom, from one discovery to another, toward yet unforeseeable peaks of destructive power.

Inevitably, until we can reach international agreement, this is the path we must follow. And we must realize that no advance we make is unattainable by others; that no advantage in this race can be more than temporary.

The war of the future would be one in which man could extinguish millions of lives at one blow, demolish the great cities of the world, wipe out the cultural achievements of the past—and destroy the very structure of a civilization that has been slowly and painfully built up through hundreds of generations.

Such a war is not a possible policy for rational man. We know this, but we dare not assume that others would not yield to the temptation science is now placing in their hands.

With that in mind, there is something I would say to Stalin: You claim belief in Lenin's prophecy that one stage in the development of Communist society would be war between your world and ours. But Lenin was a preatomic man, who viewed society and history with preatomic eyes. Something profound has happened since he wrote. War has changed its shape and its dimension. It cannot now be a "stage" in the development of anything save ruin for your regime and your homeland.

I do not know how much time may elapse before the Communist rulers bring themselves to recognize this truth. But when they do, they will find us eager to reach understandings that will protect the world from the danger it faces today.

It is no wonder that some people wish that we had never succeeded in splitting the atom. But atomic power, like any other force of nature, is not evil in itself. Properly used, it is an instrumentality for human betterment. As a source of power, as a tool of scientific inquiry, it has untold possibilities. We are already making good progress in the constructive use of atomic power. We could do much more if we were free to concentrate on its peaceful uses exclusively.

Atomic power will be with us all the days of our lives. We cannot legislate it out of existence. We cannot ignore the dangers or the benefits it offers.

I believe that man can harness the forces of the atom to work for the improvement of the lot of human beings everywhere. That is our goal. As a nation, as a people, we must understand this problem; we must handle this new force wisely through our democratic processes. Above all we must strive, in all earnestness and good faith, to bring it under effective international control. To do this will require much wisdom and patience and firmness. The awe-inspiring responsibility

in this field now falls on a new administration and a new Congress. I will give them my support, as I am sure all our citizens will, in whatever constructive steps they may take to make this newest of man's discoveries a source of good and not of ultimate destruction.

We cannot tell when or whether the attitude of the Soviet rulers may change. We do not know how long it may be before they show a willingness to negotiate effective control of atomic energy and honorable settlements of other world problems. We cannot measure how deep-rooted are the Kremlin's illusions about us. We can be sure, however, that the rulers of the Communist world will not change their basic objectives lightly or soon.

The Communist rulers have a sense of time about these things wholly unlike our own. We tend to divide our future into short spans, like the 2-year life of this Congress, or the 4 years of the next Presidential term. They seem to think and plan in terms of generations. And there is, therefore, no easy, short-run way to make them see that their plans cannot prevail.

This means there is ahead of us a long hard test of strength and stamina between the free world and the Communist domain; our politics and our economy, our science and technology against the best they can do; our liberty against their slavery; our voluntary concert of free nations against their forced amalgam of "people's republics"; our strategy against their strategy; our nerve against their nerve.

Above all, this is a test of the will and the steadiness of the people of the United States.

There has been no challenge like this in the history of our Republic. We are called upon to rise to the occasion as no people before us.

What is required of us is not easy. The way we must learn to live, the world we have to live in, cannot be so pleasant, safe, or simple as most of us have known before or confidently hoped to know.

Already we have had to sacrifice a number of accustomed ways of working and of living, much nervous energy, material resources, even human life. Yet if one thing is certain in our future, it is that more sacrifice still lies ahead.

Were we to grow discouraged now, were we to weaken and slack off, the whole structure we have built, these past 8 years, would come apart and fall away. Never then, no matter by what stringent means, could our free world regain the ground, the time, the sheer momentum, lost by such a move. There can and should be changes and improvements in our programs, to meet new situations, serve new needs. But to desert the spirit of our basic policies, to step back from them now, would surely start the free world's slide toward the darkness that the Communists have prophesied—toward the moment for which they watch and wait.

If we value our freedom and our way of life and want to see them safe, we must meet the challenge and accept its implications, stick to our guns, and carry out our policies.

I have set out the basic conditions, as I see them, under which we have been working in the world, and the nature of our basic policies. What, then, of the future? The answer, I believe, is this: As we continue to confound Soviet expectations, as our world grows stronger, more united, more attractive to men on both sides of the iron curtain, then inevitably there will come a time of change within the Communist world. We do not know how that change will come

about, whether by deliberate decision in the Kremlin, by coup d'état, by revolution, by defection of satellites, or perhaps by some unforeseen combination of factors such as these.

But if the Communist rulers understand they cannot win by war, and if we frustrate their attempts to win by subversion, it is not too much to expect their world to change its character, moderate its aims, become more realistic and less implacable, and recede from the cold war they began.

Do not be deceived by the strong face, the look of monolithic power that the Communist dictators wear before the outside world. Remember their power has no basis in consent. Remember they are so afraid of the free world's ideas and ways of life, they do not dare to let their people know about them. Think of the massive effort they put forth to try to stop our Campaign of Truth from reaching their people with its message of freedom.

The masters of the Kremlin live in fear their power and position would collapse were their own people to acquire knowledge, information, comprehension about our free society. Their world has many elements of strength, but this one fatal flaw: the weakness represented by their iron curtain and their police state. Surely a social order at once so insecure and so fearful, must ultimately lose its competition with our free society.

Provided just one thing—and this I urge you to consider carefully—provided that the free world retains the confidence and the determination to outmatch the best our adversary can accomplish and to demonstrate for uncertain millions on both sides of the iron curtain the superiority of the free way of life.

That is the test upon all the free nations; upon none more than our own Republic.

Our resources are equal to the task. We have the industry, the skills, the basic economic strength. Above all we have the vigor of free men in a free society. We have our liberties. And, while we keep them, while we retain our democratic faith, the ultimate advantage in this hard competition lies with us, not with the Communists.

But there are some things that could shift the advantage to their side. One of the things that could defeat us is fear—fear of the task we face, fear of adjusting to it, fear that breeds more fear, sapping our faith, corroding our liberties, turning citizen against citizen, ally against ally. Fear could snatch away the very values we are striving to defend.

Already the danger signals have gone up. Already the corrosive process has begun. And every diminution of our tolerance, each new act of enforced conformity, each idle accusation, each demonstration of hysteria, each new restrictive law, is one more sign that we can lose the battle against fear.

The Communists cannot deprive us of our liberties—fear can. The Communists cannot stamp out our faith in human dignity—fear can. Fear is an enemy within ourselves; and, if we do not root it out, it may destroy the very way of life we are so anxious to protect.

To beat back fear, we must hold fast to our heritage as freemen. We must renew our confidence in one another, our tolerance, our sense of being neighbors, fellow citizens. We must take our stand on the Bill of Rights. The inquisition, the star chamber, have no

place in a free society.

Our ultimate strength lies not alone in arms, but in the sense of moral values and moral truths that give meaning and vitality to the purposes of free people. These values are our faith, our inspiration, the source of our strength, and our indomitable determination.

We face hard tasks, great dangers. But we are Americans and we have faced hardships and uncertainty before; we have adjusted before to changing circumstances. Our whole history has been a steady training for the work it is now ours to do.

No one can lose heart for the task, none can lose faith in our free ways, who stops to remember where we began, what we have sought, and what accomplished, all together as Americans.

I have lived a long time and seen much happen in our country. And I know, out of my own experience, that we can do what must be done.

When I think back to the country I grew up in—and then look at what our country has become—I am quite certain that having done so much, we can do more.

After all, it has been scarcely 15 years since most Americans rejected out-of-hand the wise counsel that aggressors must be "quarantined." The very concept of collective security, the foundation stone of all our actions now, was then strange doctrine, shunned and set aside. Talk about adapting; talk about adjusting; talk about responding as a people to the challenge of changed times and circumstances—there has never been a more spectacular example than this great change in America's outlook on the world.

Let all of us pause now, think back, consider carefully the meaning of our national experience. Let us draw comfort from it and faith and confidence in our future as Americans.

The Nation's business is never finished. The basic questions we have been dealing with, these 8 years past, present themselves anew. That is the way of our society. Circumstances change and current questions take on different forms, new complications, year by year. But underneath the great issues remain the same—prosperity, welfare, human rights, effective democracy, and, above all, peace.

Now we turn to the inaugural of our new President. And in the great work he is called upon to do he will have need for the support of a united people, a confident people, with firm faith in one another and in our common cause. I pledge him my support as a citizen of our Republic, and I ask you to give him yours.

To him, to you, to all my fellow citizens, I say, Godspeed!

May God bless our country and our cause.



Dwight D. Eisenhower

January 20, 1953 to January 20, 1961

tionships we have weathered the storms of the past 5 years. For this I am deeply grateful.

My deep concern in the next 12 months, before my successor takes office, is with our joint congressional-executive duty to our own and to other nations. Acting upon the beliefs I have expressed here today, I shall devote my full energies to the tasks at hand, whether these involve travel for promoting greater world understanding, negotiations to reduce international discord, or constant discussions and communications with the Congress and the American people on issues both domestic and foreign.

In pursuit of these objectives, I look forward to, and shall dedicate myself to, a close and constructive association with the Congress.

Every minute spent in irrelevant interbranch wrangling is precious time taken from the intelligent initiation and adoption of coherent policies for our national survival and progress.

We seek a common goal—brighter opportunity for our own citizens and a world peace with justice for all.

Before us and our friends is the challenge of an ideology which, for more than four decades, has trumpeted abroad its purpose of gaining ultimate victory over all forms of government at variance with its own.

We realize that however much we repudiate the tenets of imperialistic communism, it represents a gigantic enterprise. Its leaders compel its subjects to subordinate their freedom of action and spirit and personal desires for some hoped-for advantage in the future.

The Communists can present an array of material accomplishments over the past 15 years that lends a false persuasiveness to many of their glittering promises to the uncommitted peoples.

The competition they provide is formidable. We so recognize it.

But in our scale of values we place freedom first. Our whole national existence and development have been geared to that basic concept and is responsible for the position of free-world leadership to which we have succeeded. It is the highest prize that any nation can possess; it is one that communism can never offer. And America's record of material accomplishment in freedom is written not only in the unparalleled prosperity of our own Nation, but in the many billions we have devoted to the reconstruction of free-world economies wrecked by World War II and in the effective help of many more billions we have given in saving the independence of many others threatened by outside domination. Assuredly we have the capacity for handling the problems in the new era of the world's history we are now entering.

But we must use that capacity intelligently and tirelessly, regardless of personal sacrifice.

The fissure that divides our political planet is deep and wide.

We live, moreover, in a storm of semantic disorder in which old labels no longer faithfully describe.

Police states are called "people's democracies."

Armed conquest of free people is called "liberation."

Such slippery slogans make difficult the problem of communicating true faith, facts, and beliefs.

We must make clear our peaceful intentions, our aspirations for a better world. To do so, we must use language to enlighten the mind, not as the instrument of the studied innuendo and distorter of truth.

And we must live by what we say.

On my recent visit to distant lands I found one statesman after another eager to tell me of the elements of their government that had been borrowed from our American Constitution, and from the inextinguishable ideals set forth in our Declaration of Independence.

As a nation we take pride that our own constitutional system, and the ideals which sustain it have been long viewed as a fountainhead of freedom.

By our every word and action we must strive to make ourselves worthy of this trust, ever mindful that an accumulation of seemingly minor encroachments upon freedom gradually could break down the entire fabric of a free society.

So persuaded, we shall get on with the task before us.

So dedicated, and with faith in the Almighty, humanity shall one day achieve the unity in freedom to which all men have aspired from the dawn of time.

NINTH ANNUAL MESSAGE

THE WHITE HOUSE, January 12, 1961.

To the Congress of the United States:

Once again it is my constitutional duty to assess the state of the Union.

On each such previous occasion during these past 8 years I have outlined a forward course designed to achieve our mutual objective—a better America in a world of peace. This time my function is different.

The American people, in free election, have selected new leadership which soon will be entrusted with the management of our Government. A new President shortly will lay before you his proposals to shape the future of our great land. To him, every citizen, whatever his political beliefs, prayerfully extends best wishes for good health and for wisdom and success in coping with the problems that confront our Nation.

For my part, I should like, first, to express to you of the Congress, my appreciation of your devotion to the common good and your friendship over these difficult years. I will carry with me pleasant memories of this association in endeavors profoundly significant to all our people.

We have been through a lengthy period in which the control over the executive and legislative branches of Government has been divided between our two great political parties. Differences, of course, we have had, particularly in domestic affairs. But in a united determina-

tion to keep this Nation strong and free and to utilize our vast resources for the advancement of all mankind, we have carried America to unprecedented heights.

For this cooperative achievement I thank the American people and those in the Congress of both parties who have supported programs in the interest of our country.

I should also like to give special thanks for the devoted service of my associates in the executive branch and the hundreds of thousands of career employees who have implemented our diverse Government programs.

My second purpose is to review briefly the record of these past 8 years in the hope that, out of the sum of these experiences, lessons will emerge that are useful to our Nation. Supporting this review are detailed reports from the several agencies and departments, all of which are now or will shortly be available to the Congress.

Throughout the world the years since 1953 have been a period of profound change. The human problems in the world grow more acute hour by hour; yet new gains in science and technology continually extend the promise of a better life. People yearn to be free, to govern themselves; yet a third of the people of the world have no freedom, do not govern themselves. The world recognizes the catastrophic nature of nuclear war; yet it sees the wondrous potential of nuclear peace.

During the period, the United States has forged ahead under a constructive foreign policy. The continuing goal is peace, liberty, and well-being—for others as well as ourselves. The aspirations of all peoples are one—peace with justice in freedom. Peace can only be attained collectively as peoples everywhere unite in their determination that liberty and well-being come to all mankind.

Yet while we have worked to advance national aspirations for freedom, a divisive force has been at work to divert that aspiration into dangerous channels. The Communist movement throughout the world exploits the natural striving of all to be free and attempts to subjugate men rather than free them. These activities have caused and are continuing to cause grave troubles in the world.

Here at home these have been times for careful adjustment of our economy from the artificial impetus of a hot war to constructive growth in a precarious peace. While building a new economic vitality without inflation, we have also increased public expenditures to keep abreast of the needs of a growing population and its attendant new problems, as well as our added international responsibilities. We have worked toward these ends in a context of shared responsibility—conscious of the need for maximum scope to private effort and for State and local, as well as Federal, governmental action.

Success in designing and executing national purposes, domestically and abroad, can only come from a steadfast resolution that integrity in the operation of Government and in our relations with each other be fully maintained. Only in this way could our spiritual goals be fully advanced.

FOREIGN POLICY

On January 20, 1953, when I took office, the United States was at war. Since the signing of the Korean armistice in 1953, Americans have lived in peace in highly troubled times.

During the 1956 Suez crisis, the U.S. Government strongly supported United Nations action—resulting in the ending of the hostilities in Egypt.

Again in 1958, peace was preserved in the Middle East despite new discord. Our Government responded to the request of the friendly Lebanese Government for military help, and promptly withdrew American forces as soon as the situation was stabilized.

In 1958 our support of the Republic of China during the all-out bombardment of Quemoy restrained the Communist Chinese from attempting to invade the offshore islands.

Although, unhappily, Communist penetration of Cuba is real and poses a serious threat, Communist-dominated regimes have been deposed in Guatemala and Iran. The occupation of Austria has ended and the Trieste question has been settled.

Despite constant threats to its integrity, West Berlin has remained free.

Important advances have been made in building mutual security arrangements—which lie at the heart of our hopes for future peace and security in the world. The Southeast Asia Treaty Organization has been established; the NATO alliance has been militarily strengthened; the Organization of American States has been further developed as an instrument of inter-American cooperation; the Anzus treaty has strengthened ties with Australia and New Zealand, and a mutual security treaty with Japan has been signed. In addition, the CENTO Pact has been concluded, and while we are not officially a member of this alliance we have participated closely in its deliberations.

The atoms-for-peace proposal to the United Nations led to the creation of the International Atomic Energy Agency. Our policy has been to push for enforceable programs of inspection against surprise attack, suspension of nuclear testing, arms reduction, and peaceful use of outer space.

The United Nations has been vigorously supported in all of its actions, including the condemnations of the wholesale murder of the people of Tibet by the Chinese Communists and the brutal Soviet repression of the people of Hungary, as well as the more recent U.N. actions in the Congo.

The United States took the initiative in negotiating the significant treaty to guarantee the peaceful use of vast Antarctica.

The U.S. Information Agency has been transformed into a greatly improved medium for explaining our policies and actions to audiences overseas, answering the lies of Communist propaganda, and projecting a clearer image of American life and culture.

Cultural, technological, and educational exchanges with the Soviet Union have been encouraged, and a comprehensive agreement was made which authorized, among other things, the distribution of our Russian language magazine *Amerika* and the highly successful American exhibition in Moscow.

This country has continued to withhold recognition of Communist China and to oppose vigorously the admission of this belligerent and unrepentant nation into the United Nations. Red China has yet to demonstrate that it deserves to be considered a peace-loving nation.

With Communist imperialism held in check, constructive actions were undertaken to strengthen the economies of free world nations. The U.S. Government has given sturdy support to the economic and

technical assistance activities of the U.N. This country stimulated a doubling of the capital of the World Bank and a 50-percent capital increase in the International Monetary Fund. The Development Loan Fund and the International Development Association were established. The United States also took the lead in creating the Inter-American Development Bank.

Vice President Nixon, Secretaries of State Dulles and Herter, and I traveled extensively through the world for the purpose of strengthening the cause of peace, freedom, and international understanding. So rewarding were these visits that their very success became a significant factor in causing the Soviet Union to wreck the planned summit conference of 1960.

These vital programs must go on. New tactics will have to be developed, of course, to meet new situations, but the underlying principles should be constant. Our great moral and material commitments to collective security, deterrence of force, international law, negotiations that lead to self-enforcing agreements, and the economic interdependence of free nations should remain the cornerstone of a foreign policy that will ultimately bring permanent peace with justice in freedom to all mankind. The continuing need of all free nations today is for each to recognize clearly the essentiality of an unbreakable bond among themselves based upon a complete dedication to the principles of collective security, effective cooperation and peace with justice.

NATIONAL DEFENSE

For the first time in our Nation's history we have consistently maintained in peacetime, military forces of a magnitude sufficient to deter and if need be to destroy predatory forces in the world.

Tremendous advances in strategic weapons systems have been made in the past 8 years. Not until 1953 were expenditures on long-range ballistic missile programs even as much as a million dollars a year; today we spend 10 times as much each day on these programs as was spent in all of 1952.

No guided ballistic missiles were operational at the beginning of 1953. Today many types give our Armed Forces unprecedented effectiveness. The explosive power of our weapons systems for all purposes is almost inconceivable.

Today the United States has operational Atlas missiles which can strike a target 5,000 miles away in a half hour. The Polaris weapons system became operational last fall and the Titan is scheduled to become so this year. Next year, more than a year ahead of schedule, a vastly improved ICBM, the solid-propellant Minuteman, is expected to be ready.

Squadrons of accurate intermediate range ballistic missiles are now operational. The Thor and Jupiter IRBM's based in forward areas can hit targets 1,500 miles away in 18 minutes.

Aircraft which fly at speeds faster than sound were still in a developmental stage 8 years ago. Today American fighting planes go twice the speed of sound. And either our B-58 medium-range jet bomber or our B-52 long-range jet bomber can carry more explosive power than was used by all combatants in World War II—Allies and Axis combined.

Eight years ago we had no nuclear-powered ships. Today 49 nuclear warships have been authorized. Of these, 14 have been com-

missioned, including 3 of the revolutionary Polaris submarines. Our nuclear submarines have cruised under the North Pole and circumnavigated the earth while submerged. Sea warfare has been revolutionized, and the United States is far and away the leader.

Our tactical air units overseas and our aircraft carriers are alert; Army units, guarding the frontiers of freedom in Europe and the Far East, are in the highest state of readiness in peacetime history; our Marines, a third of whom are deployed in the Far East, are constantly prepared for action; our Reserve Establishment has maintained high standards of proficiency, and the Ready Reserve now numbers over 2½ million citizen-soldiers.

The Department of Defense, a young and still evolving organization, has twice been improved and the line of command has been shortened in order to meet the demands of modern warfare. These major reorganizations have provided a more effective structure for unified planning and direction of the vast Defense Establishment. Gradual improvements in its structure and procedures are to be expected.

U.S. civil defense and nonmilitary defense capacity has been greatly strengthened and these activities have been consolidated in one Federal agency.

The defense forces of our allies now number 5 million men, several thousand combatant ships, and over 25,000 aircraft. Programs to strengthen these allies have been consistently supported by the administration. U.S. military assistance goes almost exclusively to friendly nations on the rim of the Communist world. This American contribution to nations who have the will to defend their freedom, but insufficient means, should be vigorously continued. Combined with our allies, the free world now has a far stronger shield than we could provide alone.

Since 1953, our defense policy has been based on the assumption that the international situation would require heavy defense expenditures for an indefinite period to come, probably for years. In this protracted struggle, good management dictates that we resist overspending as resolutely as we oppose underspending. Every dollar uselessly spent on military mechanisms decreases our total strength and, therefore, our security. We must not return to the crash-program psychology of the past when each new feint by the Communists was responded to in panic. The "bomber gap" of several years ago was always a fiction, and the "missile gap" shows every sign of being the same.

The Nation can ill afford to abandon a national policy which provides for a fully adequate and steady level of effort, designed for the long pull; a fast adjustment to new scientific and technological advances; a balanced force of such strength as to deter general war, to effectively meet local situations and to retaliate to attack and destroy the attacker; and a strengthened system of free world collective security.

THE ECONOMY

The expanding American economy passed the half-trillion-dollar mark in gross national product early in 1960. The Nation's output of goods and services is now nearly 25 percent higher than in 1952.

In 1959, the average American family had an income of \$6,520, 15 percent higher in dollars of constant buying power than in 1952,

and the real wages of American factory workers have risen 20 percent during the past 8 years. These facts reflect the rising standard of individual and family well-being enjoyed by Americans.

Our Nation benefits also from a remarkable improvement in general industrial peace through strengthened processes of free collective bargaining. Time lost since 1952 because of strikes has been half that lost in the 8 years prior to that date. Legislation now requires that union members have the opportunity for full participation in the affairs of their unions. The administration supported the Landrum-Griffin Act, which I believe is greatly helpful to the vast bulk of American labor and its leaders, and also is a major step in getting racketeers and gangsters out of labor-management affairs.

The economic security of working men and women has been strengthened by an extension of unemployment insurance coverage to 2.5 million ex-servicemen, 2.4 million Federal employees, and 1.2 million employees of small businesses, and by a strengthening of the Railroad Unemployment Insurance Act. States have been encouraged to improve their unemployment compensation benefits, so that today average weekly benefits are 40 percent higher than in 1953.

Determined efforts have improved workers' safety standards. Enforceable safety standards have been established for longshoremen and ship repair workers; Federal safety councils have been increased from 14 to over 100; safety awards have been initiated, and a national construction safety program has been developed.

A major factor in strengthening our competitive enterprise system, and promoting economic growth, has been the vigorous enforcement of antitrust laws over the last 8 years and a continuing effort to reduce artificial restraints on competition and trade and enhance our economic liberties. This purpose was also significantly advanced in 1953 when, as one of the first acts of this administration, restrictive wage and price controls were ended.

An additional measure to strengthen the American system of competitive enterprise was the creation of the Small Business Administration in 1953 to assist existing small businesses and encourage new ones. This agency has approved over \$1 billion in loans, initiated a new program to provide long-term capital for small businesses, aided in setting aside \$3¼ billion in Government contracts for award to small business concerns, and brought to the attention of individual businessmen, through programs of information and education, new developments in management and production techniques. Since 1952, important tax revisions have been made to encourage small businesses.

Many major improvements in the Nation's transportation system have been made:

After long years of debate, the dream of a great St. Lawrence Seaway, opening the heartland of America to ocean commerce, has been fulfilled.

The new Federal Aviation Agency is fostering greater safety in air travel.

The largest public construction program in history—the 41,000-mile National System of Interstate and Defense Highways—has been pushed rapidly forward. Twenty-five percent of this system is now open to traffic.

Efforts to help every American build a better life have included

also a vigorous program for expanding our trade with other nations. A 4-year renewal of the Reciprocal Trade Agreements Act was passed in 1958, and a continuing and rewarding effort has been made to persuade other countries to remove restrictions against our exports. A new export expansion program was launched in 1960, inaugurating improvement of export credit insurance and broadening research and information programs to awaken Americans to business opportunities overseas. These actions and generally prosperous conditions abroad have helped push America's export trade to a level of \$20 billion in 1960.

Although intermittent declines in economic activity persist as a problem in our enterprise system, recent downturns have been moderate and of short duration. There is, however, little room for complacency. Currently our economy is operating at high levels, but unemployment rates are higher than any of us would like, and chronic pockets of high unemployment persist. Clearly, continued sound and broadly shared economic growth remains a major national objective toward which we must strive through joint private and public efforts.

If Government continues to work to assure every American the fullest opportunity to develop and utilize his ability and talent, it will be performing one of its most vital functions, that of advancing the welfare and protecting the dignity, rights, and freedom of all Americans.

GOVERNMENT FINANCE AND ADMINISTRATION

In January 1953 the consumer's dollar was worth only 52 cents in terms of the food, clothing, shelter, and other items it would buy compared to 1939. Today the inflationary spiral which had raised the cost of living by 36 percent between 1946 and 1952 has all but ceased and the value of the dollar virtually stabilized.

In 1954 we had the largest tax cut in history, amounting to \$7.4 billion annually, of which over 62 percent went to individuals mostly in the small income brackets.

This administration has directed constant efforts toward fiscal responsibility. Balanced budgets have been sought when the economy was advancing, and a rigorous evaluation of spending programs has been maintained at all times. Resort to deficit financing in prosperous times could easily erode international confidence in the dollar and contribute to inflation at home. In this belief, I shall submit a balanced budget for fiscal 1962 to the Congress next week.

There has been a firm policy of reducing Government competition with private enterprise. This has resulted in the discontinuance of some 2,000 commercial industrial installations and in addition the curtailment of approximately 550 industrial installations operated directly by Government agencies.

Also an aggressive surplus disposal program has been carried on to identify and dispose of unneeded Government-owned real property. This has resulted in the addition of a substantial number of valuable properties to local tax rolls, and a significant monetary return to the Government.

Earnest and persistent attempts have been made to strengthen the position of State and local governments and thereby to stop the dangerous drift toward centralization of governmental power in Washington.

Significant strides have been made in increasing the effectiveness of Government. Important new agencies have been established, such as the Department of Health, Education, and Welfare, the Federal Aviation Agency, and the National Aeronautics and Space Administration. The Council of Economic Advisers was reconstituted.

The operation of our postal system has been modernized to get better and more efficient service. Modernized handling of local mail now brings next-day delivery to 168 million people in our population centers, expanded carrier service now accommodates 9.3 million families in the growing suburbs, and 1.4 million families have been added to the rural delivery service. Commonsense dictates that the postal service should be on a self-financing basis.

The concept of a trained and dedicated Government career service has been strengthened by the provision of life and health insurance benefits, a vastly improved retirement system, a new merit promotion program, and the first effective incentive awards program. With no sacrifice in efficiency, Federal civilian employment since 1953 has been reduced by over a quarter of a million persons.

I am deeply gratified that it was under the urging of this administration that Alaska and Hawaii became our 49th and 50th States.

AGRICULTURE

Despite the difficulties of administering congressional programs which apply outmoded prescriptions and which aggravate rather than solve problems, the past 8 years brought notable advances in agriculture.

Total agricultural assets are approximately \$200 billion—up \$36 billion in 8 years.

Farmowner equities are at the near record high of \$174 billion.

Farmownership is at a record high with fewer farmers in a tenant and sharecropper status than at any time in our Nation's history.

The food-for-peace program has demonstrated how surplus of American food and fiber can be effectively used to feed and clothe the needy abroad. Aided by this humanitarian program, total agricultural exports have grown from \$2.8 billion in 1953 to an average of about \$4 billion annually for the past 3 years. For 1960, exports are estimated at \$4.5 billion, the highest volume on record. Under the food-for-peace program, the largest wheat transaction in history was consummated with India in 1960.

The problems of low-income farm families received systematic attention for the first time in the rural development program. This program has gone forward in 39 States, yielding higher incomes and a better living for rural people most in need.

The Rural Electrification Administration has helped meet the growing demand for power and telephones in agricultural areas. Ninety-seven percent of all farms now have central station electric power. Dependence upon Federal financing should no longer be necessary.

The Farm Credit Administration has been made an independent agency more responsive to the farmer's needs.

The search for new uses for our farm abundance and to develop new crops for current needs has made major progress. Agricultural research appropriations have increased by 171 percent since 1953.

Farmers are being saved approximately \$80 million a year by the repeal in 1956 of Federal taxes on gasoline used in tractors and other machinery.

Since 1953, appropriations have been doubled for county agents, home agents and the Extension Service.

Eligibility for social security benefits has been extended to farmers and their families.

Yet in certain aspects our agricultural surplus situation is increasingly grave. For example, our wheat stocks now total 1.3 billion bushels. If we did not harvest 1 bushel of wheat in this coming year, we would still have all we could eat, all we could sell abroad, all we could give away, and still have a substantial carryover. Extraordinary costs are involved just in management and disposal of this burdensome surplus. Obviously important adjustments must still come. Congress must enact additional legislation to permit wheat and other farm commodities to move into regular marketing channels in an orderly manner and at the same time afford the needed price protection to the farmer. Only then will agriculture again be free, sound, and profitable.

NATURAL RESOURCES

New emphasis has been placed on the care of our national parks. A 10-year development program of our national park system—Mission 66—was initiated and 633,000 acres of park land have been added since 1953.

Appropriations for fish and wildlife operations have more than doubled. Thirty-five new refuges, containing 11,342,000 acres, have been added to the national wildlife management system.

Our Nation's forests have been improved at the most rapid rate in history.

The largest sustained effort in water resources development in our history has taken place. In the field of reclamation alone, over 50 new projects, or project units, have been authorized since 1953—including the billion dollar Colorado River storage project. When all these projects have been completed they will have a storage capacity of nearly 43 million acre-feet—an increase of 50 percent over the Bureau of Reclamation's storage capacity in mid-1953. In addition, since 1953 over 450 new navigation flood control and multiple-purpose projects of the Corps of Engineers have been started, costing nearly \$6 billion.

Soil and water conservation has been advanced as never before. One hundred forty-one projects are now being constructed under the watershed protection program.

Hydroelectric power has been impressively developed through a policy which recognizes that the job to be done requires comprehensive development by Federal, State, and local governments and private enterprise. Teamwork is essential to achieve this objective.

The Federal Columbia River power system has grown from 2 multipurpose dams with a 2.6 million kilowatt capacity to 17 multipurpose projects completed or under construction with an ultimate installed capacity of 8.1 million kilowatts. After years of negotiation, a Columbia River storage development agreement with Canada now opens the way for early realization of unparalleled power, flood-

control, and resource conservation benefits for the Pacific Northwest. A treaty implementing this agreement will shortly be submitted to the Senate.

A farsighted and highly successful program for meeting urgent water needs is being carried out by converting salt water to fresh water. A 75-percent reduction in the cost of this process has already been realized.

Continuous resource development is essential for our expanding economy. We must continue vigorous, combined Federal, State and private programs, at the same time preserving to the maximum extent possible our natural and scenic heritage for future generations.

EDUCATION, SCIENCE, AND TECHNOLOGY

The National Defense Education Act of 1958 is already a milestone in the history of American education. It provides broad opportunities for the intellectual development of all children by strengthening courses of study in science, mathematics, and foreign languages, by developing new graduate programs to train additional teachers, and by providing loans for young people who need financial help to go to college.

The administration proposed on numerous occasions a broad new 5-year program of Federal aid to help overcome the classroom shortage in public elementary and secondary schools. Recommendations were also made to give assistance to colleges and universities for the construction of academic and residential buildings to meet future enrollment increases.

This administration greatly expanded Federal loans for building dormitories for students, teachers, and nurses training, a program assisting in the construction of approximately 200,000 living accommodations during the past 8 years.

There has been a vigorous acceleration of health, resource, and education programs designed to advance the role of the American Indian in our society. Last fall, for example, 91 percent of the Indian children between the ages of 6 and 18 on reservations were enrolled in school. This is a rise of 12 percent since 1953.

In the field of science and technology, startling strides have been made by the new National Aeronautics and Space Administration. In little more than 2 years, NASA has successfully launched meteorological satellites, such as Tiros I and Tiros II, that promise to revolutionize methods of weather forecasting; demonstrated the feasibility of satellites for global communications by the successful launching of Echo I; produced an enormous amount of valuable scientific data, such as the discovery of the Van Allen radiation belt; successfully launched deep-space probes that maintained communication over the greatest range man has ever tracked; and made real progress toward the goal of manned space flights.

These achievements unquestionably make us preeminent today in space exploration for the betterment of mankind. I believe the present organizational arrangements in this area, with the revisions proposed last year, are completely adequate for the tasks ahead.

Americans can look forward to new achievements in space exploration. The near future will hold such wonders as the orbital flight of an astronaut, the landing of instruments on the moon, the launching of

the powerful giant Saturn rocket vehicles, and the reconnaissance of Mars and Venus by unmanned vehicles.

The application of atomic energy to industry, agriculture, and medicine has progressed from hope and experiment to reality. American industry and agriculture are making increasing use of radioisotopes to improve manufacturing, testing, and crop raising. Atomic energy has improved the ability of the healing professions to combat disease, and holds promise for an eventual increase in man's lifespan.

Education, science, technology, and balanced programs of every kind—these are the roadways to progress. With appropriate Federal support, the States and localities can assure opportunities for achieving excellence at all levels of the educational system; and with the Federal Government continuing to give wholehearted support to basic scientific research and technology, we can expect to maintain our position of leadership in the world.

CIVIL RIGHTS

The first consequential Federal civil rights legislation in 85 years was enacted by Congress on recommendation of the administration in 1957 and 1960.

A new Civil Rights Division in the Department of Justice has already moved to enforce constitutional rights in such areas as voting and the elimination of Jim Crow laws.

Greater equality of job opportunity in Federal employment and employment with Federal contractors has been effectively provided through the President's Committees on Government Contracts and Government Employment Practices.

The Civil Rights Commission has undertaken important surveys in the fields of housing, voting, and education.

Segregation has been abolished in the Armed Forces, in Veterans' hospitals, in all Federal employment, and throughout the District of Columbia—administratively accomplished progress in this field that is unmatched in America's recent history.

This pioneering work in civil rights must go on. Not only because discrimination is morally wrong, but also because its impact is more than national—it is worldwide.

HEALTH AND WELFARE

Federal medical research expenditures have increased more than fourfold since 1954.

A vast variety of the approaches known to medical science has been explored to find better methods of treatment and prevention of major diseases, particularly heart diseases, cancer, and mental illness.

The control of air and water pollution has been greatly strengthened. Americans now have greater protection against harmful, unclean, or misrepresented foods, drugs, or cosmetics through a strengthened Food and Drug Administration and by new legislation which requires that food additives be proved safe for human consumption before use.

A newly established Federal Radiation Council, along with the Department of Health, Education, and Welfare, analyzes and coordinates information regarding radiological activities which affect the public health.

Medical manpower has been increased by Federal grants for teaching and research.

Construction of new medical facilities has been stepped up and extended to include nursing homes, diagnostic and treatment centers, and rehabilitation facilities.

The vocational rehabilitation program has been significantly expanded. About 90,000 handicapped people are now being rehabilitated annually so they are again able to earn their own living with self-respect and dignity.

New legislation provides for better medical care for the needv aged, including those older persons, who, while otherwise self-sufficient, need help in meeting their health care costs. The administration recommended a major expansion of this effort.

The coverage of the Social Security Act has been broadened since 1953 to make 11 million additional people eligible for retirement, disability or survivor benefits for themselves or their dependents, and the social security benefits have been substantially improved.

Grants to the States for maternal and child welfare services have been increased.

The States, aided by Federal grants, now assist some 6 million needy people through the programs of old-age assistance, aid to dependent children, aid to the blind, and aid to the totally and permanently disabled.

HOUSING AND URBAN DEVELOPMENT

More houses have been built during the past 8 years—over 9 million—than during any previous 8 years in history.

An historic new approach—urban renewal—now replaces piecemeal thrusts at slum pockets and urban blight. Communities engaged in urban renewal have doubled and renewal projects have more than tripled since 1953. An estimated 68 projects in 50 cities will be completed by the end of the current fiscal year; another 577 projects will be underway, and planning for 310 more will be in process. A total of \$2 billion in Federal grants will ultimately be required to finance these 955 projects.

New programs have been initiated to provide more and better housing for elderly people. Approximately 25,000 units especially designed for the elderly have been built, started, or approved in the past 3 years.

For the first time, because of Federal help and encouragement, 90 metropolitan areas and urban regions and 1,140 smaller towns throughout the country are making comprehensive development plans for their future growth and development.

American communities have been helped to plan water and sanitation systems and schools through planning advances for 1,600 public works projects with a construction cost of nearly \$2 billion.

Mortgage insurance on individual homes has been greatly expanded. During the past 8 years, the Federal Housing Administration alone insured over 2½ million home mortgages valued at \$27 billion, and in addition, insured more than 10 million property improvement loans.

The Federal Government must continue to provide leadership in order to make our cities and communities better places in which to live,

work, and raise families, but without usurping rightful local authority, replacing individual responsibility, or stifling private initiative.

IMMIGRATION

Over 32,000 victims of Communist tyranny in Hungary were brought to our shores, and at this time our country is working to assist refugees from tyranny in Cuba.

Since 1953, the waiting period for naturalization applicants has been reduced from 18 months to 45 days.

The administration also has made legislative recommendations to liberalize existing restrictions upon immigration while still safeguarding the national interest. It is imperative that our immigration policy be in the finest American tradition of providing a haven for oppressed peoples and fully in accord with our obligation as a leader of the free world.

VETERANS

In discharging the Nation's obligation to our veterans, during the past 8 years there have been:

- The readjustment of World War II veterans was completed, and the 5 million Korean conflict veterans were assisted in achieving successful readjustment to civilian life;

- Increases in compensation benefits for all eligible veterans with service-connected disabilities;

- Higher non-service-connected pension benefits for needy veterans;

- Greatly improved benefits to survivors of veterans dying in or as a result of service;

- Authorization, by Presidential directive, of an increase in the number of beds available for sick and disabled veterans;

- Development of a 12-year, \$900 million construction program to modernize and improve our veterans hospitals;

- New modern techniques brought into the administration of veterans' affairs to provide the highest quality service possible to those who have defended us.

CONCLUSION

In concluding my final message to the Congress, it is fitting to look back to my first—to the aims and ideals I set forth on February 2, 1953: To use America's influence in world affairs to advance the cause of peace and justice, to conduct the affairs of the executive branch with integrity and efficiency, to encourage creative initiative in our economy, and to work toward the attainment of the well-being and equality of opportunity of all citizens.

Equally, we have honored our commitment to pursue and attain specific objectives. Among them, as stated 8 years ago: strengthening of the mutual security program; development of world trade and commerce; ending of hostilities in Korea; creation of a powerful deterrent force; practicing fiscal responsibility; checking the menace of inflation; reducing the tax burden; providing an effective internal security program; developing and conserving our natural resources; reducing governmental interference in the affairs of the farmer;

strengthening and improving services by the Department of Labor, and the vigilant guarding of civil and social rights.

I do not close this message implying that all is well—that all problems are solved. For progress implies both new and continuing problems and, unlike Presidential administrations, problems rarely have terminal dates.

Abroad, there is the continuing Communist threat to the freedom of Berlin, an explosive situation in Laos, the problems caused by Communist penetration of Cuba, as well as the many problems connected with the development of the new nations in Africa. These areas, in particular, call for delicate handling and constant review.

At home, several conspicuous problems remain: promoting higher levels of employment, with special emphasis on areas in which heavy unemployment has persisted; continuing to provide for steady economic growth and preserving a sound currency; bringing our balance of payments into more reasonable equilibrium and continuing a high level of confidence in our national and international financial systems; eliminating heavily excessive surpluses of a few farm commodities; and overcoming deficiencies in our health and educational programs.

Our goal always has been to add to the spiritual, moral, and material strength of our Nation. I believe we have done this. But it is a process that must never end. Let us pray that leaders of both the near and distant future will be able to keep the Nation strong and at peace, that they will advance the well-being of all our people, that they will lead us on to still higher moral standards, and that, in achieving these goals, they will maintain a reasonable balance between private and governmental responsibility.



John F. Kennedy

January 20, 1961 to November 22, 1963

Administration of Ronald Reagan, 1988 / Jan. 25

Address Before a Joint Session of the
Congress on the State of the Union
January 25, 1988

Mr. Speaker, Mr. President, and distinguished Members of the House and Senate:

When we first met here 7 years ago—many of us for the first time—it was with the hope of beginning something new for America. We meet here tonight in this historic Chamber to continue that work. If anyone expects just a proud recitation of the accomplishments of my administration, I say let's leave that to history; we're not finished yet. So, my message to you tonight is put on your workshoes; we're still on the job.

History records the power of the ideas that brought us here those 7 years ago—ideas like the individual's right to reach as far and as high as his or her talents will permit; the free market as an engine of economic progress. And as an ancient Chinese philosopher, Lau-tzu, said: "Govern a great nation as you would cook a small fish; do not overdo it." [Laughter]

Well, these ideas were part of a larger notion, a vision, if you will, of America herself—an America not only rich in opportunity for the individual but an America, too, of strong families and vibrant neighborhoods; an America whose divergent but harmonizing communities were a reflection of a deeper community of values: the value of work, of family, of religion, and of the love of freedom that God places in each of us

and whose defense He has entrusted in a special way to this nation.

All of this was made possible by an idea I spoke of when Mr. Gorbachev was here—the belief that the most exciting revolution ever known to humankind began with three simple words: "We the People," the revolutionary notion that the people grant government its rights, and not the other way around.

And there's one lesson that has come home powerfully to me, which I would offer to you now. Just as those who created this Republic pledged to each other their lives, their fortunes, and their sacred honor, so, too, America's leaders today must pledge to each other that we will keep foremost in our hearts and minds not what is best for ourselves or for our party but what is best for America.

In the spirit of Jefferson, let us affirm that in this Chamber tonight there are no Republicans, no Democrats, just Americans. Yes, we will have our differences, but let us always remember what unites us far outweighs whatever divides us. Those who sent us here to serve them—the millions of Americans watching and listening tonight—expect this of us. Let's prove to them and to ourselves that democracy works even in an election year.

We've done this before. And as we have worked together to bring down spending, tax rates, and inflation, employment has climbed to record heights; America has created more jobs and better, higher paying jobs; family income has risen for 4 straight years, and America's poor climbed out of poverty at the fastest rate in more than 10 years.

Our record is not just the longest peacetime expansion in history but an economic and social revolution of hope based on work, incentives, growth, and opportunity; a revolution of compassion that led to private sector initiatives and a 77-percent increase in charitable giving; a revolution that at a critical moment in world history reclaimed and restored the American dream.

In international relations, too, there's only one description for what, together, we have achieved: a complete turnabout, a revolution. Seven years ago, America was weak, and freedom everywhere was under siege.

Today America is strong, and democracy is everywhere on the move. From Central America to East Asia, ideas like free markets and democratic reforms and human rights are taking hold. We've replaced "Blame America" with "Look up to America." We've rebuilt our defenses. And of all our accomplishments, none can give us more satisfaction than knowing that our young people are again proud to wear our country's uniform.

And in a few moments, I'm going to talk about three developments—arms reduction, the Strategic Defense Initiative, and the global democratic revolution—that, when taken together, offer a chance none of us would have dared imagine 7 years ago, a chance to rid the world of the two great nightmares of the postwar era. I speak of the startling hope of giving our children a future free of both totalitarianism and nuclear terror.

Tonight, then, we're strong, prosperous, at peace, and we are free. This is the state of our Union. And if we will work together this year, I believe we can give a future President and a future Congress the chance to make that prosperity, that peace, that freedom not just the state of our Union but the state of our world.

Toward this end, we have four basic objectives tonight. First, steps we can take this year to keep our economy strong and growing, to give our children a future of low inflation and full employment. Second, let's check our progress in attacking social problems, where important gains have been made, but which still need critical attention. I mean schools that work, economic independence for the poor, restoring respect for family life and family values. Our third objective tonight is global: continuing the exciting economic and democratic revolutions we've seen around the world. Fourth and finally, our nation has remained at peace for nearly a decade and a half, as we move toward our goals of world prosperity and world freedom. We must protect that peace and deter war by making sure the next President inherits what you and I have a moral obligation to give that President: a national security that is unassailable and a national defense that takes full advantage of new technology and is fully funded.

This is a full agenda. It's meant to be. You see, my thinking on the next year is quite simple: Let's make this the best of 8. And that means it's all out—right to the finish line. I don't buy the idea that this is the last year of anything, because we're not talking here tonight about registering temporary gains but ways of making permanent our successes.

And that's why our focus is the values, the principles, and ideas that made America great. Let's be clear on this point. We're for limited government, because we understand, as the Founding Fathers did, that it is the best way of ensuring personal liberty and empowering the individual so that every American of every race and region shares fully in the flowering of American prosperity and freedom.

One other thing we Americans like—the future—like the sound of it, the idea of it, the hope of it. Where others fear trade and economic growth, we see opportunities for creating new wealth and undreamed-of opportunities for millions in our own land and beyond. Where others seek to throw up barriers, we seek to bring them down. Where others take counsel of their fears, we follow our hopes. Yes, we Americans like the future and like making the most of it. Let's do that now.

And let's begin by discussing how to maintain economic growth by controlling and eventually eliminating the problem of Federal deficits. We have had a balanced budget only eight times in the last 57 years. For the first time in 14 years, the Federal Government spent less in real terms last year than the year before. We took \$73 billion off last year's deficit compared to the year before. The deficit itself has moved from 6.3 percent of the gross national product to only 3.4 percent. And perhaps the most important sign of progress has been the change in our view of deficits. You know, a few of us can remember when, not too many years ago, those who created the deficits said they would make us prosperous and not to worry about the debt, because we owe it to ourselves. Well, at last there is agreement that we can't spend ourselves rich.

Our recent budget agreement, designed to reduce Federal deficits by \$76 billion

over the next 2 years, builds on this consensus. But this agreement must be adhered to without slipping into the errors of the past: more broken promises and more unchecked spending. As I indicated in my first State of the Union, what ails us can be simply put: The Federal Government is too big, and it spends too much money. I can assure you, the bipartisan leadership of Congress, of my help in fighting off any attempt to bust our budget agreement. And this includes the swift and certain use of the veto power.

Now, it's also time for some plain talk about the most immediate obstacle to controlling Federal deficits. The simple but frustrating problem of making expenses match revenues—something American families do and the Federal Government can't—has caused crisis after crisis in this city. Mr. Speaker, Mr. President, I will say to you tonight what I have said before and will continue to say: The budget process has broken down; it needs a drastic overhaul. With each ensuing year, the spectacle before the American people is the same as it was this Christmas: budget deadlines delayed or missed completely, monstrous continuing resolutions that pack hundreds of billions of dollars worth of spending into one bill, and a Federal Government on the brink of default.

I know I'm echoing what you here in the Congress have said, because you suffered so directly. But let's recall that in 7 years, of 91 appropriations bills scheduled to arrive on my desk by a certain date, only 10 made it on time. Last year, of the 13 appropriations bills due by October 1st, none of them made it. Instead, we had four continuing resolutions lasting 41 days, then 36 days, and 2 days, and 3 days, respectively.

And then, along came these behemoths. This is the conference report—1,053 pages report weighing 14 pounds. Then this—a reconciliation bill 6 months late that was 1,186 pages long, weighing 15 pounds. And the long-term continuing resolution—this one was 2 months late, and it's 1,057 pages long, weighing 14 pounds. That was a total of 43 pounds of paper and ink. You had 3 hours—yes, 3 hours—to consider each, and it took 300 people at my Office of Management and Budget just to read the bill so the Government wouldn't shut down. Congress

shouldn't send another one of these. No. And if you do, I will not sign it.

Let's change all this. Instead of a Presidential budget that gets discarded and a congressional budget resolution that is not enforced, why not a simple partnership, a joint agreement that sets out the spending priorities within the available revenues? And let's remember our deadline is October 1st, not Christmas. Let's get the people's work done in time to avoid a footrace with Santa Claus. *[Laughter]* And, yes, this year—to coin a phrase—a new beginning: 13 individual bills, on time and fully reviewed by Congress.

I'm also certain you join me in saying: Let's help ensure our future of prosperity by giving the President a tool that, though I will not get to use it, is one I know future Presidents of either party must have. Give the President the same authority that 43 Governors use in their States: the right to reach into massive appropriation bills, pare away the waste, and enforce budget discipline. Let's approve the line-item veto.

And let's take a partial step in this direction. Most of you in this Chamber didn't know what was in this catchall bill and report. Over the past few weeks, we've all learned what was tucked away behind a little comma here and there. For example, there's millions for items such as cranberry research, blueberry research, the study of crawfish, and the commercialization of wildflowers. And that's not to mention the five or so million [\$5 million] that—so that people from developing nations could come here to watch Congress at work. *[Laughter]* I won't even touch that. *[Laughter]* So, tonight I offer you this challenge. In 30 days I will send back to you those items as rescissions, which if I had the authority to line them out I would do so.

Now, review this multibillion-dollar package that will not undercut our bipartisan budget agreement. As a matter of fact, if adopted, it will improve our deficit reduction goals. And what an example we can set: that we're serious about getting our financial accounts in order. By acting and approving this plan, you have the opportunity to override a congressional process that is out of control.

There is another vital reform. Yes, Gramm-Rudman-Hollings has been profoundly helpful, but let us take its goal of a balanced budget and make it permanent. Let us do now what so many States do to hold down spending and what 32 State legislatures have asked us to do. Let us heed the wishes of an overwhelming plurality of Americans and pass a constitutional amendment that mandates a balanced budget and forces the Federal Government to live within its means.

Reform of the budget process—including the line-item veto and balanced budget amendment—will, together with real restraint on government spending, prevent the Federal budget from ever again ravaging the family budget.

Let's ensure that the Federal Government never again legislates against the family and the home. Last September I signed an Executive order on the family requiring that every department and agency review its activities in light of seven standards designed to promote and not harm the family. But let us make certain that the family is always at the center of the public policy process not just in this administration but in all future administrations. It's time for Congress to consider, at the beginning, a statement of the impact that legislation will have on the basic unit of American society, the family.

And speaking of the family, let's turn to a matter on the mind of every American parent tonight: education. We all know the sorry story of the sixties and seventies—soaring spending, plummeting test scores—and that hopeful trend of the eighties, when we replaced an obsession with dollars with a commitment to quality, and test scores started back up. There's a lesson here that we all should write on the blackboard a hundred times: In a child's education, money can never take the place of basics like discipline, hard work, and, yes, homework.

As a nation we do, of course, spend heavily on education—more than we spend on defense. Yet across our country, Governors like New Jersey's Tom Kean are giving classroom demonstrations that how we spend is as important as how much we spend. Opening up the teaching profession to all qualified candidates, merit pay—so

that good teachers get A's as well as apples—and stronger curriculum, as Secretary Bennett has proposed for high schools—these imaginative reforms are making common sense the most popular new kid in America's schools.

How can we help? Well, we can talk about and push for these reforms. But the most important thing we can do is to reaffirm that control of our schools belongs to the States, local communities and, most of all, to the parents and teachers.

My friends, some years ago, the Federal Government declared war on poverty, and poverty won. [Laughter] Today the Federal Government has 59 major welfare programs and spends more than \$100 billion a year on them. What has all this money done?

Well, too often it has only made poverty harder to escape. Federal welfare programs have created a massive social problem. With the best of intentions, government created a poverty trap that wreaks havoc on the very support system the poor need most to lift themselves out of poverty: the family. Dependency has become the one enduring heirloom, passed from one generation to the next, of too many fragmented families.

It is time—this may be the most radical thing I've said in 7 years in this office—it's time for Washington to show a little humility. There are a thousand sparks of genius in 50 States and a thousand communities around the Nation. It is time to nurture them and see which ones can catch fire and become guiding lights.

States have begun to show us the way. They've demonstrated that successful welfare programs can be built around more effective child support enforcement practices and innovative programs requiring welfare recipients to work or prepare for work. Let us give the States more flexibility and encourage more reforms. Let's start making our welfare system the first rung on America's ladder of opportunity, a boost up from dependency, not a graveyard but a birthplace of hope.

And now let me turn to three other matters vital to family values and the quality of family life. The first is an untold American success story. Recently, we released our annual survey of what graduating high

school seniors have to say about drugs. Cocaine use is declining, and marijuana use was the lowest since surveying began. We can be proud that our students are just saying no to drugs. But let us remember what this menace requires: commitment from every part of America and every single American, a commitment to a drug-free America. The war against drugs is a war of individual battles, a crusade with many heroes, including America's young people and also someone very special to me. She has helped so many of our young people to say no to drugs. Nancy, much credit belongs to you, and I want to express to you your husband's pride and your country's thanks. Surprised you, didn't I? [Laughter]

Well, now we come to a family issue that we must have the courage to confront. Tonight, I call America—a good nation, a moral people—to charitable but realistic consideration of the terrible cost of abortion on demand. To those who say this violates a woman's right to control of her own body: Can they deny that now medical evidence confirms the unborn child is a living human being entitled to life, liberty, and the pursuit of happiness? Let us unite as a nation and protect the unborn with legislation that would stop all Federal funding for abortion and with a human life amendment making, of course, an exception where the unborn child threatens the life of the mother. Our Judeo-Christian tradition recognizes the right of taking a life in self-defense.

But with that one exception, let us look to those others in our land who cry out for children to adopt. I pledge to you tonight I will work to remove barriers to adoption and extend full sharing in family life to millions of Americans so that children who need homes can be welcomed to families who want them and love them.

And let me add here: So many of our greatest statesmen have reminded us that spiritual values alone are essential to our nation's health and vigor. The Congress opens its proceedings each day, as does the Supreme Court, with an acknowledgment of the Supreme Being. Yet we are denied the right to set aside in our schools a moment each day for those who wish to pray. I believe Congress should pass our school prayer amendment.

Now, to make sure there is a full nine-member Supreme Court to interpret the law, to protect the rights of all Americans, I urge the Senate to move quickly and decisively in confirming Judge Anthony Kennedy to the highest Court in the land and to also confirm 27 nominees now waiting to fill vacancies in the Federal judiciary.

Here then are our domestic priorities. Yet if the Congress and the administration work together, even greater opportunities lie ahead to expand a growing world economy, to continue to reduce the threat of nuclear arms, and to extend the frontiers of freedom and the growth of democratic institutions.

Our policies consistently received the strongest support of the late Congressman Dan Daniel of Virginia. I'm sure all of you join me in expressing heartfelt condolences on his passing.

One of the greatest contributions the United States can make to the world is to promote freedom as the key to economic growth. A creative, competitive America is the answer to a changing world, not trade wars that would close doors, create greater barriers, and destroy millions of jobs. We should always remember: Protectionism is destructionism. America's jobs, America's growth, America's future depend on trade—trade that is free, open, and fair.

This year, we have it within our power to take a major step toward a growing global economy and an expanding cycle of prosperity that reaches to all the free nations of this Earth. I'm speaking of the historic free trade agreement negotiated between our country and Canada. And I can also tell you that we're determined to expand this concept, south as well as north.

Next month I will be traveling to Mexico, where trade matters will be of foremost concern. And over the next several months, our Congress and the Canadian Parliament can make the start of such a North American accord a reality. Our goal must be a day when the free flow of trade, from the tip of Tierra del Fuego to the Arctic Circle, unites the people of the Western Hemisphere in a bond of mutually beneficial exchange, when all borders become what the U.S.-Canadian border so long has been: a meeting place rather than a dividing line. *

This movement we see in so many places toward economic freedom is indivisible from the worldwide movement toward political freedom and against totalitarian rule. This global democratic revolution has removed the specter, so frightening a decade ago, of democracy doomed to permanent minority status in the world. In South and Central America, only a third of the people enjoyed democratic rule in 1976. Today over 90 percent of Latin Americans live in nations committed to democratic principles.

And the resurgence of democracy is owed to these courageous people on almost every continent who have struggled to take control of their own destiny. In Nicaragua the struggle has extra meaning, because that nation is so near our own borders.

The recent revelations of a former high-level Sandinista major, Roger Miranda, show us that, even as they talk peace, the Communist Sandinista government of Nicaragua has established plans for a large 600,000-man army. Yet even as these plans are made, the Sandinista regime knows the tide is turning, and the cause of Nicaraguan freedom is riding at its crest. Because of the freedom fighters, who are resisting Communist rule, the Sandinistas have been forced to extend some democratic rights, negotiate with church authorities, and release a few political prisoners.

The focus is on the Sandinistas, their promises and their actions. There is a consensus among the four Central American democratic Presidents that the Sandinistas have not complied with the plan to bring peace and democracy to all of Central America. The Sandinistas again have promised reforms. Their challenge is to take irreversible steps toward democracy.

On Wednesday my request to sustain the freedom fighters will be submitted, which reflects our mutual desire for peace, freedom, and democracy in Nicaragua. I ask Congress to pass this request. Let us be for the people of Nicaragua what Lafayette, Pulaski, and Von Steuben were for our forefathers and the cause of American independence.

So, too, in Afghanistan, the freedom fighters are the key to peace. We support the Mujahidin. There can be no settlement unless all Soviet troops are removed and the Afghan people are allowed genuine self-

determination. I have made my views on this matter known to Mr. Gorbachev. But not just Nicaragua or Afghanistan—yes, everywhere we see a swelling freedom tide across the world: freedom fighters rising up in Cambodia and Angola, fighting and dying for the same democratic liberties we hold sacred. Their cause is our cause: freedom.

Yet even as we work to expand world freedom, we must build a safer peace and reduce the danger of nuclear war. But let's have no illusions. Three years of steady decline in the value of our annual defense investment have increased the risk of our most basic security interests, jeopardizing earlier hard-won goals. We must face squarely the implications of this negative trend and make adequate, stable defense spending a top goal both this year and in the future.

This same concern applies to economic and security assistance programs as well. But the resolve of America and its NATO allies has opened the way for unprecedented achievement in arms reduction. Our recently signed INF treaty is historic, because it reduces nuclear arms and establishes the most stringent verification regime in arms control history, including several forms of short-notice, on-site inspection. I submitted the treaty today, and I urge the Senate to give its advice and consent to ratification of this landmark agreement. *[Applause]* Thank you very much.

In addition to the INF treaty, we're within reach of an even more significant START agreement that will reduce U.S. and Soviet long-range missile, or strategic, arsenals by half. But let me be clear. Our approach is not to seek agreement for agreement's sake but to settle only for agreements that truly enhance our national security and that of our allies. We will never put our security at risk—or that of our allies—just to reach an agreement with the Soviets. No agreement is better than a bad agreement.

As I mentioned earlier, our efforts are to give future generations what we never had: a future free of nuclear terror. Reduction of strategic offensive arms is one step; SDI another. Our funding request for our Strategic Defense Initiative is less than 2 percent of

the total defense budget. SDI funding is money wisely appropriated and money well spent. SDI has the same purpose and supports the same goals of arms reduction. It reduces the risk of war and the threat of nuclear weapons to all mankind. Strategic defenses that threaten no one could offer the world a safer, more stable basis for deterrence. We must also remember that SDI is our insurance policy against a nuclear accident, a Chernobyl of the sky, or an accidental launch or some madman who might come along.

We've seen such changes in the world in 7 years. As totalitarianism struggles to avoid being overwhelmed by the forces of economic advance and the aspiration for human freedom, it is the free nations that are resilient and resurgent. As the global democratic revolution has put totalitarianism on the defensive, we have left behind the days of retreat. America is again a vigorous leader of the free world, a nation that acts decisively and firmly in the furtherance of her principles and vital interests. No legacy would make me more proud than leaving in place a bipartisan consensus for the cause of world freedom, a consensus that prevents a paralysis of American power from ever occurring again.

But my thoughts tonight go beyond this, and I hope you'll let me end this evening with a personal reflection. You know, the world could never be quite the same again after Jacob Shallus, a trustworthy and dependable clerk of the Pennsylvania General Assembly, took his pen and engrossed those words about representative government in the preamble of our Constitution. And in a quiet but final way, the course of human events was forever altered when, on a ridge overlooking the Emmitsburg Pike in an obscure Pennsylvania town called Gettysburg, Lincoln spoke of our duty to government of and by the people and never letting it perish from the Earth.

At the start of this decade, I suggested that we live in equally momentous times, that it is up to us now to decide whether our form of government would endure and whether history still had a place of greatness for a quiet, pleasant, greening land called America. Not everything has been made perfect in 7 years, nor will it be made perfect in seven times 70 years, but before

us, this year and beyond, are great prospects for the cause of peace and world freedom.

It means, too, that the young Americans I spoke of 7 years ago, as well as those who might be coming along the Virginia or Maryland shores this night and seeing for the first time the lights of this Capital City—the lights that cast their glow on our great halls of government and the monuments to the memory of our great men—it means those young Americans will find a city of hope in a land that is free.

We can be proud that for them and for us, as those lights along the Potomac are still seen this night signaling as they have for nearly two centuries and as we pray God they always will, that another generation of Americans has protected and passed on lovingly this place called America, this shining city on a hill, this government of, by, and for the people.

Thank you, and God bless you.

Note: The President spoke at 9:07 p.m. in the House Chamber of the Capitol. He was introduced by Jim Wright, Speaker of the House of Representatives. The address was broadcast live on nationwide radio and television.

INVESTING IN AMERICA'S STUDENTS

November 17, 1999

(all Program Levels in millions)

	HOUSE REPUBLICAN BUDGET	FINAL BUDGET AGREEMENT	DIFFERENCE
Class Size Reduction	0	1,300	+1,300
Title I Grants to LEAs	7,732	7,941	+209
<i>Title I Accountability (set aside from Grants to LEA's)</i>	0	134	+134
After-School Programs	300	453	+153
GEAR UP	0	200	+200
Hispanic Education Action Plan Increases	43	436	+393
Head Start	4,760	5,267	+507
Education Technology	500	769	+269
Teacher Quality Enhancement Grants	75	98	+23
Safe and Drug Free Schools	566	606	+40
Charter Schools	130	145	+15
Pell Grants	7,620	7,700	+80
Reading Excellence Act	200	260	+60

Copy for Eric
+ return to BR

CHEAT SHEET ON DPC BUDGET ITEMS

Education

1. Ending Social Promotion (Cost \$300 million over FY99 budget)
2. Teacher Quality and Recruitment (Cost \$210 million over FY99 budget)
3. Work Site Schools (\$20 million FY2000)
4. Public School Choice (\$120 FY2000 budget)
5. School Leadership Academies (\$50 million FY2000 budget)
6. Magnet Programs (\$25 million FY2000 budget)
7. 10 University-Based Schools (\$15 million FY2000 budget)

National Service

8. Americorp Seniors (\$40 million FY2000)
9. Expand Americorp (\$235 million FY2000)
10. Expand Service Component of Work-Study Program (No Cost)

Health Care

11. Long Term Care (Tax credit: \$6 billion over 5 years; one-stop community centers: \$150 million over 5 years; nursing home quality initiative: \$500-750 million over 5 years; Medicare beneficiary education initiative: \$25 million)
12. Health Insurance Coverage Expansions (Medicare buy-in: \$1.5 billion over 5 years; small business purchasing coalition: at least \$50 million; Medicaid for foster care children: \$50 million over 5; children's health outreach: no cost)
13. Biomedical Research (\$500 million plus)
14. Superbug Initiative (\$20 million)
15. Bioterrorism Initiative (\$100 million)
16. Prescription Drug Coverage For Medicare Beneficiaries (varies: at least \$2 to 5 billion / year)
17. Protecting Beneficiaries From HMO Withdrawals From Medicare (no cost)
18. Redesigning And Increasing Enrollment In Medicare's Premium Assistance Program (no cost)
19. Disease Initiatives (Asthma: \$50 million; Heart disease: \$20 million; Mental health: \$100 million; Race & Health: \$80 million; HIV/AIDS: \$100 million; DoD cancer projects: \$250 million)
20. Food Safety and FDA (\$87 million)
21. Disability -- Health (Jeffords-Kennedy: \$1.2 billion over 5 years)
22. Disability -- Getting People To Work (Tax credit: \$1 to 2 billion over 5 years)

Tobacco

23. State Menu (2+ Billion One Time)
24. Medicare Suit Against Tobacco Companies (Guesstimate of \$1 to \$10 million)

Families and Children

CDA-2

- 25. Expansion of Child Care and Development Block Grant (\$7.5 billion over five years)
- 26. DCTC With Stay At Home Component (\$6.1 to \$7.4 billion depending on option)
- 27. Tax Credit For Businesses Providing Child Care (\$500 million over five years)
- 28. Parent Paid Leave Plan (\$875 million for FY2000)
- 29. FMLA Expansion to Businesses With 25 Workers (No Cost)
- 30. Parent Education and Support Fund (\$500 million FY2000)
- 31. Adoption Registry (No Cost)

Crime

- 32. Crime Bill II (\$1 Billion)
- 33. Safe, Disciplined, and Drug-Free Schools (\$450 million FY2000)
- 34. Parity for Substance Abuse Treatment (No Cost)
- 35. Binge Drinking (No Cost)

Community Empowerment

- 36. CDFI Tax Credit (\$10 million per year)
- 37. Microcredit Initiative ()
- 38. Clean Water, Parks, and Communities Bonds (\$200 per year)
- 39. LIHTC Expansion (\$1.6 billion over five years)
- 40. Homeownership Tax Credit (\$500 million over five years)
- 41. Housing for Elderly Initiative (Approximately \$100 million a year)
- 42. Re-Develop 10,000 Abandoned Buildings (Hopefully No Cost -- Gene's idea)
- 43. Homelessness (\$105 million FY2000)

Agriculture

- 44. Emergency Medical Services (\$50 million)

Welfare Reform, Child Support Enforcement, And Child Welfare

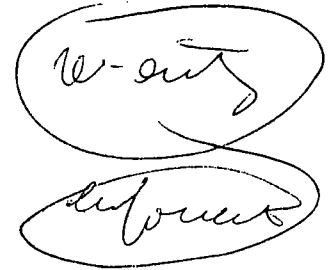
- 45. Reauthorize Welfare To Work Program (\$1.5 billion per year)
- 46. WWTC/WOTC Extension (n/a)
- 47. New Vouchers (Approx. \$500 million)
- 48. Child Support (\$50 to \$60 million per year)
- 49. Children "Aging Out" Of Foster Care (\$150 million per year)

Civil Rights/Women's Rights

- 50. Equal Pay (\$20 million EEOC and \$10 million for DOL)
- 51. Abortion Violence (n/a)

Financial Services

- 52. Consumer Financial Bill Of Rights (\$15 to \$20 million)



DRAFT: HEALTH CARE
USES OF FUNDS FOR THE FY 2000 BUDGET
(Dollars in billions, fiscal years)

DISCRETIONARY	Requests	OMB Passback	HHS Appeal	WH Priorities	COMMENTS
	2000	2000	2000	2000	
Bioterrorism	0.370	0.152	+ 0.218	+ 0.090	High priority
Superbug	0.020	0.000		+ 0.010	High priority
AoA Caregiver Program	0.150	0.010	+ 0.140	+ 0.140	Needed for LTC initiative
Nursing Home Quality	0.153	0.107	+ 0.013	+ 0.500	Needs \$; mand & discr.; user fee unrealistic
Medicare LTC Education	0.025	0.000		+ 0.025	Needed for LTC initiative
AIDS: Ryan White	0.100	0.072		+ 0.050	OMB funding only minimum
AIDS: CBC Initiative	0.100	0.000	+ 0.050	+ 0.050	Needed for CBC
Race & Health	0.080	0.000	+ 0.103	+ 0.050	High priority
Mental Health	0.100	0.000	+ 0.116	+ 0.100	VP priority
Asthma (only EPA funds)	0.025	0.000	+ 0.050	+ 0.025	Funded through EPA/maybe Medicaid
Rural emergency services	0.050	0.000		+ 0.025	POTUS interest/possible mandatory
FDA, Food Safety	0.550	0.127	+ 0.263	+ 0.050	Need \$50 m for food safety
Children's GME	0.150	0.000		+ 0.040	FLOTUS priority
DoD Cancer, osteoporosis					Want \$200 million of DoD increase
Biomedical Research	1.500	0.049	+ 1.500	*	VP priority (will need \$500-750m)
TOTAL	3.373	0.517	+ 2.453	+ 1.155	
<i>Subtotal: HHS Request</i>	<i>3.128</i>		<i>+ 2.453</i>		
MANDATORY	Requests	OMB Passback		Additions/ Priorities	
	2000-04	2000-04		2000-04	
Jeffords-Kennedy	1.200	1.200			POTUS priority/disability comm. thinks in
Medicare Buy-In	1.700	0.000		+ 1.700	POTUS priority
Cancer Clinical Trials	0.750	0.000		+ 0.750	VP priority
Medicaid Disability Equity Opti	0.110	0.110			Important to disability community
Medicaid for Foster Kids	0.050	0.050			FLOTUS priority
Legal Immigrant Kids	0.100	0.100			Last year's proposal
CHIP Territories	0.100	0.100			" "
QMB Low-Income Reforms	0.000	0.000			Depending on baseline, budget neutral
Kids' Outreach	0.000	0.000			" "
TOTAL	4.010	1.560		+ 2.450	

**DRAFT: CHILDREN AND FAMILIES
USES OF FUNDS FOR FY 2000 BUDGET**
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	HHS/DOL/DOJ Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Child Care Quality	0.182 appropriated	0.182			FY99 advance
Head Start** dilemma	4.997	4.997	+0.398	**	Participation goal
FMLA/Paid Leave Research Fund (DOL)	0.0	0.0	0.0	0.010	Important next step
Abortion Safety	0.0	0.0	0.0	0.045	High priority
Abuse and Neglect Court Reform	0.0	0.0	0.0	0.005	FLOTUS priority
Transitional Living	0.015	0.020	0.0		FLOTUS priority

**See attached one-pager for discussion.

MANDATORY	Request	OMB Passback	HHS Appeal	WH Priorities	COMMENTS
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	
CCDBG (Subsidies and Infant Fund)* Fund				10.5	Replaces FY99 Subsidies and Early Learning
Independent Living	0.175	0.175			High priority
IV-E Extension for Foster Youth	0.0	0.0		c. 0.050	OMB holding In its base

*For child care mandatory items, HHS made no specific FY 2000 request and OMB made no specific passback; presumed request level for FY 2000 is taken from FY 1999 budget.

**DRAFT: COMMUNITY EMPOWERMENT
USES OF FUNDS FOR FY 2000 BUDGET**
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	Treas/HUD Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Vouchers					
Section 8	-----	11.408	11.717		
WTW	.289	.144	.289	.145	Deich would go along if not out HUD budget.
Family Incremental	-----	.204	.927		
Subsidized Housing	-----	.144	.564		
CDFI Fund	.125	.100	N/A	.25	We asked for \$125 last year and got \$90.

MANDATORY	Request	OMB Passback	Treasury/HUD Appeal	WH Priorities	COMMENTS
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	
Green Bonds	1.0	N/A	N/A	0	Treasury dislikes, but NEC, OVP, CEQ, EPA, HUD support.
Tax Credit For go Equity Investments In CDFIs	0.1	N/A	N/A	0	Treasury will along but Tax Policy doesn't like idea. Proposed in 1996 budget.
Empowerment Zones II	.750	.750	-----	0	

NEW CRIME INITIATIVES
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	AGCY Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
COPS II	0.315	0.3	0.0	1.4	\$650 M in offsets and \$650 M in new money identified; <u>still \$100 M short.</u>
Firearms Enf. Initiative	0.021	0.006	0.0	.031	Need \$25 M in <u>new funds</u> for 200 new agents and prosecutors (\$15 M for ATF; \$10 M for DOJ). To be coupled w/\$78 M already in budget for total of \$109 M.
Certainty of Punishment	0.060	0.005	0.0	0.100	Need \$95 M to fund. Could be alternative to prison funding.
Coerced Abstinence	0.187	0.153	0.085	0.250	Need \$97 M to fund. Could be alternative to prison funding.

**EDUCATION INITIATIVES
USES OF FUNDS FOR FY 2000 BUDGET**

DISCRETIONARY	Request	OMB Passback	ED Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
21st Century After-School Program (ending soc. Prom.)	300	250	+150	+450	POTUS priority
<u>Choice</u>					
Charter Schools	120	110	---	+10	Keeps us on path to 3,000
Work-site schools	---	---	---	+10	expands public school choice options
Magnet Schools 104 (for interdistrict magnets)	114	---	---		Passback meets our priority
High Schools at 120* Community Colleges (In Tech-Prep line item) *10 million for this initiative	106	+14	+10		expands public school choice options
<u>Teacher Quality</u>					
Teacher Quality and Recruitment (HEA Title II)	175	75	+100		
Teacher Recruitment (Byrd Scholarship) *no funding included for this new initiative	39.2*	39.2	---	+28	use existing authority for new initiative
Reduce Unqualified Teachers (Eisenhower national) no funding included for this initiative	---*	---	---	+50	
Mid-Career Teachers (expand Troops to Teachers)	---	---	---	+25	
School Leadership (Eisenhower national)	50	---	---	+50	

Education Reform
Education Excellence
and Accountability

+200

Respond to
POTUS Fund
priority for
stronger
accountability

(add to Title 1)

Goals 2000

515

491

+100

+25

signal that
G2K remains
high priority

**DRAFT: NATIVE AMERICANS/FOOD SAFETY/EQUAL PAY
USES OF FUNDS FOR FY 2000 BUDGET**
(Dollars in Millions)

DISCRETIONARY	Request	OMB Passback	Agency Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Food Safety					Admin. Priority
FDA	\$48.9	\$0	\$48.9	\$48.9	
CDC	\$18	\$0	\$18	\$18	
USDA	\$20	\$20	(\$30.5)*	\$30.5	
Equal Pay					Next step
EEOC	\$17.3	\$0	\$17.3	\$17.3	
DOL-OFCCP	\$10.4	\$0.383	\$0	\$10.4	
Native American Educ: 1000 Teachers	\$0	\$0	\$10	\$10	POTUS Executive order
Interior: Econ Dev	\$0	\$0	\$0	\$1	POTUS Directive
Interior: BIA School Construction	\$108.8	\$78.3	\$30.5 (to make up diff)		Followup to FY99 Req
HHS-IHS budget	\$382	\$175	\$207 (to make up diff)		

*Although no part of the Food Safety Initiative, USDA objects to denial of salary increases, arguing that this will cut the number of inspections and undercut the Initiative.

DRAFT: TOBACCO
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	Agency Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Tobacco					
CDC	.243	.74		+.26	
FDA	.184	.34		+.66	
SAMHSA Survey	.4	0		+.4	
Smoking Cessation					
Non-Defense	---	---	---	+.90	
Defense	---	---	---	+.60	

DRAFT: WELFARE
USES OF FUNDS FOR FY 2000 BUDGET
(Dollars in Billions)

DISCRETIONARY	Request	OMB Passback	Agency Appeal	WH Priorities	COMMENTS
	FY 2000	FY 2000	FY 2000	FY 2000	
Child Support Crackdown.	N.A.	N.A.	N.A.	+0.92	\$8 mi to DOJ \$1.2 mi to HHS
Access to Jobs level	.150	.075	.150	+750	Full authorized
Welfare-to-Work Housing Vouchers had	.289	.144	.289	+144	Passback also
	(Not all WTW)		Through svgs	up to 36,000	
Targeted Substance Abuse Grants	.121	.026	.60	+24	About 1/3 for women w/ kids
IDAs	--	.012	??	+13	Presidential initiative
BRIDGE	.150	0	N.A.	+150	Task Force priority
MANDATORY	Request	OMB Passback	DOL Appeal	WH Priorities	COMMENTS
	FY 2000-04	FY 2000-04	FY 2000-04	FY 2000-04	
Welfare-to-Work	6.5	N.A	N.A.	+5.0	OMB has not passed back
				yet	

CAMPAIGN FINANCE REFORM INITIATIVES

1. Reaffirm Support For McCain-Feingold. Challenge to the new Congress to pass this legislation by the Spring.

CIVIL RIGHTS INITIATIVES

1. Enhance the Community Relations Service program at Justice. (part existing program to be enhanced; part new policy). Since 1964, CRS has contributed significantly to community stability through the effective resolution of thousands of racial and ethnic community conflicts. Since the 1980s, their budget has been decimated (from a staff of over 300 to a current staff of 45). An increase in funding for this program fits well with the President's Race Initiative. This initiative could (1) enhance CRS's current ability to respond to racial unrest in communities (like Jasper, TX) by increasing staff (with an emphasis of field and regional conciliators) and enhanced technology; (2) provide community mediation and conflict resolution training to local governments, law enforcement, community groups and other stakeholders (techniques that can be used by communities as an alternative to litigation); (3) allow the CRS to fulfill their commitment to provide technical assistance on hate crimes to the 93 U.S. attorneys around the country. (Cost: ??? but less than \$10 million)

2. Promoting Racially Integrated Communities. Enlist private real estate industry in a national campaign that promotes that promotes the advantages of housing integration (similar to the effort being formed re: diversity in higher education). (no cost)

3. Civil Rights Coordination. This initiative would create an inter-agency civil rights coordinating council to (1) improve cross agency coordination of civil rights enforcement; (2) expand and coordinate data collection across agencies; (3) coordinate research on the extent of racial discrimination in the country (including developing models for paired testing in emerging areas, such as employment and public accommodations); and (4) include a linking of data bases across enforcement agencies. This is an idea put forward last year by the civil rights agencies and this year (in a slightly modified form) by Counsel's office. (Cost: ?? -- (probably very little, except perhaps for the data base linkage).

4. Ensuring Equal Pay. A program to be run by the EEOC and DOL to advance outreach to businesses and employees to educate them about the legal requirements for paying equal wages, provide technical assistance, improve training for EEOC employees and resources for increases in enforcement capabilities. In addition, funding for research to better understand the nature and extent of compensation discrimination. Also funding for a Women in Non-Traditional Occupations Initiative, which will identify best practices, emphasize anti-discrimination and anti-harassment activities, and explore incentives to improve access to and acceptance of women into glass ceiling and nontraditional opportunities such as construction, "high tech," and manufacturing. (Cost: \$18.7 million for EEOC and \$9.8 million for DOL).

5. Hate Crimes Legislation. We should continue to push for our hate crimes legislation.

COMMUNITY EMPOWERMENT INITIATIVES

Access to Capital and Credit

1. CDFI Tax Credit. We are looking at a proposal to extend tax incentives to encourage investment in CDFIs, which would leverage additional private investment in distressed areas and stimulate the economic revitalization of those areas. Under the proposal, \$100 million in non-refundable tax credits would be made available to the CDFI Fund to allocate among equity investors in qualified CDFIs between 2000 and 2009. The allocation of credits would be determined by the CDFI Fund using a competitive process similar to the one used for grants, loans, and equity investments. The maximum amount of credit allocable to a particular investment would be 25 percent of the amount invested, though the CDFI Fund could negotiate a lower percentage. One downside with this proposal is that it would not assist non-profit CDFIs nor those that issue stock, such as mutual organizations.

2. Microcredit Initiative. We are working with an interagency team to identify means to amplify Administration support for microenterprise finance -- both domestically and internationally. We are examining whether to build on Senators Kennedy's and Domenici's PRIME legislation which would provide technical assistance to microenterprise. We are also looking at increased funding for CDFI initiatives specifically targeted to microenterprise (both for operational and lending purposes), and CRA and other regulatory reform designed to enhance bank lending to microenterprise funds. On the international side, we are looking at whether we can increase microenterprise funding for USAID or through MDBs (either as a direct appropriation or potentially more innovative means, e.g., "debt for development" swaps), some portions of which may come under the aegis of support for countries hardest hit by the financial crisis.

Creating Jobs/Making Work Pay

1. Clean Water, Parks, and Communities Bonds. We are examining three potential proposals to encourage "green" infrastructure projects. The first model uses the same financing mechanism as your school construction proposal -- providing tax credits to state and local areas on their bond authority -- to provide incentives to communities to clean up the environment. This proposal would cost about \$1 billion over five years and would leverage about \$4-\$5 billion in environmental investments. Communities could issue these zero-interest bonds for a menu of projects: protecting and improving water quality; cleanup of contaminated sediments; waterfront reclamation and revitalization; stormwater runoff control; purchasing of green spaces to prevent sprawl; park enhancements and revitalization, and brownfields cleanup. The second model, which provides a smaller incentive than the first model, would create new tax-exempt bond authority for these state and local areas to invest in clean water, parks, and communities. The advantage of this model is that it builds on the current system of bond finance. The final model would allocate tax credits (like the Low-Income Housing Tax Credit) to states and local areas to provide to the developers of these green infrastructure projects.

2. Employment Tax Credits. The Work Opportunity Tax Credit (WOTC) and the Welfare-To-Work Tax Credit (WTW) encourage employers to hire and retain members of certain economically disadvantaged targeted groups. Individuals must be certified as a member of a target group before the employer can claim a credit. Targeted groups under WOTC include certain welfare recipients and economically disadvantaged groups, and vocational rehabilitation referrals. The maximum credit is \$2,400. The WTW targets long-term welfare recipients and individuals who are no longer eligible for welfare because of federal or state time limits. The maximum credit is \$8,500, if the employee stays with the employer for two years, thus encouraging retention. The WOTC is slightly more generous for short-term employment. Both credits will expire on June 30, 1999. Under this proposal the two credits would be made permanent.

P. General policy / audits in CRA?

Affordable Housing and Promoting Homeownership for All Americans

1. Expansion of Low Income Housing Tax Credit. Last year, you proposed a 40-percent expansion of the Low-Income Housing Tax Credit (LIHTC) to spur the private-sector to develop more affordable rental housing for low-income Americans. However, Congress failed to act despite large bipartisan support in both the House and the Senate. We recommend you re-propose increasing the cap on the LIHTC from \$1.25 per capita to \$1.75 per capita. This proposal would restore the value of the credit to its 1986 level and will help develop an additional 150,000-180,000 affordable housing units over the next five years. This proposal would cost \$1.6 billion over five years.

2. Homeownership Tax Credit. We are examining two different types of tax credits to promote homeownership among lower-income families, who generally do not benefit from the mortgage interest deduction. The first proposal would use the model of the Low-Income Housing Tax Credit to create a Low-Income Homeownership Tax Credit. Under this proposal, low-income families would receive a low- or zero-interest second mortgage, which would reduce their upfront costs (e.g., downpayment and closing costs) and investors would receive the tax credit as their return on their investment. The second proposal is a \$5,000 tax credit for first-time homebuyers in Empowerment Zones or Enterprise Communities. (The 1997 Balanced Budget Act included a similar proposal for first-time homebuyers in the District of Columbia.) We are analyzing both of these proposals to see which one most effectively reduces barriers to homeownership among lower-income families, while being fiscally sound.

3. Expansion of Private Activity Bond Cap/Mortgage Revenue Bonds. Within their volume cap, states and local government may issue tax-exempt bonds for a variety of purposes. State and local governments use about one-third of their private activity bond allocation for mortgage revenue bonds (MRBs), which helps state and local areas provide below-market mortgages to first-time homebuyers with relatively low incomes. However, the volume cap on private activity bonds, and thus MRBs, has not changed since 1986. Most community development groups view private activity bonds as yours, since you were the one who permanently extended it in 1993. If Congress acts this year to increase the cap -- which is likely since it is supported by a majority of both houses -- we are concerned that you may lose this issue as one of your legacies. Therefore, we are looking to accelerate the increase in the cap that was included in this year's budget agreement. Treasury estimates that a 50-percent increase in 2000 -- which would restore its value to its 1986 level -- would cost \$500 million over five years.

4. Incremental Tenant-based Section 8 Vouchers. In order to build on the success of securing new incremental vouchers last year, we recommend seeking an additional 50,000 welfare-to-work housing vouchers and another 25,000 units to meet the needs of the homeless, including elderly homeless and homeless veterans.

5. Regional Affordable Housing Initiative. We are examining whether to propose a Regional Affordable Housing Initiative (RAHI) as a competitive pilot program. This proposal would be designed to result in a more balanced distribution of affordable housing across participating metropolitan regions. In particular, the program seeks to increase the availability of affordable housing in areas with high growth in low-skilled jobs and inadequate supplies of housing for low-income workers.. This proposal could be funded through HUD's HOME program and would cost \$125 million over five years.

6. Elderly Housing Initiative. This proposal includes a three-pronged approach to tackle the needs for elderly housing. This initiative would provide new capital to improve the quality of elderly housing, meet the changing needs of elderly residents and provide an alternative to nursing home care -- such as assisted living -- and provide more choice for the elderly by providing new vouchers. This initiative would cost

\$600 to \$700 million in FY2000.

CONSUMER INITIATIVES

1. Consumer Bill of Rights. A consumer bill of rights to address a number of areas such as enforcement, notice to consumers, and dissemination of information. We could announce this bill of rights as a package, but then pull out separate pieces for separate events as with the Patients' Bill of Rights area. We could include a number of different areas such as the following: **Consumers' Bill of Rights for the 21st Century:** Bringing Basic Consumer Protections to the High-Tech Marketplace. (Cost for the entire package: \$12.5 million for the Federal Trade Commission).

A. Consumers have a right to accurate information in the electronic marketplace. We have entered the Information Age, but sometimes information misleads rather than inspires consumers. On the Internet, many advertisements are confusing because important information is missing, hidden, or inaccurate. To fix this problem, we need to make sure that existing laws are in step with new technology. All agencies should review and revise their consumer disclosure laws to ensure that they are as effective online as they are on paper.

B. Consumers have a right to protection from fraud in the electronic marketplace. Congress should extend the criminal wire fraud and mail fraud statutes to cyberspace and prohibit deceptive practices online. We could provide 30 additional FTEs for the Federal Trade Commission's Bureau of Consumer Protection to detect and enforce antifraud laws on the Internet and to expand consumer education efforts.

C. Consumers have a right to control their personal information in the electronic marketplace. Consumers should be able to shop in cyberspace without fear of prying eyes. They should know if a web site wants to collect information about them, and they should have a choice about how that information will be used. Consumers should have access to their personal information to make sure it is accurate and their personal data should be kept secure. [Congress just passed an identity theft law.] This proposal would fund 15 FTEs to staff the FTC's Bureau of Consumer Protection Internet Privacy initiative.

D. Consumers should have one place to go for help and information. Consumers should have a one-stop shop for their Internet fraud problems, and law enforcement should be able to respond to respond to reported consumer fraud quickly and effectively. The Federal Trade Commission already operates the Consumer Response Center, which puts mail, telephone, and Internet fraud complaints in one database called Consumer Sentinel. This database contains over 150,000 complaints that are shared with officials across the U.S. and Canada. This proposal would fund a toll-free complaint number for the FTC's Bureau of Consumer Protection.

E. Consumers have a right to protection in the global marketplace. Schemers and criminals hide behind borders, even as they travel through borderless cyberspace, to victimize consumers everywhere. In order to bring these persons to justice, we need to strengthen our extradition treaties and change our laws so that we can share information and increase cooperation with our law enforcement partners around the globe. This proposal would provide funding for the FTC's Bureau of Consumer Protection to develop a global version of Consumer Sentinel, train law enforcement personnel to use it, and bring meaningful law enforcement actions against

international cybercrooks.

2. Slamming/Cramming. Cramming, in which con artists add bogus charges to consumers' telephone bills, and slamming, the unwanted switching of long-distance telephone service from one carrier to another, and are the top two respective complaints reported to the National Fraud Information Center in 1998. In 1997, the FCC received more than 20,000 complaints from customers who were slammed. So far, the FCC has fined slammers, announcing a \$5.7 million fine this year, and announced voluntary guidelines for cramming that local telephone companies say they will follow. We could add money for enforcement to the FCC and/or DOJ. In May, the Senate overwhelmingly passed legislation that would impose new penalties on slammers and would eliminate common slamming methods, such as contest entry forms that, when signed by unsuspecting customers, authorize a switch of their long-distance carriers. We should continue to seek this legislation.

3. Basic Banking Fee Disclosure Project -- In order to respond to the outrage consumers feel about ATM surcharges, without supporting economically questionable regulation of ATM fees, we are developing a proposal to make publicly available a list of fees charged by financial institutions on an individual or geographic basis to be published periodically over the Internet. The services profiled would include, but would not be limited to charges for access to ATMs. (Cost: \$3-5 million)

CRIME INITIATIVES

Crime Bill II

The 1994 Crime Act will expire at the end of the FY 2000 budget cycle, guaranteeing that the next Congress will have to consider major crime legislation. In his State of the Union and FY 2000 budget -- before the Crime Act lapses and before Republicans act on their own legislation -- the President should challenge Congress to extend his popular COPS program and pass a new crime that builds on the core elements of the successful 1994 Crime Act -- more police, tougher punishment and better prevention.

To do this, we will need about \$1.3 billion in new funds to preserve the Crime Act's current funding level of \$5.8 billion per year. Approximately \$4.5 billion is already built into the FY 2000 and future budgets for future crime bill programs (Interestingly, the only crime bill program not built into future budgets is the President's COPS program). With this commitment of funds, we could reconstitute the same broad-based coalition of law enforcement leaders, local elected officials, gun advocates and community groups that strongly supported the 1994 Crime Act, and work with them to develop the next generation of tough, smart anti-crime proposals. Total funding: \$5.8 billion in FY 2000, \$29 billion through 2004. New funding: \$1.3 billion in FY 2000, \$6.3 billion through 2004. Major components of this new crime bill could include:

1. \$1.4 billion for Community-Oriented Policing and Prosecution Services (COPPS). With the President's pledge to help fund 100,000 more police likely to be fulfilled before the end of next summer, the FY 2000 budget will only include about \$300 million for the COPS program. Already mayors and police chiefs are calling for COPS to be extended, and Senate Democrats quietly proposed such an extension in a crime bill they introduced at the end of this past Congress. We should take the lead in proposing to extend -- and expand -- a new COPPS initiative that includes:

A. \$500 million for more police on the street. Similar to the current program, these funds would be used to hire, redeploy and retain an estimated 5,000 to 6,000 police each year.

B. \$400 million for a 21st Century Policing initiative. These funds would be used for police training, technology and equipment, including: bolstering our 35 Regional Community Policing Training Centers; fostering partnerships between police departments and universities (i.e., the partnership between the Boston Police Department and Harvard's Kennedy School); expanding the use of computerized mapping to promote increased accountability in reducing crime (i.e., New York's COMPSTAT model); improving police academy instruction; promoting minority recruitment of police officers; and other existing programs like the Police Corps and law enforcement scholarships initiatives.

C. \$400 million for community prosecutors. Although Congress has been reluctant to fund our proposals for juvenile and community-based prosecutors, it will be much more difficult for Congress to oppose direct funds for prosecutors if they are linked to the popular COPS initiative. Thus, we should dedicate \$400 million of the new COPPS initiative to hire, train and equip the nation's prosecutors to join their local police in fighting crime on a more pro-active basis.

D. \$100 million for community crime fighting. Lastly, a new COPPS program should set aside funds to engage community residents, local government agencies and the private sector in solving crime problems and improving the quality of life in neighborhoods. These funds could be used to recruit seniors to help police identify and respond to abandoned cars, neglected properties and other crime-breeding conditions; to establish citizen police academies and teach neighborhood residents problem solving; and to enlist local environmental agencies to crackdown on illegal dumping in the inner city, which is often run by gangs.

2. \$720 million for promoting punishment and deterrence. Rather than propose additional funding for the punishment title of a new crime bill, we would shift the emphasis from prison construction to promoting swifter and more certain punishment for all persons under criminal justice supervision. Specifically, we would reallocate the Crime Acts current prison funding as follows:

A. \$150 million for criminal aliens. This simply reimburses states for the costs of incarcerating criminal aliens at current funding levels.

B. \$285 million for general prison construction. This represents a cut of about \$210 million for Violent Offender Incarceration and Truth-in-Sentencing grants.

C. \$285 million for Certainty of Punishment. We envision this initiative to increase the ability of states and local criminal justice systems to promote swift and certain punishment by: supporting statewide efforts, such as those proposed by Maryland and Connecticut, to systematically drug test and, if necessary treat, all drug offenders; establishing community-based courts and corrections that target and appropriately punish quality of life and nuisance crimes (i.e., prostitution, vandalism and public drunkenness), which would otherwise be ignored by local prosecutors and courts; funding teams of probation officers to work proactively with local police to closely supervise problem gang members, recovering drug addicts and sex offenders likely to repeat their crimes.

3. \$150 million to keep guns out of the hands of criminals. Of course, any new crime bill should include the President's firearms priorities, which are largely budget neutral (i.e., juvenile Brady, Brady II, federal CAP legislation and child safety locks). We should also, however, consider the following new proposals: (1) closing the loophole that exempts many firearms sales at gun shows and flea markets from Brady background checks; (2) expanding the President's Youth Crime Gun Interdiction Initiative (YCGII) -- to trace all crime guns and investigate gun traffickers -- to an additional 20-40 cities; and (3)

assembling gun strike forces, or teams of federal prosecutors and ATF agents, that would target cities with high levels of gun violence, crack down on illegal gun trafficking and prosecute felons and fugitives identified through the Brady National Insta-Check System. Estimated funding for these last two initiatives would be about \$150 million.

4. \$100 million for preventing crime through common sense values. In addition to other crime bill prevention programs (i.e., \$285 million in juvenile justice initiatives), we should also invest \$100 million to promote values-based crime and violence prevention. Consistent with the efforts of Rev. Eugene Rivers and other ministers, who are trying to mobilize 1,000 black churches to work with youth in 50 of the nation's worst neighborhoods, we should fund comprehensive prevention programs that seek to involve faith-based and other institutions that can help instill and reinforce common sense values in troubled youth.

5. \$3.4 billion to extend other popular initiatives from the 1994 Crime Act. With about \$2.4 billion in annual funding dedicated to the above mentioned programs, the remainder -- or about \$3.4 billion annually -- would be available to extend and build upon other initiatives from the 1994 Crime Act, including -- a new Violence Against Women Act, more drug courts, substance abuse treatment for federal and state prisoners, telemarketing fraud programs, and additional support for the FBI, DEA, ATF and other federal law enforcement agencies.

Safe, Disciplined and Drug-Free Schools

At the White House Conference on School Safety, the President announced that he would overhaul and strengthen the Safe and Drug-Free Schools Program to help local school districts ensure that students have safe, disciplined and drug-free environments for learning. Under this proposed reform, schools will have to adopt rigorous, comprehensive school safety plans that include: tough, but fair discipline policies, such as zero tolerance for guns and drugs; safe passage to and from schools; effective drug and violence policies and programs; annual school safety and drug use report cards; links to after school programs; efforts to involve parents; and crisis management plans. New funding: \$394 million in FY 2000, \$1.97 billion through FY 2004

Total funding: \$1 billion in FY 2000, \$5 billion through FY 2004 To assist school districts in meeting these more challenging standards, a new Safe, Disciplined and Drug-Free Schools Initiative should include:

1. \$700 million for states to fund comprehensive school safety plans. Although this represents an increase of \$174 million from the current state formula program, fewer schools will ultimately receive more funds for much broader-based plans. Also, states will have to provide these grants on a competitive -- not formula -- basis.

2. \$250 million to target schools with serious crime and drug problems. This represents an increase of \$220 million for national school safety initiatives, including funds for a new \$12 million School Emergency Response to Violence initiative.

3. \$50 million for drug prevention coordinators. This is the same request General McCaffrey submitted for last year's budget.

Teen Courts

Studies show that if children make it to their 18th birthday without using illegal drugs, alcohol or

tobacco, they are likely to avoid chemical dependence for the rest of their lives. To help keep kids from ever turning to substance abuse -- and to reinforce the message that there are consequences associated with drinking, smoking and taking drugs -- communities throughout the country are turning to teen courts that hold young, first-time offenders accountable for their actions. Teen courts capitalize on the strength of peer influence and send a strong message to offending youth that young people and the community will not condone their law-breaking behavior. Sentences typically include community service, counseling and victim restitution. There are currently about 500 teen courts operating nationwide, and they also cover other offenses, such as curfew violations, graffiti and drinking and driving. New funding \$50 million in FY 2000, \$250 million through FY 2004. Total funding: \$50 million in FY 2000, \$250 million through FY 2004

With \$50 million in new funding, we could create 500 to 700 new teen courts each year.

Ensuring Parity for Substance Abuse Treatment

Despite recent increases in federal spending on substance abuse treatment, appropriate treatment is still not available to nearly half of those who need it. To help fill this treatment gap, we should propose legislation that puts substance abuse treatment on par with other medical and surgical benefits. Similar to the Mental Health Parity Act signed into law by the President in September 1996, parity legislation for substance abuse treatment would generally prohibit health care providers already providing some substance abuse benefit from setting annual or lifetime dollar limits on substance abuse treatment benefits at a lower level than those set for other medical and surgical benefits.

Youth Drug Testing

While overall drug use remains flat -- and nearly 50% below its peak in 1979 -- youth drug use has increased dramatically and consistently since 1991. Thus, in addition to educating youth about the dangers of illegal drugs and funding effective drug prevention programs, we should promote zero tolerance for drug use through innovative youth drug testing. New funding: \$50 million in FY 2000, \$250 million through FY 2004. Total funding: \$50 million in FY 2000, \$250 million through FY 2004.

1. \$25 million for mandatory pre-licensure drug testing. To deter drugged driving by youth and provide a strong incentive for teens to stay drug-free, we should allocate new funds for the Department of Transportation to work with states to drug test first-time applicants for drivers licenses.

2. \$25 million for school-based drug testing. To help school districts throughout the country replicate Miami's school-based drug testing initiative, we should provide the Department of Education with \$50 million to fund local school districts' efforts to drug test middle and high school students if their parents consent. Drug test results would be delivered directly to parents, and provisions could be made to refer students who fail drug tests to treatment.

Expanding Medicaid Coverage for Drug Treatment

Under current law, Medicaid serves as a major barrier to provide treatment for certain poor, substance-abusing women. The Institutions for Mental Diseases (IMD) exclusion under Medicaid bars reimbursement for almost all residential substance abuse services in free-standing programs, which is often the most effective form of treatment for pregnant substance abusers. Moreover, any women who is otherwise eligible for Medicaid -- but who also enrolls in a residential treatment program -- loses her Medicaid eligibility for any services, including prenatal and postpartum health care. In order to remove this obstacle to increased treatment for a high-need population, we should support legislation to remove

the IMD exclusion as it applies to residential treatment for pregnant, post-partum women, and possibly other low-income, heavy drug users. New funding: at least \$550 million through FY 2004. Total funding: at least \$550 million through FY 2004.

Drug and Tobacco Enforcement

During the tobacco debate, we met with representatives from state, local and federal law enforcement who were concerned about the impact that tobacco legislation might have on their agencies, especially as a result of increased smuggling. In response to their concerns, we developed a drug and tobacco enforcement initiative that we believe addressed the law enforcement community's concerns and should be included in the FY 2000 budget. New Funding: \$300 million in FY 2000, \$1.5 billion through FY 2004. Total Funding: \$300 million in FY 2000, \$1.5 billion through FY 2004. This proposal includes:

1. \$200 million for drug enforcement and tobacco anti-smuggling grants. We propose creating a new Justice Department grant program to allow state and local law enforcement agencies to hire additional personnel, pay overtime costs, procure equipment and form multi-jurisdictional task forces that integrate federal, state and local law enforcement efforts to combat drug trafficking and tobacco smuggling.

2. \$100 million for ATF and Customs agents. We would also provide \$75 million to hire additional ATF agents and \$25 million to fund more Customs agents to concentrate on drug and tobacco enforcement activities at the federal level.

3. Alcohol Use By Youths and Binge Drinking. We are developing a variety of options for Presidential actions regarding alcohol abuse. The alternatives include: endorsing legislation sponsored by Rep. Joe Kennedy establishing voluntary codes for alcohol ads directed towards kids; banning alcohol billboards near schools; a regulatory measure to discourage alcohol advertising on youth-oriented web sites; codifying a ban on liquor ads on TV; a notice of inquiry to FCC to study the effects of alcohol ads on children; and an educational program we are exploring with the Department of Education using their Safe and Drug Free Schools Program -- Rep. Kennedy also has a bill on this subject. As you know, the Foundation sponsored by the Distillers has approached us regarding participating in these efforts (they already have a policy banning billboards but would publicly support this move).

Technology

1. Crime Technology. We have put 100,000 new cops on the streets, now we should make sure they are trained and equipped with the best technology ever. The package will have quantitative commitments: we will solve X% of unsolved crimes, Y reduction in response times. The package will likely have 5 parts: a federal Quick Response Center that local departments can call regarding getting the best technology immediately; a technology subsidy program for local departments; a training program run through the National Guard; expanding the current DOJ pilot program on interagency work; and linking the state, federal, and county forensics departments. The current cost is about \$1 billion and the paper is being developed primarily by OSTP and DOJ. It would also highlight 5 recent new technologies that have come out of our existing research centers such as the one in Rome, NY.

Crimes Against Women

1. Violence Against Women Act (VAWA II). In 1994, Congress passed the Violence Against Women Act (VAWA I), an historic piece of federal legislation that contains a broad array of ground-breaking laws to combat the epidemic of violence against women. Despite VAWA I's success, legislators and advocates alike agree that many gaps in our laws remain. Building upon these successful initial steps,

VAWA II extends programs more comprehensively. Protection orders become national, hotlines are expanded, and a college-affected program is created. (Cost: \$1.6 billion over 4 years; \$100 million increase in the first year over authorized level; VAWA needs to be reauthorized in FY2001)

Guns

1. Criminal Disarmament Act. Research shows that most gun-related felonies are committed by felons, probationers, or parolees. However, prosecutors do not consistently prosecute felons in possession of guns. This bill is a list of possible actions designed to take guns out of the hands of felons including: making it a mandatory condition of probation and parole not to carry weapons and to submit to searches; forcing DNA sampling of all convicted violent felons; broadening dissemination of names of probationers and parolees and release conditions to police; and creating gun courts. (DOJ is evaluating the cost)

EDUCATION INITIATIVES

Class Size Reduction.

One of the most critical challenges we face next year is to put the class size reduction proposal onto firm, long-term footing so that we can reach 100,000 teachers and an average class size of 18. Accomplishing this will require that we improve the predictability of funding by moving the program to the mandatory side of the budget, restoring the cost sharing requirements that help achieve our goal on time, and restoring the full array of accountability measures in your original proposal, including required competency testing for new teachers. Our best chance for accomplishing this would be to include this in a budget reconciliation bill, if there is one next year. If not, we will have to accomplish this through the annual appropriations bill once again. Either way, our legislative effort will be accompanied by a communications strategy that will provide you with a platform to press the issue (e.g., a Education Department sponsored Class Size Reduction conference, the release of guidance to local districts on implementing the program, the awarding of first year funding, etc.).

Ending Social Promotion.

Your Education Opportunity Zones proposal was the vehicle for advancing your challenge to end social promotions. However, because this proposal address a number of other issues as well (i.e., rewarding successful school districts, turning around failing schools and removing low performing teachers) it was too complicated to sell to the press and the public. The proposal was also unable to gain traction in Congress; in the next Congress the most optimistic scenario is a two year effort to include this proposal in the reauthorization of the Elementary and Secondary Education Act. Therefore, we propose a different approach in order to advance this agenda. We can simplify the message and the proposal to its essence: end social promotions and the federal government will help finance the after-school and summer school necessary to provide extra help to students who need it. Rather than creating a new program, we instead propose a \$300 million increase in the 21st Century Learning fund, to \$500 million. Priority for these funds would be given to districts that have adopted policies to end social promotion, and successful applicants would have to show the steps they are taking during the regular school day to help children meet standards in the first place -- with early intervention, smaller classes, well prepared

teachers, and curriculum aligned to promotion standards.

Teacher Quality and Recruitment

1. Attracting talented new teachers into high-poverty schools and shortage areas like math and science, and special education. More than 2 million teachers must be hired in the next ten years to accommodate record student enrollments and an aging teaching force. This provides a challenge to recruit an adequate *number* of teachers, but perhaps even more important is the opportunity to ensure a *quality* teaching force for decades by attracting talented young people and mid-career professionals into high-poverty schools and shortage subject areas. With 2/3 of teachers in classrooms in the year 2006 still to be hired, there may be no better long-term strategy to improve the quality of the teaching force by attracting talented young people into teaching as well as mid-career professionals such as retirees from the military, individuals in firms being downsized, doctoral students who face tough job markets for professorships in higher education, teachers' aides, and other professionals with expertise in math, science, or engineering.

A. Recruiting talented young people into teaching. A \$100 million increase for the newly enacted Teacher Quality Section of the Higher Education Act could provide scholarships and other support to help (over five years) an approximately 60,000 additional high-ability prospective teachers that commit to teaching in high-need schools. We would need to couple this funding level with appropriations earmarking most of it specifically for the newly enacted teacher recruitment component of this program; otherwise, under current law only 10% of these funds would be earmarked for scholarships, while the rest would be split evenly between teacher education programs and state education agencies. Kennedy and Jeffords are likely to support this approach, though Bill Goodling may be an obstacle.

B. Recruiting mid-career professionals into teaching and supporting alternative routes to certification. While the successful Troop-to-Teachers program is currently being phased out because the era of military downsizing has ended, a new initiative could preserve some of the successful components of this effort while expanding its reach to a broader range of mid-career professionals (including military personnel, employees in firms being downsized, graduate students facing grim prospects on the academic job market, and other professionals with expertise in math, science, and technology). We would propose a \$55 million competitive grant program to states that submitted plans for expanding high-quality alternative routes to certification for mid-career professionals and recruiting a wide array of mid-career professionals into teaching. This funding would a) create a center in each state winning a grant to provide information, counseling, and brokering services to mid-career professionals interested in teaching, giving a preference to the expansion of existing Troops-to-Teachers and other centers with a demonstrated track record, b) create or expand alternative recruitment and certification programs that help mid-career professionals enter into teaching by providing structured ways to enter teaching, and covering the costs of mentors in the classroom for the first two years and course work needed to complete alternative certification, c) support a national public relations campaign focusing on the importance of the teaching profession and encouraging young people and mid-career professionals to consider careers in teaching. We are exploring whether this program could best be incorporated into the Higher Education Act provisions mentioned above, or the Eisenhower Professional Development program.

2. Campaign to Strengthen Teacher Education. The Higher Education Act enacted last year provides the platform and tools for a nationwide campaign to strengthen teacher education, including a new

requirement for (states to produce) report cards on the quality of schools of education, and a new grant program to help states strengthen teacher certification standards, and institutions of higher education strengthen teacher preparation programs. The elements of the campaign include: (1) issuing regulations to implement the education school report card provisions, including a model report card; (2) conducting grant competitions to strengthen state certification requirements (to approximately 20 states) and to form lighthouse teacher preparation partnerships between institutions of higher education and local school districts; (3) a meeting you would hold with university presidents and state education leaders in which you challenge them to take the steps necessary to strengthen or close down education schools; (4) efforts by Secretary Riley to amplify the message around the country; and (5) a request for additional funds for these programs in the FY 2000 budget.

3. Reducing Out-of-Field Teaching. Depending upon the subject area, between 25% and 55% of secondary school teachers are teaching subjects in which they lack a major or minor in college, and the percentage of teachers teaching out-of-field is higher in urban and isolated rural schools. To address this, we propose an increase of (\$50-100 million) for Eisenhower national programs, to be used to send teachers who are teaching out-of-field back to college to take additional courses in the subjects they are teaching. The funds would be targeted to teachers who teach out of field on a continuing rather than one-time basis. While the bulk of the funds should be targeted to urban schools, we have not yet determined whether the funds should be made available to states, directly to local school systems, or both. We are also working to determine the best way to link these funds to a requirement that new secondary teachers pass competency tests in the subject(s) they will teach before being hired.

4. School Leadership Academies. While our primary emphasis must be on improving the quality of teachers, we can strengthen the effectiveness of our teacher programs (including our new initiatives in reading and class size reduction) by careful attention to strengthening the quality of elementary school principals. Research has long shown that principal leadership is a key to school effectiveness, yet little has been done at the national, state or local level to upgrade the management and instructional leadership skills of principals. To address this, we propose a new initiative, initially targeted to elementary school principals in high poverty school districts, that would establish XX principal leadership academies. Initial funding (approximately \$50 million) would be provided under the national programs of the Eisenhower Professional Development, and the overall program would be expanded to other communities and to secondary schools through our ESEA reauthorization proposal. The academies, established competitively, would involve partnerships among school districts, institutions of higher education, nonprofits and businesses with particular expertise in management training. The academies would be responsible for providing high quality training and ongoing support to principals on such topics as instructional leadership, effective reading instruction, teacher evaluation, school discipline, and overall management skills.

Expanding Public School Choice

1. Continuing to expand Charter Schools. We will propose a \$20 million increase in charter schools funding, to \$120 million. This will enable us to support the start up of an estimated 2,027 schools, and keep us on track to 3,000 charter schools by 2002.

2. Expanding Public School Choice. In addition to continuing our efforts to expand charter schools, we are developing several additional possible approaches to expanding public school choice that can provide alternatives to conventional public schools and may promote school integration, especially for students in urban school systems. The approaches we are developing include:

A. Work-Site Schools. We propose the use of magnet school grants and tax credits to encourage the creation of public schools located at work sites. These schools are developed in partnerships between school districts and local businesses and serve primarily children of the employees. The teachers, curriculum, and instructional materials are provided by the district, and the facilities and upkeep are provided by the company. The experience of the thirty existing work-site schools show that these schools (1) can be more diverse than other schools, because work sites are more diverse than residential neighborhoods (2) provide new facilities at no cost to the district (3) save employers costs associated with employee turnover and absenteeism and (4) increase parental involvement in the schools. Companies would be eligible for tax credits against a portion of the costs of the facilities provided to local districts. School districts, in partnership with businesses, would be eligible to compete for grants to support the costs of planning and implementation, including curriculum development, staff training, and coordination between the district, employers, work-site schools, and neighboring schools. Estimated funding for grants: 50 districts at an average of \$1 million per year. (Total cost \$50 million.) The cost of the tax credit has not been established.

B. Interdistrict Magnet Programs. We are exploring expanding the magnet school program to fund interdistrict magnet schools -- schools created by two or more school districts that are open to all students from participating districts to reduce racial isolation. This expansion would be targeted toward urban districts with high concentrations of minority and poor students that partner with suburban districts. These grants would fund planning and implementation activities, including curriculum development, teacher training, student recruitment, and instructional personnel for the magnet program, equipment, extended day instructional activities and public information efforts to promote and explain these programs to affected communities. In FY 2000, we would fund planning expenses for 50 projects at a cost of \$25 million (\$500,000 per project), though the implementation costs are estimated at an average of \$2.5 million per project, for an annual cost of \$125 million in FY 2001 and beyond.

C. University-Based Schools. We are also exploring an initiative to help create K-12 magnet schools on university campuses. This approach would take advantage of the facilities and resources of urban universities and locate new public schools in desirable locations, a combination which could be attractive to a wide range of parents and could therefore help promote school integration. In addition, locating schools on college campuses would complement the goals of the GEAR UP program, by sparking college aspirations of low income students and facilitating mentoring and tutoring programs. In FY 2000 we could fund approximately 50 projects at an average cost of \$1.5 million. (Total cost: \$75 million).

ENVIRONMENT INITIATIVES

Lands Legacy

1. Partnership For America's Resources. In discussions with Interior and CEQ, we believe you should consider an initiative that builds on the Administration's conservation achievements to protect and restore precious lands across the country. This proposal would focus on purchasing and restoring lands and could include 1) Northern Forests; 2) Urban Parks; 3) and land along the Missouri River. A larger proposal would draw down on funds from the Land Water Conservation Fund and other existing sources. This would cost around \$3 billion. A more targeted proposal being looked at by CEQ would cost in the range of \$400 to \$500 million.

FAMILIES INITIATIVES

1. Expansion of the Child Care and Development Block Grant. We propose to expand the Child Care and Development Block Grant as previously proposed in the FY 1999 Budget. The block grant is the primary federal child care subsidy program, helping low-income working families struggling to pay for child care. Funds are distributed by formula to the states to operate direct child care subsidy programs, as well as to improve the quality and availability of care. Currently, over one million children are served by the program, leaving roughly nine million children who are eligible but unserved. **Cost: \$7.5 billion over five years.**

2. Expansion of the Child and Dependent Care Tax Credit. The Child and Dependent Care Tax Credit provides tax relief for families who pay for the care of a child under 13 or a disabled dependent or spouse in order to work. The credit is equal to a percentage of the taxpayer's employment-related expenditures for child or dependent care, with the amount of the credit depending on the taxpayer's income. As in the FY 1999 Budget, we propose increasing the credit for families earning under \$60,000, providing an additional average tax cut of \$358 for these families and eliminating income tax liability for almost all families with incomes below 200% of poverty (\$35,000 for a family of four) who take the maximum allowable child care expenses under the law. **Cost: \$5.1 billion over five years to expand the credit for three million working families.**

3. New Parent Paid Leave Plan. Many workers who have access to unpaid (whether through the FMLA or employer-provided leave) are unable to take it because they simply cannot afford to do so. To address this problem, the President could propose a New Parent Paid Leave Plan to provide eligible parents with partial wage replacement for up to six or twelve weeks following birth or adoption. The cost of the plan will vary considerably based on the selected eligibility criteria. One option: all new parents with median income or below (roughly \$37,000/yr) who have been in the workforce for at least one year would be eligible for a \$200/week partial wage replacement for up to four weeks (weekly figure based on average UI benefit). Eligible workers would be required to use the federal benefit immediately following birth or adoption and before using any employer-provided leave benefit, but could receive the benefit whether or not they ultimately returned to work. The program would be administered through the Unemployment Insurance System. **Cost of option: very roughly, \$875 million for FY 2000 (including start-up and administrative expenses).** We will have more options and better costing next week.

4. FMLA Expansion to Businesses with 25 Workers. Since the Family and Medical Leave Act was enacted in 1993, millions of Americans have taken FMLA-covered leave to care for a newborn or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child or spouse -- without fear of losing their job or health insurance. Under current law, workers are eligible for FMLA coverage only if they work at a business with 50 or more employees and if they have worked at least twelve months and 1,250 hours for the employer. (Today, about 67 million Americans -- over half of all workers -- are covered by the FMLA. Senator Dodd proposed lowering the threshold to businesses with 25 or more employees, and Senator Kennedy champions a proposal to lower the threshold to 10. While the President has consistently referenced his support for expanding the FMLA benefit, the Administration has not formally presented a proposal in this area. **We recommend advancing a specific proposal to lower the FMLA threshold to 25 or more workers, expanding coverage for up to ten million more American workers. No budget implications.**

5. Parent Education and Support Fund. The White House Conference on Early Childhood Development and Learning spotlighted the critical importance of children's earliest years of life to their

development and later success in life. Parents play the central role in providing children with developmentally appropriate stimulation and attention during these years. In addition, studies have revealed the promise of home-visitation programs to reduce child abuse and support children's development. We propose the creation of a competitive grant program administered by HHS to fund parent education and support programs, including the development or expansion of home visitation programs, efforts to educate and engage parents in child care and other efforts to improve child care quality, and the establishment of "second chance maternity homes" to support teen mothers and teach parenting skills. This fund would support programs such as HIPPY, Parents as First Teachers, home visitation, and other parenting education programs. **Cost: \$500 million over five years.**

6. Tax Relief for Parents, Including Parents who Stay at Home. The following are a series of proposals that would benefit families in which a parent stays at home (all estimates are rough and preliminary). We are currently exploring a variety of iterations of each proposal, but will settle on only one proposal. Also note that these proposals interact differently with an expanded Child and Dependent Care Tax Credit, and therefore, the selection of one of these policies will be informed by our decision on the DCTC. Options:

A. Expand the Child Tax Credit. The Child Tax Credit is currently \$500 per child for children under 17. We propose to double the credit to \$1,000 per child for those children under the age of four. The Child Tax Credit begins to fade out for taxpayers whose adjusted gross income exceeds \$110,000 each year (\$75,000 if not married). **Cost: Roughly \$11 to \$13 billion over 5 years.** Another option is to double the credit for families with children under the age of two, which would cost roughly \$4 billion over five years.

B. Increase the Standard Deduction. Most lower-income families (incomes of less than \$50,000) do not itemize their deductions, choosing to take the standard deduction (and using the simpler form) instead, while most higher income families choose to itemize. Therefore, a proposal to expand the standard deduction for children would help lower-income families. Currently, the standard deduction is roughly \$7,200 for married couples, and \$6,350 for heads of households. We could increase the standard deduction by \$1,000 for families with children for each child under 3, regardless of the marital status of the parents, and would cover roughly 3 million taxpayers (three quarters of whom are married couples) and 3 million children. The average benefit would be \$170 per taxpayer. **Cost: \$2.5 to \$3.5 billion over five years.** We are currently exploring a variety of other options, including a proposal to expand the standard deduction by \$2,000 per family.

C. Expand the DCTC. We could extend the benefits of our DCTC proposal to stay-at-home parents with children age three and under, by applying the same eligibility guidelines and assuming minimum child-care expenses of \$150 per family per month. This proposal would also phase out the credit for families with annual income over \$105,000. **Cost: A variant of this proposal was estimated at roughly \$13 billion over 5 years (\$8 billion above our DCTC proposal).**

7. Expansion of After-School Programs. An estimated five million school-age children spend time as "latchkey kids" without adult supervision during a typical week. Research indicates that during these unsupervised hours children are more likely to engage in at-risk behavior, such as crime, drugs, and alcohol use. To meet this pressing demand, the President can propose a dramatic expansion of after-school care. Areas of expansion:

A. 21st Century Learning Centers. The program increases the supply of after-school care in a cost-effective manner primarily by funding programs that use public schools and their existing resources, such as computers, gymnasiums, and sports equipment. We should build on the success of our recent expansion of the program by increasing funding by \$500 million this year. **Cost: \$700 million for FY 2000.** [Part of these funds would be used for summer-school programs for school districts that end social promotion.]

B. Supporting community-based after-school programs. Because so many of the most effective after-school programs are community based, such as the Boys and Girls Clubs, we propose expanding the Department of Justice's At-Risk Youth Initiative. We propose expanding the program by \$50 million, but targeting the funds for after-school initiatives by community-based organizations. **Cost: \$250 million over five years.**

C. Expanding AmeriCorps' support for after-school. An expanded AmeriCorps could increase the availability of after school and summer programming for children and youth while providing additional opportunities for young adults to earn money for college through service. AmeriCorps Members serve with many of the major community-based organizations that provide after school care (including YMCA, Save the Children, and Boys and Girls Clubs); many others serve in public schools. We propose supporting a targeted initiative in which ten thousand AmeriCorps Members would conduct a 10-week summer program involving up to 100,000 middle-school children. **Cost: Roughly \$35 to \$40 million per year, or a cost of \$200 million over five years.**

8. Child Welfare: Children "Aging Out" of Foster Care. Each year, nearly 20,000 18-year-olds "age out" of the public child welfare system. These young adults entered foster care due to abuse and neglect, were unable to return to their birth families, and were not adopted. Federal financial support for these young people ends just at the time they are making the critical transition to adulthood. Research shows that they face unstable housing and homelessness, low educational achievement, depression, poor health, and violence and incarceration. When they turn 18, they also very often find themselves with no health insurance, as Medicaid eligibility ends at age 18. Areas for increased investment:

A. Expand the Independent Living Program. Administered by HHS, the Independent Living Program provides services to foster care children aged 16 to 18 to help them (1) make the transition to independence by earning a high school diploma; (2) receive vocational training; and (3) learn daily living skills such as budgeting, locating housing, planning a career, and finding a job. Begun in 1986, the program assists 85,000 young people and has been funded at \$70 million since 1992. **We recommend increasing the Independent Living Program by 50 percent -- to \$105 million in FY 2000 and \$525 over five years.**

B. Expand the Transitional Living Program. The Transitional Living Program is an HHS-administered, \$15 million competitive grant program that funds community-based organizations that provide services to this population, including housing support. We recommend doubling the increasing to **\$30 million in FY 2000 and \$75 million over five years.**

C. Provide Medicaid Coverage. We recommend giving states the option of using Federal Medicaid dollars to provide health care coverage for this population -- **cost TBD; roughly hundreds of millions over 5 years).**

9. Child Welfare: Adoption Registry. In 1996, the President called for a plan to double to number of

children adopted each year from the foster care system. *Adoption 2002* -- the initiative developed by HHS in response to President's charge -- included efforts to break down barriers to adoption. The Administration secured \$10 million in FY 1999 for HHS discretionary Adoption Opportunities Grants for this purpose. One use of this grants will be the creation of an Internet-based adoption registry of foster care children waiting to be adopted, so that prospective adoptive parents can learn about these waiting children. **We recommend increasing the Adoption Opportunities grants by 20 percent to \$12 million for FY 2000 and \$60 million over five years, targeted to the upkeep of this Internet-based national adoption registry.**

10. Child Welfare: Court Improvement. The Adoption and Safe Families Act of 1997, aimed at moving children in foster care more quickly to adoptive and other permanent homes, shortened the timeframes in which permanency decisions must be made for children in foster care. This has put more pressure on an already over-burdened and resource-deficient family and juvenile court system. Courts particularly need additional support to improve automation and computer systems to track foster care children and to reduce the pending backlogs of abuse and neglect cases. In addition, the Court Appointed Special Advocate program, which pairs a trained volunteer with child abuse cases to serve in an advocacy role, needs to be expanded to under-served areas. We recommend the creation of a new DOJ-administered grant program to automate the data collection and tracking of proceedings in abuse and neglect courts and a one-time grant to expand CASA to under-served areas. **Cost: TBD, roughly 15 million for FY 2000 and \$55 million over five years.**

11. [Flexible Work Hours for Families. Bruce/Elena: We are beginning to think through this proposal, and are looking for guidance as to whether we should continue to pursue it.] Options:

A. Tax credit for businesses that provide flexible work schedules for their employees. We propose to offer tax credits to companies that offer a variety of family-friendly benefits, including flexible work hours for their employees, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. Such a tax credit would enable parents to spend more time with their children by providing companies, both small and medium sized, the ability to respond to the time crunch families are facing. In addition, it builds on our flex-time and family-leave proposals. Awaiting estimation by Treasury.

B. Subsidies: We propose that the Commerce Department would make grants to states who would in turn provide grants to eligible businesses that provide flexible work hours for their employees, including flexible work hours for their employees, compressed work weeks, part-time work with benefits, job sharing, career sequencing, and extended parental leave. Within the grant-making process, priority would be given to small and medium sized businesses. Businesses would be required to ensure that the funds would be used to supplement and not supplant any ongoing efforts in this area. **Very rough cost estimate: \$500 million over five years.**

FOOD SAFETY INITIATIVES

1. Food Safety. Theme: National Food Safety Crackdown. We propose deputizing the literally thousands of state and local agencies that regulate food safety in order to develop a vertically integrated national food safety inspection system. We will be proposing MOU's, legislation, and resources to integrate standards, leverage resources, and expand coverage in each of the crucial areas: surveillance, research, inspections, and education. In addition, this proposal includes working with the states to

achieve full adoption of the model Food Code for restaurants and developing performance standards for food service workers. We also will continue to seek legislation that will give USDA the authority to issue mandatory recalls and impose civil penalties for unsafe meat and poultry. (Cost: \$87 million of additional money. \$49 million for FDA, \$18 for CDC, \$20 USDA.)

HEALTH CARE INITIATIVES

Long-Term Care

This initiative could be part of a "preparing for Medicare long-term reform" package; a women's initiative if coupled with pension policies for women or family leave policies; or with an elderly housing initiative (policies to promote maintaining home ownership, beginning to promote assisted living facilities, and ensuring quality in nursing homes).

1. Long-term care tax credit. (new policy) Along with the lack of coverage of prescription drugs, the poor coverage of long-term care represents a major cost burden for the elderly and their families. Long-term care costs account for nearly half of all out-of-pocket health expenditures for Medicare beneficiaries. This proposal would give people with three or more limitations in activities of daily living (ADL) or their caregivers a tax credit of up to \$1,000 to help pay for formal or informal long-term care. (Cost: About \$6 billion over 5 years).

2. Offering private long-term care insurance to Federal employees. (new policy) Since expanding Federal programs alone cannot address the next century's long-term care needs, the Federal government -- as the nation's largest employer -- could serve as a model employer by promoting high-quality private long-term care insurance policies to its employees. Under this proposal, OPM would offer its employees the choice of buying differing types of policies and use its market leverage to extract better prices for these policies. There would be no Federal contribution for this coverage. (Cost: Small administrative costs; OPM estimates about 300,000 participants).

3. Family Caregiver Support Program. (new policy) About 50 million people provide some type of long-term care to family and friends. Families who have a relative who develops long-term care needs often do not know how to provide such care and where to turn for help. This proposal would give grants from the Administration on Aging to states to provide for a "one-stop-shop" access point to assist families who care for elderly relatives with 2 or more ADL limitations and/or severe cognitive impairment. This assistance would include providing information, counseling, training and arranging for respite services for caregivers. (Cost: About \$500 - 750 million over 5 years; discretionary).

4. Nursing home quality initiative. (expanding on administrative initiative) On July 21, the President announced an initiative to toughen enforcement tools and strengthen Federal oversight of nursing home quality. On October 22nd, the Justice Department and HCFA held a conference to begin to develop other quality/anti-fraud and abuse initiatives with enforcement agencies from around the nation. Proposals to respond to these challenges and to implement the initiatives the President outlined in July can be included in the budget or as freestanding legislation. The initiative will no doubt include new enforcement provisions (e.g., increased penalties, etc.), as well as new funds to conduct more frequent surveys of repeat offenders and improve surveyor training. We are also working with DHHS and HUD to explore the possibility of establishing a Commission to oversee HCFA's nursing home enforcement efforts as well as to begin to look at other types of housing where health care is offered (e.g., assisted living facilities). (Costs: \$500 - 750 million over 5 years).

Disability

This health initiative could be packaged with the non-health ideas such as the "Bridge" integration grant proposal and the access to information technologies initiative.

1. Jeffords-Kennedy Work Incentives Improvement Act. (Congressional proposal; not passed in 1998) In the final budget negotiations this year, the Administration put the Jeffords-Kennedy bill on its list of priorities for passage. This bill would enable people with disabilities to go back to work by providing an option to buy into Medicaid and Medicare, as well as other pro-work initiatives. Although it was rejected by Republicans, the Administration has been stating that we will continue to fight to give people with disabilities the opportunity to work -- including the critical health insurance that makes work possible. (Cost: About \$1.2 billion over 5 years).

2. Tax credit for work-related impairment expenses for people with disabilities. (new policy) Almost 75 percent of people with significant disabilities are unemployed; for many, the high costs of support services/devices, as well as the potential to lose Medicaid or Medicare coverage, prevent them from seeking and keeping jobs. This proposal would give a tax credit of \$1,000 to \$5,000 (depending on the design and costs) to people with disabilities who work, in recognition of their formal and informal costs associated with employment. This policy complements the Jeffords-Kennedy Work Incentive proposal, described above, but has the advantage of helping people in all states irrespective of whether states take up optional coverage. (Cost: Depends on the options; \$1 to 2 billion over 5 years).

3. Promoting Medicaid de-institutionalization. One of the biggest frustrations for people with severe disabilities and their families is the "institutional bias" in Medicaid -- meaning the tendency to simply put people with great health care needs in nursing homes rather than develop viable, community-based alternatives. In 1998, HHS funded a small demonstration project in 4 states to test different models for offering people with disabilities the choice of care settings. This proposal would build on these tests by developing and propagating models that give people residing in a nursing home after a "date certain" a choice of care settings. (Cost: \$50 million over 5 years).

4. Medigap reform for people with disabilities. In 1997, the President endorsed bipartisan legislation from Rockefeller, Chafee and Nancy Johnson that makes Medigap supplemental insurance more accessible to beneficiaries. The Balanced Budget Act did include some of its important protections for seniors on Medicare, but essentially excluded beneficiaries with disabilities from this reform. This proposal would make all Medigap insurers provide Medigap to people with disabilities when they sign up for Medicare. It would also ensure that they get a guaranteed issue Medigap option when in the event that their HMO withdraws from Medicare. (Cost: not clear that there will be costs).

Modernizing Medicare

These policies could "lay the groundwork" for the recommendations of the Medicare commission and re-affirm our ongoing commitment to improve and modernize Medicare.

1. Adopting private sector, competitive pricing strategies. (FY 1998 budget) The President has consistently supported giving the Health Care Financing Administration the same tools to manage health care costs as are used by private sector plans. This includes competitive pricing for services like durable medical equipment and other supplies; expanding the competitive pricing demonstration for managed care; and adopting new payment methodologies like Centers of Excellence, among others. Although

these ideas are being considered by the Medicare Commission, the President could take the lead on increased competition within Medicare since he has supported this approach in the past. (Savings: \$0.1 to \$0.5 billion, depending on the policies).

3. Reducing Medicare fraud and overpayment. (Some FY 1999 policies; some new policies) Medicare fraud poses a serious threat to its financial well-being. In every budget for the last 5 years, the President has proposed new initiatives to help combat excessive payments and provider fraud in Medicare. Last year alone, Medicare saved over \$1 billion through these efforts. The President announced last January a 10-point plan for reducing fraud and overpayment, including provisions like reducing overpayments for drugs and ensuring Medicare does not pay for claims that ought to be paid by private insurers. HHS and the Department of Justice continue their efforts to enforce current policies and develop new ones. (Savings: From \$1 to 3 billion over 5 years, depending on the policies).

4. Protecting beneficiaries from HMO withdrawals from Medicare. This year, a number of HMOs have pulled out of Medicare with only a few months notice, leaving 50,000 beneficiaries with no plan options in their areas. These withdrawals are causing beneficiaries unnecessary hardships as they rush to find alternative sources of coverage. The President has stated his determination to work with the Secretary of HHS and Congress to develop legislation to prevent this behavior in the future (e.g., limit the time between when a plan files to participate in Medicare and when enrollment begins, making it less necessary for plans to pull out at the last minute). (Cost: not clear that there will be costs).

5. Prescription drug coverage for Medicare beneficiaries. (new policy) The lack of coverage for prescription drugs in Medicare is widely believed to be its most glaring shortcoming. Virtually every private health plan for the under-65 population has a drug benefit, in recognition of the medical community's reliance on prescriptions for the provision of much of the care provided to Americans. Lack of Medicare coverage of drugs results in high out-of-pocket beneficiary costs -- which will only become larger in the next century since the vast majority of advances in health care interventions will be pharmacologically-based. Responding to this fact, Republicans and Democrats on the Medicare Commission, as well as almost every health care policy expert, are consistently stating that reforming Medicare without addressing the prescription drug coverage issue would be a mistake. We are developing a wide variety of options, including a means-tested Medicaid option, a managed care benefit only approach, a traditional benefit for all beneficiaries, and an unsubsidized purchasing mechanism that uses Medicare's size as leverage for drug discounts for beneficiaries. If desirable, a proposal could be included in the budget or coordinated with the March release of the Medicare Commission's recommendations. (Cost: Varies significantly depending on proposal, ranging from \$1 to 20 billion a year).

6. Redesigning and increasing enrollment in Medicare's premium assistance program (extension of July executive action and new policy). Over 3 million low-income Medicare beneficiaries are eligible but do not receive Medicaid coverage of their Medicare premiums and cost sharing. Many more may not get enough assistance through the new, BBA provision that is supposed to help higher income beneficiaries. We are developing a range of proposals that build on the President's actions in this area to better utilize Social Security Offices to educate beneficiaries about this program, to reduce administrative complexity for states and to give them incentives to engage in more aggressive outreach efforts. (Costs vary depending on policies; up to \$500 million over 5 years).

7. Cancer clinical trials demonstration (FY 1999 budget; not passed). Less than three percent of cancer patients participate in clinical trials. Moreover, Americans over the age of 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans. This proposed

three-year demonstration, extremely popular with the cancer patient advocacy community, would cover the patient care costs associated with certain high-quality clinical trials. (Cost: \$750 million over 3 years).

8. Providing needed education funds to children's hospitals. (new policy) Medicare has invested billions of dollars in graduate medical education to hospitals since 1966. However, because of its current formula, free-standing children's hospitals are forced to shoulder the majority of the cost of training pediatricians, placing them at a severe financial disadvantage. This proposal would consider additional funding outside of Medicare to provide reimbursement for the training costs incurred by children's hospitals. Addressing children's hospitals' education financing has bipartisan support, and Senator Frist has made this a priority for the Medicare Commission. (Costs: depends on the proposal).

Health Insurance Coverage Expansions

The rising number of uninsured makes the need to propose insurance expansions important.

1. Small business purchasing cooperatives (different version in previous budgets; not passed). Over a quarter of workers in firms with fewer than 10 employees lack health insurance — almost twice the nationwide average. This results in large part because administrative costs are higher and small businesses pay more for the same benefits as larger firms. This initiative encourages the development of purchasing groups modeled on FEHBP by allowing them to be considered non-profits (which will facilitate private foundation support), providing Federal grant support, and having the Office of Personnel Management provide technical assistance. We are also considering giving employees who purchase coverage through the purchasing groups with tax credits to encourage them to take up coverage. (Cost: about \$50 to 100 million over 5 years).

2. Children's health insurance outreach (FY 1999 budget; not passed and new policy). To date, 42 states have had their CHIP plans approved. These new expansions have great potential to help uninsured children, but not if families do not know or understand the need for insurance. Moreover, over 4 million uninsured children are eligible for Medicaid today. To facilitate spending on outreach, this proposal would allow states to draw down more of its CHIP allotment for outreach. An additional proposal is to pay for a nationwide toll-free number that connects families with state eligibility workers. NGA is sponsoring this line for one year only; such a line is essential for the nationwide media campaign that we are planning to launch in January with the NGA. (Cost: small but unknown at this point; could be funded through tobacco recoupment)

3. Demonstration of Medicare buy-in for people ages 55 to 65 (full proposal in FY 1999 budget; not passed). Americans ages 55 to 65 have a greater risk of becoming sick; have a weakened connection to work-based health insurance, and face high premiums in the individual insurance market. The latest report shows that the uninsured are growing at the fastest rate in this age group; by 2010, the number of uninsured people age 55 to 65 will nearly double. Building on last-year's proposal, we could allow a limited number of people ages 62 to 65 and displaced workers ages 55 to 65 to buy into Medicare. As a demonstration, this might gain the support that it lacked last year. (Cost: at least \$500 million over 5 years, which would assist about 30,000 people).

Public Health

1. National Cardiac Arrest Emergency Plan. Each year, 350,000 Americans suffer cardiac arrest. The American Heart Association estimates that a national plan in this area could save almost one-third, or 100,000 lives. We are working with HHS to endorse a Cardiac Arrest Survival Act which provides for:

(1) the development of a model state training program for cardiac arrest care providers in lifesaving interventions, including the use of defibrillators; (2) the development of model state legislation to ensure access to emergency medical services (Good Samaritan laws); and (3) coordination of a national database to track incidence of cardiac arrest to determine whether cardiac arrest care providers can improve survival rates.

HOMELESSNESS INITIATIVES

1. Fighting Homelessness. A three-part proposal which would: (1) assist the approximately 250,000 homeless veterans by increasing residential alternatives, community-based contracted care, job preparation activities, stand down activities (community-sponsored events that conduct one-stop service delivery programs for homeless veterans), the distribution of clothing, and long-term housing. This measure would provide the single largest investment into breaking the cycle of homelessness among veterans; (2) allow VA to sell surplus property with 10 percent of proceeds going to homeless veterans; and (3) a demonstration project targeted to the chronically homeless which would test the most promising models for moving chronically homeless to self-sufficiency using a combination of permanent housing and links to mainstream services. Research shows that the chronically homeless, who are less than 10 percent of the entire homeless population, use approximately 50 percent of the resources. (Cost: Total is \$105 million -- \$60 million for VA and \$45 million for HUD demonstration project)

IMMIGRATION INITIATIVES

1. Adult Literacy (ESL) linked to civics instruction (new policy). Approximately 25% of adults with the most serious literacy needs are immigrants. This proposal would target a portion of the overall Adult Literacy effort to ESL for recent immigrants. In addition, because many within this same population are also in need of civics and/or citizenship education, the literacy/English-language classes could have a component that is designed to instruct on basic civics and citizenship information. The third wrinkle to this idea is technology. According to the Department of Education, technology can be a useful instruction tool for adults (because it allows instruction to take place in private; at home; at night; etc.). Thus, we could structure a competitive grant program (through the Department of Education) where successful proposals would have three components: (1) English language instruction for adults; (2) an instructional component related to civics and citizenship; and (3) with preference for programs that use technology (internet; video-links). (Cost: ?? -- addition to Andrea's list of literacy ideas)

NATIONAL SERVICE INITIATIVES

1. Ending Taxability of AmeriCorps Award. Change the tax status of AmeriCorps education awards so that they are not taxable. Comparable benefits, including the GI Bill, are not taxable. This tax liability has caused economic hardship, particularly for former AmeriCorps members who are enrolled in college full-time after completing their service and do not have the resources to pay the tax. Cost: \$6-11 million (due to a recent ruling by the IRS, this estimate is expected to be revised downward shortly).

2. Expand AmeriCorps for After School. Expand service programs to provide volunteers to serve as afterschool and summer school coordinators, tutors and mentors. (1) Expand AmeriCorps. Increase the availability of afterschool and summer programming for children while providing additional opportunities for young adults to earn money for college through service. Cost: \$80 million for 10,000 AmeriCorps

members providing combination of after-school and summer-school programs for 100,000 students (assumes 50% community match). (2) **AmeriCorps*Seniors**: Expand and rename existing demonstration program currently providing 1,000 seniors to 9 sites for tutoring and mentoring activities. In exchange for providing 15-20 hours service per week, seniors are eligible for incentives including, a small lifelong learning award or an offset on the cost of prescription drugs. Evaluations have shown increased test scores among the participating students and increased community involvement in the local schools. Cost: \$2-3 million for 10,000 AmeriCorps Seniors.

3. Encourage High Schools to Offer/Require Service Learning. The Learn and Serve America program provides formula grants to states to implement school-based service activities. CNS is proposing the addition of a competitive component targeted toward large-scale implementation of service programs in schools. Some states and districts, including Maryland, Chicago, and (est. fall 1999) California are integrating service into their graduation requirements. This proposal would target technical assistance, including school-based service coordinators and curriculum implementation, for those states and districts that are implementing service learning programs and/or requirements. Cost: CNS has requested \$80 million, an increase of \$37 million for FY 2000.

NATIVE AMERICANS

1. 1000 New Teachers for Native American Students. This initiative creates an American Indian Corps of Teachers (ACT) and has three parts: (1) funding for 25 grants to institutions to create teacher training programs for Native American communities; (2) creating five centers to provide continuing education for in-service teachers to improve the quality of teaching to Native American communities; and (3) a fellowship program that will fund 1000 new American Indian and Alaska Native teachers over 4 years by providing for their expenses while attending school, including child care. (Cost: \$37.5 million in first year (fellowships are \$80 million over 4 years); Julie and Mary have been working on this together)

WELFARE REFORM INITIATIVES

Refocus the Welfare to Work Program

In order to continue our investment in the hardest to employ, we should reauthorize the Welfare-to-Work program for five years at current funding levels of \$1.5 billion annually. Within this funding level, we could:

1. Target \$300 million in competitive grant funds for work-focused projects to address the challenges of literacy, substance abuse, and disabilities. We could designate a similar set aside within the competitive grants funds to be awarded in FY 1999. The remaining \$75 million in competitive grants would be available for innovative projects to help the hardest to serve welfare recipients get and keep jobs.

2. Target \$200 million for work-focused responsible fatherhood grants. These grants would help fathers succeed in the workforce through a combination of retention and rapid re-employment services and work-based skill upgrading. Only fathers who are fulfilling their child support obligations would be eligible for these services. Fathers participating in employment activities could also take part in efforts designed to increase the involvement of fathers in their children's lives. As an alternative funding source, we could allow the states to transfer up to a certain portion of their TANF block grants for such fathers

programs and leave these funds as general Welfare-to-Work formula grants.

3. Formula Grants. Continue approximately \$925 million in formula grants, with possible amendments to direct more formula funds to the highest poverty areas, increase funds for tribes, improve eligibility criteria if current factors prove an impediment, and encourage services for two-parent families (many of whom face issues related to literacy, substance abuse and disabilities).

Increase Employment Opportunities for Individuals with Low Literacy Levels

Historically, individuals with low education levels have remained on welfare longer, and there is an increasing concentration of individuals with English language barriers on the welfare rolls in some places. Policies we are considering include:

1. Workplace. a new tax credit and/or Federal grants to encourage employers to provide adult basic education classes at the worksite, and setting aside funds for work-based literacy projects within Welfare-to-Work competitive grants (this would not require new legislation)

2. Community. Expanding the infrastructure and funding for adult basic education through the Adult Education program, encouraging the development of programs focused on easing the transition to the U.S. for new immigrants (through ESL and civics classes), subsidizing the provision of child care on college campuses and other adult education sites, and launching a national information campaign to make people aware of the problem of functional illiteracy and of available services;

3. Home. Using the new *Learning Anytime Anywhere Partnerships* to create software for adult basic education using \$200 computers (e.g., WebTV, game players) and subsidizing public housing projects that create computer literacy programs.]

Expand employment-focused substance abuse treatment

Various estimates show at least 20 percent of welfare recipient have substance abuse issues, and this percentage rises within those remaining on the rolls. In general, programs that effectively integrate treatment and welfare to work efforts, and knowledge about how to do so, are both lacking, although a handful of states have developed innovative approaches. To encourage these efforts we should (1) Push to maintain the SAMSHA block grant increase we obtained in FY 1999 and (2) Target a portion of SAMSHA capacity grants to innovative programs that effectively combine treatment and work. This initiative would be accompanied by a technical assistance/best practices effort for states and communities, jointly funded and managed by DOL, SAMHSA and ACF. (Cost: it is not yet clear whether we should request additional treatment funds for this purpose. \$1 million for technical assistance).

Increase Employment Opportunities for Individuals with Disabilities

There are a significant number of things we can do to help people with disabilities who are on TANF, SSI, or SSDI go to work, in addition to setting aside Welfare-to-Work competitive grant funds.

1. New BRIDGE grant program. In March, you issued an Executive Order directing the federal agencies to create a coordinated and aggressive national policy to increase employment of adults with disabilities. The "Building Resources for Individuals with Disabilities to Gain Employment" ("BRIDGE") program is one of several new proposals to grow out of this effort. BRIDGE is a

competitive grant program designed to increase the employment rate of adults with disabilities by fostering integration at the local level of employment-related services and support services to adults with disabilities. (Cost: \$750 million over 5 years)

2. Information and Communication Technologies for People with Disabilities. NEC has developed draft proposals now being vetted to ensure that new technologies will be designed from the beginning to be accessible to people with disabilities. Ideas include leveraging federal government procurement, investing in R&D, funding industry consortia, training the next generation of engineers (NEC will provide a more detailed write up.)

3. Expanding the Defense Department's "CAP" program. The Defense Department's Computer Accommodations Program ("CAP") purchases equipment for DOD employees with disabilities to allow them to keep working if they become disabled, or for new employees just joining the workforce. By using a central \$2 million fund for such purchases, individual offices do not have to bear the cost within their own budgets, and are less likely to be deterred from hiring a person with a disability. Making this program available to other agencies has the strong support of the Administration's appointees with disabilities, in particular for Tony Coelho, chair of the President's Committee on Employment of People with Disabilities. (Cost \$10-\$25 million over five years).

4. Kennedy-Jeffords/Employment-Related Tax Credit. In addition, the Kennedy-Jeffords legislation, described in the health section, will play a critical role increasing access to health care for people with disabilities returning to work.

Full Funding for Job Access and Reverse Commute Grants.

The Omnibus Budget Act appropriated \$75 million for FY 1999 (\$25 million above the FY 1999 guaranteed funding level). TEA-21 set guaranteed funding from the Highway Trust Fund at \$75 million for FY 2000. DOT has requested \$150 million in its FY 2000 budget. We may also want to pursue a legislative change to the way funds flow to tribal areas -- currently, states must select tribes as applicants.

Child Support Law Enforcement Initiative

This initiative will increase the prosecution of egregious child support violators by establishing multi-agency investigative teams to identify, analyze, and investigate cases for prosecution. This investigative effort will result in more cases being referred to the U.S. Attorney offices ready to prosecute. HHS's Office of Child Support Enforcement, Office of the Inspector General, and Office of Investigations, working with state and local law enforcement and child support agencies, have already launched a pilot project in Columbus Ohio, which will cover 5 states (Illinois, Indiana, Michigan, Minnesota, and Ohio). This proposal would put these units in place all across the nation within the next several years. Additionally, it would provide paralegals dedicated to child support cases to the 83 U.S. Attorneys offices that do not now have them. In July, you signed into law the Deadbeat Parents Punishment Act, creating two new categories of felonies for the most egregious child support evaders. (Cost: about \$10 million over 5 years).

Exclude from Medicare Doctors that Owe Child Support

We should make the following health related child support proposals: 1) to exclude doctors and other providers who are delinquent in child support from the Medicare program, i.e., don't allow them to bill services to Medicare and 2) provide health professional loans only to those who attest that they do not

owe child support. Both changes would require legislation.

Carol W. Kinsley
138 Park Drive
Springfield, MA 01106-1261
(413)737-2078

November 1, 1999

NEW 10/25

The President and Mrs. Clinton
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. President and Mrs. Clinton:

Thank you for hosting the Conference on Philanthropy on October 22nd. The abundance of energy and spirit at the lunch, and later at the program, was a tribute to the assembled group, the content, and the vision and leadership that brought it together. All aspects of the day were tremendously stimulating.

We were heartened to hear the encouraging words about the importance of youth service and service-learning from both adults and youth. Your statement, Mr. President, that all schools should offer some form of service, followed by the Youth Roundtable representative, Malik Evans's request that service-learning become integrated into the curriculum, resonated with us. As a result, we want to share with you some of the forward motion in school-based service, outline some challenges that are faced by practitioners, and seek your support to help meet these challenges.

Because of the leadership of the Corporation for National Service's Learn & Serve Program and numerous organizations, more and more schools, higher education institutions, and communities use service-learning as a methodology to increase opportunities for youth development and academic growth. Enormous strides have taken place. Just this September, the US Department of Education released a survey that shows that 32% of schools use service-learning and 60% offer students community service opportunities.

Mr. President, your previous initiatives have contributed significantly to this momentum. Seventy secondary schools became National Service Leader Schools in June. The current Leader Schools act as role models and mentors to other schools in each state. Another 200 senior high and middle schools will be acknowledged in June 2000. The President's Student Service Awards have been granted to over 16,000 students, and 8,000 received scholarships.

There is no question these award programs have increased excitement and enthusiasm for service-learning. We propose another awards program: The President's National Service Awards for Educators. Fifteen educators, representing elementary, middle, and senior high school, could receive an award from each of the five regions in the country, as defined by the Corporation's regional organization. As partners, the Corporation and the USDOE could establish the criteria. The winners could become educator-scholars, act as mentors to Learn & Serve programs and school districts in their region, and/or receive a cash award to support their innovation and to inspire our young people.

Following the theme of increasing service in schools, we offer a second proposal, a White House Forum, to examine (1) the connection of service-learning to citizenship education, and (2) current policies and research regarding institutionalization of service-learning, and make recommendations to encourage states and communities to integrate service-learning into the educational process.

(1) Citizenship education: In recent months, staff at the Corporation has prepared information to describe how civic responsibility is a primary goal of Learn & Serve and how civic competencies and skills achieved through service-learning can be evaluated. Since the USDOE offers programming for citizenship and character education, we suggest collaboration of these agencies could increase the extent and quality of citizenship education, helping young people experience and understand citizenship.

(2) Policies: As you mentioned at the Conference, Maryland established the policy which requires students to participate in 75 hours of service for graduation. Several school districts have also established policies to require hours of student service for graduation. Other forms of service policies have recently emerged. Massachusetts, California, and local communities, the most visible is Philadelphia, have drafted policies or legislation to make service part of the educational process. Philadelphia has instituted a program in which students in the fourth, eighth, and twelfth grades will participate in service experiences to develop social, civic, and critical thinking skills. Current legislation in the Massachusetts Senate calls for the development of a program which will require schools to use community service-learning as a strategy for implementing education reform and to make important structural and organizational changes to achieve this goal. In 1999, the California State Department of Education Task Force on Service-Learning encouraged all school boards to implement service-learning. These policies are based on research and experience which indicate that sustained interest in service and understanding of citizenship does not emerge from one or two service experiences but from students participation in sequential experiences. The different policy approaches provide a stimulating framework to address the implications of each and outline them for states to consider.

Again, the Corporation for National Service, with the USDOE, are natural partners to help shape the forum and the discussion on these two important issues.

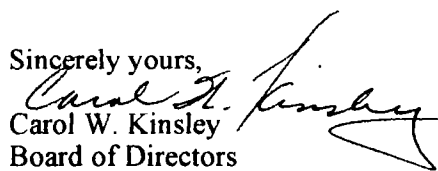
Other recent initiatives that build understanding and support for examining both citizenship education and policies include:

- Learning In Deed (LID): The Kellogg Foundation has awarded \$13M over a 4 year period to organizations to increase understanding and institutionalization of service-learning in K-12 schools through a focus on leadership development, policy, and research.
- Compact for Learning and Citizenship: The Education Commission of the States has launched the K-12 Compact whose mission is to infuse service-learning into K-12 schools and prepare every young person for active citizenship. Membership is open to commissioners of education and superintendents of schools.
- The Association for Supervision and Curriculum Development has devoted recent publications and created professional development materials to inform administrators and teachers about service-learning. These are distributed widely throughout the country.

During the past few years, service-learning has grown enormously through a confluence of publicly and privately sponsored national, state, grassroots efforts. We believe the proposals offered here build on existing initiatives, represent needs in the field, and would increase the number of students involved in service. We seek your leadership and support to advance the field for the future of our democratic society.

If we can be helpful, please let us know. The Conference certainly ignited our thinking.

Sincerely yours,


Carol W. Kinsley

Board of Directors

Corporation for National Service


Christine Kwak

Program Director, Volunteerism and Philanthropy

W.W. Kellogg Foundation

cc: Bruce Reed, Assistant to the President for Domestic Policy
Eric Liu, Deputy Assistant to the President for Domestic Policy
Gene Sperling, Assistant to the President for Economic Policy
Shirley Sagawa, Deputy Assistant to the First Lady
Harris Wofford, President and Chief Executive Officer, Corporation for National Service

Nov 10 1983

cc Andy
Andrea + return
Eric

Andy - could you call the Test
Prep for ^{low income and} minorities person - interesting idea
for State of Union
Andrea - could you call the New Orleans person?
Thanks

THE PRESIDENT HAS SEEN

10-15-99

copied
Balderston

Podesta

HRC

Reed/EL

Burson

Frampton

Bleich

Bushardt (orig
for re play)

THE WHITE HOUSE

WASHINGTON

October 14, 1999.

PHOTO OPPORTUNITY WITH THE PRESIDENT'S SERVICE AWARD WINNERS

DATE: Friday, October 15, 1999

TIME: 10:15 a.m. - 10:45 a.m.

LOCATION: The Oval Office

FROM: Kris M. Balderston *KMB*

I. PURPOSE

To congratulate the winners of the 1998 and 1999 President's Service Awards, the most prestigious presidential recognition ever given for volunteer community service.

II. BACKGROUND

The winners of the 1998 President's Service Awards did not receive their awards last year because the presentation ceremony scheduled with the First Lady was cancelled due to a breakthrough in the Mid-East peace process. Following this photo opportunity, John Podesta will make the awards presentation to the 1998 and 1999 winners on behalf of YOU at a ceremony in the Indian Treaty Room. Corporation for National Service CEO Harris Wofford and Points of Light Foundation President and CEO Bob Goodwin will also participate in the program.

The President's Service Awards program was created in 1982 to honor outstanding individuals and organizations engaged in volunteer service and is co-sponsored by the Points of Light Foundation and the Corporation for National Service. The 342 recipients of the President's Service Awards over the past 18 years have included individuals from all walks of life and organizations ranging from small grassroots groups to international corporations. What they have in common is a commitment to solving the critical problems that face all of our communities.

This year, more than 3,500 nominations were submitted and reviewed in four activity areas: human needs, environment, education and public safety. Special consideration was given to those activities that either benefit or involve young people. A group of distinguished Americans served as the final judges, choosing the 1999 award recipients from a group of 53 finalists.

photo office
Mandy Morrison

① I want to sign photo
+ letter to their folks

② get them invited to
HRC, FRC, etc.

③ send them a list
to check them for
press contacts, write
by VP — AC

III. PARTICIPANTS

YOU

Harris Wofford, CEO, Corporation for National Service

Bob Goodwin, President and CEO, Points of Light Foundation

President's Service Award winners (39)

IV. PRESS PLAN

Closed Press. White House photo only.

V. REMARKS

None required

VI. SEQUENCE OF EVENTS

- **YOU** will participate in a photo receiving line with thirty-nine 1998 and 1999 President's Service Award winners.
- **YOU** greet Harris Wofford and Bob Goodwin and participate in a photo opportunity with them.

VII. ATTACHMENTS

- Presidential Message to Awardees
- Brief descriptions of Awardees

THE WHITE HOUSE

WASHINGTON

October 13, 1999

Warm greetings to everyone gathered in the Indian Treaty Room for the presentation of the 1998 and 1999 President's Service Awards. I am delighted to recognize the outstanding honorees for their many invaluable contributions to the life of our nation.

If we are to make our world a better place, each of us must take responsibility for solving the problems around us. We must be interested not just in getting but in giving, not just in looking out for ourselves but in looking out for others.

That spirit of service is powerfully reflected in the work of the 39 remarkable individuals and organizations we are honoring at this year's event. Whether bringing hope and friendship to homebound seniors, serving as mentors for at-risk youth, helping to protect our environment, or teaching children and adults to read, they are making a real difference in the lives of countless people across our country.

I commend our honorees for working to solve the problems of today and to meet the challenges of the future. Each of you represents America at its best, getting things done and reinforcing our nation's deepest values: community, responsibility, and compassion.

Best wishes to all for a wonderful ceremony.

Bill Clinton

PRESIDENT'S SERVICE AWARD RECIPIENTS - 1998

Camp to Belong
Highlands Ranch, CO

Lynn Price

Camp to Belong was founded by Lynn Price to bring together siblings who have been separated by the foster care system for a weeklong camping experience.

Columbus Fire Fighters Local Union #67
Columbus, OH

Kevin Harr

Union members deliver donated food for Operation Feed, raise funds for organizations like Charity Newsies and Muscular Dystrophy and volunteer for Christmas in April.

Community Visions Unlimited
New Orleans, LA

Jeannie Tidy

Founded by Jeannie Tidy, Community Visions Unlimited has built neighborhood pride and turned a blighted neighborhood around through neighborhood watch efforts, community gardens and assistance in implementing the sale of 42 abandoned homes, resulting in reduced crime and increased property assessments.

Connect-A-Kid
Tampa, FL

Kelly McWilliams

Connect-A-Kid matches low-achieving, at-risk middle school students as reading tutors to elementary students and as pen pals to area seniors, raising the performance of both the middle school and elementary students

Handwritten note:
Brought
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1998-2

*cc (H) 1/14/04
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wait for
update*

Cyberangels
New York, NY

Nancy Savitt

Cyberangels is the largest online safety and educational program in cyberspace, providing online family safety tips and assists victims of cyberstalking and online harassment.

EDS
Plano, TX

Randolph Dove

EDS establishes partnerships with schools through Education Outreach, with more than 4,000 employee volunteers serving as mentors, tutors and in providing education enrichment activities in 150 schools worldwide.

*cc (H) 1/14/04
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Martin Flores
Los Angeles, CA

Martin Flores established the Rogelio Flores Foundation in memory of his brother, who was killed in a drive-by shooting, to keep young people out of gangs and in school.

Foundation for Interfaith Research and Ministry (FIRM)
Houston, TX

Dr Earl Shelp

FIRM involves 75 Care Teams, comprising members of 80 local Jewish and Christian congregations, who provide home assistance to people with HIV/AIDS, families who are touched by Alzheimer's and other dementia diseases, and 350 frail elderly.

Jeremy Martin Hall
Salem, OR

Jeremy Hall took a yearlong leave of absence from college to serve as community garden coordinator for Family Head Start and established a program to educate preschool children and their parents about recycling.

10-15-99

When Jason Summey was in 8th grade, he established "Be Cool . . . Stay in School," to provide support and counseling for students who are considering leaving school.

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work.

1998-4

Terry Thompson and Claire Braeburn
Tustin, CA

Terry Thompson and Claire Braeburn, a mother-daughter team, established Orange County On Track to provide mentors to teens, open lines of communication about culture and conflict among high school students and share positive teen stories through a magazine.

Texas Young Lawyers Association
Austin, TX

William Mateja

The association involves lawyers and businessmen as mentors to at-risk young people through sports, reading, taking students to work programs and through mock courtroom efforts, a program that has now spread to 35 states.

PRESIDENT'S SERVICE AWARD RECIPIENTS - 1999

*George
F. Austin
10-15-99*

American Institute for Learning
Austin, TX

Joanne Midwikis

To address the economic and housing boom in Austin, the American Institute for Learning created the Environmental Corps and the Casa Verde Builders, programs that mobilize local at-risk youth to build energy efficient homes and improve public lands and watersheds.

*Franklin
Anacostia
10-15-99*

Anacostia Watershed Society
Washington, DC

Robert Boone

The Anacostia Watershed Society, through the help of local volunteers and neighbors, is restoring and protecting the Anacostia River, one of the nation's most polluted rivers, to a swimmable and fishable state.

Dental Health for Arlington Volunteers
Arlington, TX

J. Moody Alexander

Dental Health for Arlington is a free dental clinic that provides dental care (e.g., exams, fillings, sealants) and education to more than 25,000 low-income residents in the Arlington community.

Emily Elizabeth Douglas
Powell, OH

Emily, through her founding of "Grandma's Gifts" and its volunteer base, provides food, clothing, books and educational experiences to children of Appalachian Ohio, Kentucky and West Virginia.

1999-2

Elderplan's Member-to-Member Program
Brooklyn, NY

Mashi Blech

Based in Elderplan, a nonprofit HMO, Member-to-Member is a seniors-helping-seniors volunteer program that allows seniors to run errands, shop, escort and perform minor home repairs for each other so they are able to "purchase" similar services if they need to do so at a later date.

Betty Frey
Tucson, AZ

Betty Frey founded the Tucson Adult Literacy Volunteers program in 1961, training hundreds of tutors during over 38 years and teaching English to thousands of adult learners

Hemmings Motor News
Bennington, VT

Terry M. Ehrich

Hemmings Motor News initiated the First Day of School Holiday to promote the first day of school as a holiday for parents and a community celebration, enhancing education by encouraging parental involvement and community support from day one of the school year.

Hewlett Packard's Hispanic Student Outreach Program
Boise, ID

Elena Buxton

To help reduce the high dropout rate among Hispanic students in Boise, Hewlett Packard established the Hispanic Student Outreach Program, providing the students with positive role models, tutoring and mentoring support, field trips and career days at the Hewlett Packard site.

1999-3

The Homeless Children Tutorial Program, Project Northstar
Washington, DC

Lorin Brown

Project Northstar provides tutoring for children living in homeless shelters and formerly homeless children and continues tutoring the children once they have left the shelters, adding needed stability and a continuity of relationships to their lives.

at Blue
Edward Joseph Jagen
Stevensville, MD

Acting as the Blue Knight, Edward Jagen has knighted and empowered more than 3 million children nationwide to stay safe from potentially dangerous individuals.

Jail Library Student Group
Madison, WI

Amy Mark

The University of Wisconsin's Jail Library Student Group has dramatically improved the quality of library service and the quality of life for thousands of Dane County inmates by creating a jail library, providing books and reading materials to fill their self-improvement, educational and recreational needs.

Jonestown Community Association
Hot Springs, ARK,

Glenn Gallas

The Jonestown Community Association mobilizes neighborhood volunteers in a community watch program, home renovation and garden projects, neighborhood cleanups and a mentoring program for young people.

Reverend Monsignor Ignatius McDermott
Chicago, IL

Father Mac, as he is known in the community, has implemented a compassionate approach to addiction through personal actions and a full-scale substance abuse treatment center, the Haymarket Center.

1999-4

Lans
Merrill Lynch
New York, NY

Eddy Bayardelle

Through Merrill Lynch's ScholarshipBuilder Program, 250 youth from 10 cities have been given the support and resources over a 16-year period to complete their high school graduations and pursue a fully funded college education.

Olomana School's "Mixed Plate with Extra Salad"
Kailua, Hawaii

Estelle Wong

"Mixed Plate with Extra Salad" is an interdisciplinary service learning program that involves students from Olomana School, the state's largest alternative school for adolescents with serious conduct disorder problems.

Plumbers & Pipefitters Local 25 & Mechanical Contractors Association
Rock Island, IL

Donald Walsh

BW
Fig
R
The Plumbers & Pipefitters Local 25 and the Mechanical Contractors Association have worked together to donate time and valuable labor to various service projects, including cleaning furnaces for the elderly, building playgrounds and shelters, and installing plumbing at the local United Way and a soccer complex.

Felipe Reinoso
Bridgeport, CT

As founder and director of the Saturday Hispanic Academy, Felipe Reinoso teaches disadvantaged Hispanic youth math and science helping ensure that these students have an equal opportunity to achieve academic excellence and pursue a college education.

1999-5

Robert Richmond
Seattle, WA

Since 1991, Robert Richmond has made contributions of time, money and high tech telecommunications equipment to Community Voice Mail, a national program that provides personalized voicemail for homeless job seekers.

The Service Learning Class of Brethren High School
Brethren, MI

Deborah Crandell

Brethren High School's Service Learning Class works to revitalize and bring economic development and tourism to their town through student volunteer projects like cleaning up an abandoned park, opening a Welcome Center and renovating a train depot as a railroad museum.

John Stephenson
Santa Fe, NM

John Stephenson, 84-year-old owner of the Community Farm, mobilizes volunteer farm hands and donates the entire farm harvest (worth more than \$25,000 a year) to the homeless, hungry and disabled of Santa Fe.

The Young Leaders' Academy of Baton Rouge
Baton Rouge, LA

Kirt Bennett

The Young Leaders' Academy provides an academic curriculum, tutoring, mentoring, field trips and community service projects for young at-risk African-American males, empowering them to improve the quality of their lives and assist them in becoming productive citizens.

attacks. The research results were reported in the October 1 issue of the journal, *Nature Genetics*. The project was supported by DOE and the National Institutes of Health.

DEPARTMENT OF EDUCATION

- **MD Race-Based School Transfer Policy:** On October 6, 1999, the Fourth Circuit Court of Appeals found that the Montgomery County Public Schools' student transfer policy -- which takes students' race and countywide racial percentages into consideration in determining whether a student can transfer into or out of neighborhood schools -- is not narrowly tailored and, therefore, is unconstitutional. WV
10/15
- **NYC Public School Financing:** On October 12, a state judge heard opening arguments in what the *New York Times* called "the most serious challenge yet" to the state's method of financing public schools. The suit argues that NY's school financing formula has deprived students of their right under the state constitution to a "sound, basic education." The *Times* reports that if the suit is successful, it could force the state to raise taxes to provide more money for schools in NYC and other poor districts, or to find another way to increase state aid to those school districts. Under the current formula, the city receives 35.5 percent of the state's education aid, even though it enrolls 38 percent of the state's public school children.
- **Technology:** On October 19, DOEd will host a Satellite Town Meeting, "Transforming Schools and Communities: The Power of Technology," which will focus on the new opportunities offered by on-line technologies and will examine how students are using technology to interact with real-world experts and scholars, conduct original research, and collaborate with other students around the world.

DEPARTMENT OF VETERANS AFFAIRS

- **NC Flood:** HHS has requested VA to extend the deployment of two emergency managers of the VA Emergency Management Strategic Healthcare Group (EMSHG) to the Management Support Team located near Tarboro, NC. This deployment will continue until October 16. A member of VA's EMSHG staff is assigned as VA liaison to the US Public Health Service in the Emergency Operations Center in Rockville, MD. In addition, the amount of funding to provide medical supplies, equipment and pharmaceuticals is support of the North Carolina Disaster Mortuary Teams has been increased to \$15,000. All VA EMSHG support provided to FEMA and HHS is pursuant to the Federal Response Plan.
- **NJ Flood:** Since September 24, VA has been working with the Red Cross and FEMA at its facilities in Somerville, NJ, to provide temporary housing for 200 persons left homeless by the floods resulting from Hurricane Floyd. Many of the flood-displaced

Mr. Wens

Ag. 10/1/99

**National Reentry/Community Supervision Initiative
DRAFT DISCUSSION PLAN
October 4, 1999**

THE ISSUE/PROBLEM:

- RECORD NUMBER OF INDIVIDUALS UNDER CRIMINAL JUSTICE SUPERVISION. In 1998, nearly 6 million people were under criminal justice supervision: 1.2 million individuals were incarcerated in state or federal prison; 500,000 were in local and county jails; 3.4 million adults were under Federal/State/local probation and 700,000 were on parole.
- HISTORIC NUMBER OF PRISON RELEASES ANTICIPATED. This year, nearly 500,000 individuals will leave state prison and return to communities across the nation, and many will return without any ongoing supervision. An estimated two-thirds of all inmates will be returned to custody within three years of release.
- RESOURCES LACKING TO SUPERVISE REENTRY. About three-quarters of the people under criminal justice supervision aren't behind bars, but rather are on parole or probation. Our prisons hold one-third of all offenders, yet they get about two-thirds of the money spent on corrections. (Mark A. R. Kleiman, UCLA Law Review.)
- ONE IN FIVE PRISONERS RELEASED WITHOUT CONDITIONS. In 1997, over 100,000 offenders -- 22 percent -- were discharged from prison without any conditions placed on their release from incarceration.
- OFFENDER RECIDIVISM RATES HIGH AND INCREASING. The public safety risks posed by parolees and probationers are substantial. In 1998, 17 percent of probationers and 42 percent of parolees were reincarcerated because of a rule violation or new offense. According to a BJS report, between 1990 and 1997, there was a 39% increase in the number of offenders returned to prison for parole violations, as compared to a 4% increase in new court commitments. In addition, parole violators represented about 35% of all admission to state prisons in 1997.
- DRUG ABUSE KEY CONTRIBUTOR TO RECIDIVISM. Probationers and parolees consume approximately half of all hard drugs (i.e. methamphetamine, heroin and cocaine) sold nationwide and criminals on release who use such drugs are far more likely than others to commit new crimes. (Mark A.R. Kleiman, UCLA Law Review.) Nearly 20 percent of state prisoners and 15 percent of federal inmates reported committing their offense to get money to buy drugs. And 33 percent of state prisoners and 22 percent of federal prisoners were actually under the influence of drugs at the time of their offense. (BJS Report, Substance Abuse and Treatment, State and Federal Prisoners, 1997.)
- HIGH RATES OF MENTAL ILLNESS AMONG RECIDIVISTS. Studies have found that rates of mental illness among incarcerated offenders to be at least double the comparable rates in the general population. A 1998 BJS survey found that nearly one in five offenders in

prison or jail or on probation were mentally ill. Over three-quarters of mentally ill inmates had been sentenced to time in prison or jail or on probation at least once prior to the current sentence. About 16%, or an estimated 547,800 probationers, said they had a mental condition or stayed overnight in a mental hospital at some point in their lifetime as well.

REENTRY/COMMUNITY SUPERVISION INITIATIVE

PRIMARY GOAL: The goal of a comprehensive reentry initiative is to improve public safety by reducing recidivism rates of returning prisoners and encouraging a broad-based coalition of community partnerships to support the successful reintegration of those offenders in a manner that best suits communities and the offenders themselves. The initiative would be based on two separate but complementary components: reentry partnerships and reentry courts.

REENTRY PARTNERSHIPS

A program would be created to spur the development of a specific number of "Reentry Partnerships" within communities to assist offenders to successfully reintegrate back into their communities without posing significant safety risks. Comprehensive grants would be provided for communities to create local reentry partnerships -- consisting of police and corrections agencies with community groups and service providers -- that would monitor offenders in their communities.

- CREATING COMMUNITY-WIDE EFFORT TO ADDRESS REENTRY Reentry partnership grants would encourage a broad array of state, federal, and local agencies to work with community-based organizations to address reentry issues of offenders. The grants would also help partnerships link to services such as job assistance, housing, family support, mental health, and other counseling.
- CONSIDER COURTS AS PRINCIPAL GRANTEE. The legally binding relationship between offenders and parole/probation officers provides the most reliable point of contact for participants in a reentry program. It may make sense to establish courts as the principal grant recipient of the reentry partnership.
- INCLUDE PRISON/JAIL OUTREACH PROGRAM. A prison/jail outreach program should be developed as part of the grantee's reentry program to connect offenders to service providers prior to their release.
- TARGET UNCONDITIONAL RELEASES. While a program is more enforceable through servicing offenders with conditional releases who have a legal responsibility to work with a parole/probation officer, a special focus may be added to targeting the unconditionally released prisoners. While these individuals have no legal obligations to appear before the courts, they often require the same reintegration services. (Check statistics on the number of recidivists that were out on unconditional vs. conditional releases.

REENTRY COURTS

A demonstration project would be developed to create a limited number of "Reentry Courts" modeled after Drug Courts for offenders under conditional releases, i.e. parole/probation. Similar to the reentry partnerships, reentry courts would connect offenders with other local services in order to create incentives for participation. Other key elements include:

- PAROLE/PROBATION OFFICERS. These officers develop a casework relationship with offenders, and tie them into reentry partnerships or other community support organizations that are needed for issues such as job training, drug rehabilitation, education, family counseling and health care. The reentry court initiative could help to fund the hiring of additional of parole and probation officers.
- INDIVIDUAL ACCOUNTABILITY PLANS. Each offender will create a personal plan for reintegration with their caseworker that must be approved for the courts. Such plans would include goals such as being drug-free, fulfilling job training requirements, paying child support on time, victim restitution, and community service. Once the plan is approved, they would become legally obligated by the courts to implement the plans.
- REGULAR COURT APPEARANCES. Each offender will be required to meet regularly schedule court appearances where they will testify with their caseworker on the status of their individual accountability plan -- with penalties for noncompliance.
- GRADUATED SANCTIONS. Similar to the Drug Court model, the Reentry Courts will rely upon graduated sanctions as incentives for offenders to comply with the terms of their personal plans. For example, offenders with histories of drug abuse will be required to be regularly drug tested. In the event they fail the test, they could face a series of sanctions such as extended home detention, ankle monitoring or even return to jail.

Automotive Alternative

In Bremen, Cheap, Efficient Car Rental Program is Catching On

By WILLIAM DROZDIK
Washington Post Foreign Service

BREMEN, Germany—The automobile has long been revered as an emblem of freedom and prosperity in Germany. Drivers are so attached to their cars as a primal badge of identity that lawmakers do not dare to set speed limits on autobahns where cruising speeds often reach 130 mph.

But the price of maintaining this cherished icon keeps rising every year. Not only do Germans pay some of the highest fuel prices in the world at close to \$5 a gallon, they are grumbling more than ever about traffic congestion, accidents and air pollution.

So this port city's bold effort to reduce car use represents nothing less than a revolution in the German psyche. For the past nine years, Bremen has been encouraging its 550,000 inhabitants to abandon car ownership by supplementing an ultra-modern public transport system with a car-sharing scheme that allows citizens to rent a vehicle quickly at relatively low cost.

Cars can be rented at 37 city locations, and may be picked up for a quick shopping trip or a weekend excursion. Cities elsewhere in Germany and Europe are considering similar experiments.

"I drive less than 2,000 kilometers [1,242 miles] a year, so it doesn't make sense for me to own my own car, with all the cleaning, maintenance and fuel costs," said Hans Dinger, who runs a picture-framing shop. "Car sharing is also a special way to say you care about your environment, and I want my son to appreciate the earth as much as I do."

Bremen officials say it is hard to pin down the impact of the program, but they believe the combination of car-sharing, bicycle use and public transport has enabled one-third of Bremen's households to dispense with their automobiles. While car ownership is still growing fast in the suburbs and elsewhere in Germany, Bremen has reduced daily traffic circulation in the canal-lined, cobblestoned streets of the inner city by about 500 cars per year.

Michael Glotz-Richter, a Greens party senator who helped launch the program in 1990, said the popular success of the car-sharing plan is rooted in the flexibility of having access to a car without the expense and hassle of owning one. "At first, people felt they were making a sacrifice to help the environment. But now they are breaking their dependency on a private car because they see how easy, convenient and cost-efficient this kind of program can be," he said.

For about \$40, a Bremen resident buys a smart card that allows a driver to make reservations and gain access to the vehicles located around the city. They have their choice of 10 car models, from subcompacts to vans. The cars recognize the smart card through a transponder field on the windshield that opens the doors. Upon returning the car, a swipe of the smart card across the windshield locks the door and transmits journey data that is used for monthly billing.

For example, a three-hour shopping trip covering six miles runs about \$7, while a two-day, 120-mile weekend excursion costs about \$85—rates considerably cheaper than those charged by car rental agencies. The city program covers all other costs, such as wear and tear, depreciation, tax, insurance, gasoline and cleaning.

"I think the most positive factor is the convenience," said Peter Emmrich, administrator of a public health center. "Once you realize that you don't need a car as part of your identity, you gain a lot of freedom. It's like renting a video. You just order a car, use it and then turn it back in."

If the program seemed like a strange novelty at its inception, it has now become a mainstream habit. "I got rid of my car a year ago after I moved to an apartment in a central location," said Klaus Stavenhagen, a city gov-

ernment employee. "It used to be a status symbol but the disadvantages of a car have become too great. Who needs one if you just use it to pick up groceries?"

Detlev Teichman, a local marketing researcher, said he is not ready to surrender his Volkswagen because it remains an essential part of his family routine. Even so, he welcomes the car-sharing program as a helpful adjunct to his lifestyle.

"When my wife is using our family car, I can always order up a second one that is suitable for any occasion, from a compact car to a large van," he said. "The variety of vehicles is really something of a luxury. When the sun shines, you can go for a convertible."

Although Bremen has a tradition of environmentally friendly urban experimentation, Glotz-Richter said similar German car-sharing programs could replace as many 1.2 million cars.

Other countries that have launched or expect to embark on car-sharing programs include Switzerland, Austria, Denmark, Luxembourg and the Netherlands. Glotz-Richter was recently invited to speak at a conference at the Massachusetts Institute of Technology about lessons learned from Bremen's experience, with the idea they might be replicated in Boston and other U.S. cities.

A European Union study showed that if applied on a continental scale, such programs could reduce car mileage by as much as 20 billion miles a year, which in turn would curtail carbon monoxide emissions, which are thought to contribute to global warming, by as much as 5 million tons a year.

Not surprisingly, the program has been scrutinized by Europe's leading car makers, including DaimlerChrysler, which is Bremen's largest employer. But rather than worry about losing customers, Glotz-Richter said the manufacturers seem eager to cooperate because they, too, believe car sharing may represent the wave of the future.

Indeed, the enthusiasm for car-free lifestyles is proving infectious. With the financial support of Bremen's city government, apartment complexes now offer substantial discounts on monthly rents if tenants pledge not to own a car. That idea has spread to other cities, including Hamburg, Cologne and Freiburg, where the environmentalist Greens party has gained substantial public support for eco-friendly policies.

"It's a great feeling of liberation when you get rid of your habitual dependency on the automobile," said Pit Klasen, a Bremen architect who swore off owning an automobile six years ago and now designs car-free neighborhoods. "But it only works when you know you have the flex-

ibility of getting into a car when you really need it. That's where car-sharing comes in."

During a tour of his apartment complex, Klasen showed the dramatic change in landscape as well as lifestyle that occurred once he and his neighbors gave up their cars. Vacant parking lots are used as playgrounds and an underground garage serves as a communal recreation room, with space left over for a self-sustaining laundromat that uses rain water collected from the roof.

"It's true that Germans have always had a special love affair with the car," Klasen said. "But there's no reason you have to remain trapped in a bad and unhealthy relationship."

CR/AK/EL-
Interesting
idea.

BR

The Washington Post

Monday, September 20, 1999

NEW IDEAS

September 16, 1998

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: Bruce Reed
Elena Kagan

SUBJECT: DPC October Event Ideas

Health Care

Long-Term Care: If Democrats decide to introduce an alternative tax bill, we could do an event (either before or concurrent with the Democratic unveiling) that highlights the President's long-term care initiative. The President's proposal would provide for a \$500-\$1,000 tax credit to people with long-term care needs or their caregivers. It would cost about \$5 billion over 5 years and help about 2.2 million people. At the same time, the President could call for the Federal Employees Health Benefit plan to offer long-term care insurance to federal employees. OPM estimates that 300,000 people would buy these policies.

Work Incentives and Health Care for People with Disabilities: Within a week, we will know whether the Senate will vote on the Jeffords-Kennedy Work Incentives Improvement Act -- the disability community's top health priority -- this year. If the bill does come to a vote, we could do a strong event with the disability and AIDS communities emphasizing our involvement in developing the bill and calling on the Senate to pass it. We also could announce the approval of four states for the new "date certain" grant program. This initiative (long sought by the disability community) gives states the ability to use Medicaid funds to offer a time-limited opportunity for institutionalized disabled persons to return to their communities to receive the long-term care services they need. The disabilities community views the program as an important step in moving Medicaid away from its historic bias toward institutionalizing the chronically ill.

Children's Health: October is the first anniversary of the effective date of the Children's Health Insurance Program (CHIP), and October 5 is Child Health Day. We could release the first annual report on states' progress in implementing CHIP, which is expected to coincide with a sufficient number of state approvals to cover 2.5 million kids. At this event, we would launch phase one of our children's health outreach campaign with NGA, which includes new radio ads in 10 states (set to begin October 1) targeted to parents of uninsured children eligible for CHIP or Medicaid. We also are trying to get a commitment from Americorps to participate in signing families up for Medicaid and CHIP on the local level.

Patients' Bill of Rights: We would like to do at least one more patients' bill of rights event, preferably on the road, prior to the election. We might want to do a kind of wrap-up event, now

that we have just about finished applying the bill of rights to federal health plans, totting up everything we have done by executive action (i.e., how many people covered) and comparing it to what Congress has accomplished (i.e., nothing). The AFL-CIO (per Jerry Shea) strongly favors this event.

Cancer Event(s): In addition to the September 26 Cancer March (and the President's possible involvement through a radio address), October is National Breast Cancer Awareness month. It is also the fifth anniversary of the President's launching of the National Action Plan on Breast Cancer. We have tentatively scheduled October 21 for an event with the First Lady to (1) release a new report on the progress the Administration has made in the fight against breast cancer, and (2) highlight a new information outreach and screening campaign focused on underserved minorities. Because of the President's strong cancer record, as well as his desire to underscore our commitment to ending health disparities among races, the President might want to participate in this event.

Elder Abuse: See Crime section of this memo.

Education

September Grants: The Education Department will announce prior to September 30: (1) technology grants (\$30 million to 17 states); (2) charter school grants (\$60 million to 20 states); (3) safe and drug free school grants (\$5 million for model school partnerships and universities); and (4) school-to-work grants (\$40 million to urban and rural communities, which must be given on September 30). We can try to combine as many of these grants as possible into a single event, perhaps in Chicago.

Potential Bill Signings: (1) The Higher Education Act is virtually certain to pass this session, though the timing is uncertain. It is likely to contain provisions to reduce student loan interest rates, as well as programs based on our High Hopes and Teacher Recruitment and Preparation proposals. (2) Prospects for passing the charter schools legislation are decent, though hardly guaranteed. (3) Ditto the prospects for passing an early literacy bill.

Safe Schools Conference: On October 15, the President will host a White House Conference on School Safety and take the following actions: (1) release the first annual report on school safety, including school crime data, information on model safe schools, and recommended action steps for parents and teachers; (2) unveil a proposal to reform the Safe and Drug Free Schools program and call for additional funds in the FY 2000 budget; (3) announce a new FEMA-like program of assistance for communities that have experienced school-related violence; (4) launch new comprehensive school safety grants that will bring together disparate streams of funding from the Departments of Justice, Education, and Health and Human Services; and (5) start a partnership with MTV on school safety, which includes a year of PSAs.

Crime

September COPS Grants: The President could announce in late September \$370 million in grants to hire or redeploy 11,500 more police officers. This announcement would include \$100 million for Los Angeles to hire 700 new police officers, \$70 million for the rest of California to hire 800 new officers, and \$200 million for COPS MORE grants to allow police departments in communities across the nation to redeploy more than 10,000 officers.

Elder Abuse and Fraud: The President could take several actions to combat elder abuse and fraud, including: (1) releasing the preliminary findings of an HHS study on elder abuse; (2) creating a new national center on elder abuse; (3) calling on Congress to reauthorize the Older Americans' Act, which includes services to help older Americans at risk for abuse; (4) launching a new partnership between the Justice Department and AARP to create Elder Fraud Prevention Teams (EFPTs) in four cities (Miami, Phoenix, San Diego, and Seattle); (5) releasing roughly \$3 million in Justice Department grants to combat fraud against the elderly (by September 30); and (6) posting new information on telemarketing fraud on the Department of Justice Web site.

TOP COPS Legislation: The President could sign legislation to expand educational benefits for the children of slain local law enforcement officers at the NAPO TOP COPS event on October 9, assuming the legislation is passed in time. The President endorsed this proposal at last year's TOP COPS event. The bill has passed the Senate and is waiting for a floor vote in the House.

1997 FBI Crime Statistics: Coinciding with the October 18 release of the final 1997 FBI Uniform Report -- which will continue to show large decreases in crime -- the President could give a major policy speech on how this Administration's efforts have helped to fuel the longest sustained drop in violent crime in nearly 40 years. The speech would commemorate the fourth anniversary of the landmark 1994 Crime Act; highlight the crime policies, including signature initiatives such as COPS, that have helped to change the nation's approach to crime; and begin to make the case for new crime proposals that will be included in the State of the Union and FY 2000 budget.

Youth Crime Gun Interdiction Initiative: Anytime after October 23, the President could: (1) release the second annual report on the Youth Crime Gun Interdiction Initiative (YCGII), which will provide new ATF data on guns used in crimes in 27 cities; (2) announce the availability of new funds to hire new ATF agents to investigate gun trafficking in these 27 cities; and (3) propose a dramatic expansion of this initiative in the FY 2000 budget to all major cities (i.e., the 65-70 cities with populations of 250,000 or more), which would cost about \$30 million (pending OMB's approval). Additionally, because we expect the YCGII report to make a strong case for cracking down on "straw purchasers" and gun shows, we are considering whether the President should announce his support for legislation requiring background checks for all secondary market gun purchases.

Children and Families

Head Start Reauthorization Bill: The President should have the opportunity to sign a Head Start Reauthorization bill this year. A bill signing could highlight the how the Administration has (1) significantly increased Head Start participation; (2) dramatically improved program quality; and (3) created Early Head Start for infants and toddlers.

Quality Child Care for Federal Employees Act: The President may get an opportunity to sign the Quality Child Care for Federal Employees Act, which makes important improvements to federally-sponsored child care by building on an executive memorandum that the President issued in March 1998. (Congress, however, might add this measure to an appropriations bill.) We could announce new CCDBG data (see just below) at this signing.

New Child Care Data. The President could announce new data of the number of children served with child care assistance through the Child Care and Development Block Grant (CCDBG). This data will point to the need for increased investment in the block grant; we expect the data to indicate that we are serving approximately 1.8 million children of the 10 million eligible for assistance. This is the first data to examine the CCDBG created by welfare reform in 1996 (when four child care assistance programs were consolidated).

CEO Roundtable Discussion on Work/Family Issues: The President could host a meeting of CEOs to discuss "family-friendly" workplace practices that meet the needs of the nation's changing workforce. The President could release a new CEA report, if it is ready, on Families and the Changing Labor Market. Additionally, the President could signal support for the design of a paid parental leave program (policy development process required). This meeting would build on the work of the Treasury Child Care Working Group, run by Secretary Rubin.

Welfare

National Child Support Case Registry: HHS is almost ready to put in place a new national database of child support cases, called a Federal Case Registry. This database will make it easier to locate deadbeat parents, especially if they have moved to a different state; HHS will check the Registry daily against an existing database of new employees; when it finds a match, it will report the information to the state, which then will arrange to garnish the wages of the delinquent parent. The registry was proposed by the President in 1994 and enacted as part of the 1996 welfare reform law. States will begin to submit their case data to HHS on October 1; HHS expects to have 30 states in its system by the end of October and 40 states by the end of the year. We could unveil the new registry anytime in October.

Work Participation Rates and Other Statistics: In late October, the President could visit a welfare-to-work program and announce (1) new state work participation rates, showing that almost all states are meeting the welfare law's single-parent requirements, but some are failing to meet the law's separate two-parent requirement; (2) new caseload data showing continuing

declines; and (3) new data on the number of people who were on welfare in 1997 and working in March 1998.

Tobacco

OSHA Rule: The President could sign an Executive Order directing OSHA to issue within one year a standard establishing a smoke-free workplace for all private sector employees. OSHA has been working since 1991 on a standard regulating all indoor air pollutants (including but not limited to environmental tobacco smoke), but is years away from completing the standard, principally because there is scanty scientific evidence to justify the regulation of certain non-ETS pollutants. If the President ordered a separate standard only on ETS, OSHA believes it could complete the work within a year. The resulting standard would be similar to the August 1997 Executive Order banning smoking in federal buildings.

Counteradvertising: In an event focusing on counteradvertising, the President could direct HHS to: (1) designate the CDC's Media Campaign Resource Center as a National Clearinghouse on Tobacco Counteradvertising; (2) collect and disseminate a package of the top-10 advertisements for preventing youth smoking, and make these available to states and organizations for television placement free of charge; and (3) make effective anti-tobacco curriculum available to every school. Supermodel Christy Turlington and the musical group "Boyz II Men" have made PSAs that would be among the top-10 package, and we could invite them to participate in the event.

Department of Defense Anti-Tobacco Plan: The President could help unveil the DOD's new comprehensive anti-tobacco plan. This plan includes: health plan coverage of over-the-counter nicotine replacement therapies; an extensive counteradvertising campaign; and the incorporation of anti-tobacco messages into military education and training programs. The total cost is about \$60 million. The Secretary of Defense and/or Chairman of the Joint Chiefs of Staff could join the President.

Food Safety

Salmonella and Research: The President could announce a preliminary USDA study showing that salmonella risks have declined by almost 50 percent in chicken and almost 40 percent in swine, largely because of the HACCP program. At the same time, he could participate in a kind of "show and tell" event demonstrating the importance of research to food safety, showing for example how federal research has led to technologies dramatically reducing salmonella in chicken and e-coli in cows.

Service

Americorps 100,000th Member Event: CNS is planning national service events in Washington and around the country on October 23 to celebrate the swearing-in of the 100,000th Americorps member. At this event (or at some other time), the President also could announce: (1) new grants

to support 500-1000 Americorps Promise Fellowships to support the goals set at the Presidents' Summit; (2) the recipients of the President's Service Awards, the nation's highest volunteer service award; and (3) the recipients of the President's Student Service Awards.

Community Empowerment

Individual Development Accounts: The President may have an opportunity to sign a bill to provide funds for IDAs, which the President has supported since 1992. At the bill signing, the President could announce that he is sending a letter to the bank regulators asking that IDA accounts count towards a financial institution's CRA requirements.

The DLC Update, Monday, March 22, 1999

Highlights Include:

- Idea of the Week: An SEC for Health Care
- Progress or Partisanship on Medicare?

Idea of the Week: An SEC for Health Care

Last year Congress notably failed to move an inch toward real progress on the hot-button health care issue du jour: patients' rights. Democrats had their proposal, aimed at making Republicans look like insurance company stooges unwilling to help Helen Hunt force her HMO to let her child see a real doctor. Republicans had their proposal, aimed at showing they disliked lawyers as much as HMOs, and intended to "neutralize" the issue during the 1998 campaign.

We believed, and still do, that there are elements in both parties' approaches that together could empower health care consumers with the choices, the information, and the purchasing power they need to make competition work for higher quality health care at affordable prices (see David Kendall's October 1998 Progressive Policy Institute (PPI) Backgrounder, Better Luck Next Time: Moving Beyond Partisan Posturing on Patients' Rights).

But so far this year, both parties are trundling out last year's partisan proposals and re-staging the drab pageantry of last year's partisan posturing on patients' rights. With prospects for compromise on this legislation low and getting lower, we are delighted to offer a new idea for placing real, live patients--not just their self-appointed champions among Congressional bill-writers, federal and state bureaucrats, doctors and lawyers--in the driver's seat on health insurance decisions.

In a new PPI report Protection of the Health Care Consumer: The 'Truth' Agency, Harvard Business School Professor Regina Herzlinger suggests that the same simple institutional reforms that saved the securities industry from fraud, misinformation, runaway costs, and a crisis of public confidence back in the 1930s, could work wonders in creating a consumer-driven market for health insurance today.

According to Herzlinger, the key to the securities reform initiated by President Franklin D. Roosevelt was the Securities Exchange Commission (SEC)--a "truth" agency that did not attempt to evaluate or micromanage securities offerings, but did insist on full disclosure of information to investors and a level playing field for competition. The SEC did not, and does not, "rate" securities, but does require that issuers provide the information necessary for private-sector rating services to make reliable evaluations, and for competitors to make reliable comparative claims.

Specifically, Herzlinger proposes a health care "truth" agency that would:

- Register all health insurers (as the SEC registers securities firms) as eligible to operate across state lines if, and only if, they fully disclose information on the financial integrity of their firms, the scope of their policies, and the quality of services they provide, with powerful penalties for companies that cannot back up their representations to the public.
- Work with private sector organizations (like the securities industry's Financial Accounting Standards Board) that would audit health insurance plans and provide common measurements of their price, quality of care, and level of consumer satisfaction.
- Encourage a host of private-sector analysts (a key part of the securities purchasing system) to use disclosed information to evaluate the cost and quality of health insurance plans, helping to hold down costs by stimulating competition.

With this limited but essential set of tasks, a "truth" agency--or "SEC for Health Care"--could

simultaneously make health insurance information reliable, improve the fairness of insurance policy prices, help consumers redirect their money from good to bad health plans, and lower everybody's transaction costs.

This step would not solve every problem connected with health insurance plans, or with the health care system, but it would surely accomplish more, at a lower cost, and with less bureaucracy, than the war of sterile words between partisan warriors marching nowhere under the tattered banner of "patients' rights."

Progress or Partisanship on Medicare?

As we feared (see our March 16, *DLC Update Special Edition: Medicare's Moment of Truth*), the National Bipartisan Commission on Medicare Reform met and disbanded this week without agreement on any proposal to restructure the soon-to-be insolvent entitlement program for retiree health care.

Despite heroic efforts by Commission Chairman Senator John Breaux (D-LA), his proposal to remodel Medicare on the highly popular and successful Federal Employee Health Benefits Program (FEHBP) fell one vote short of the eleven (out of seventeen) votes necessary for adoption. Other than Senator Breaux and his New Democrat colleague Senator Bob Kerrey (D-NE), no commission Democrats could be convinced to back the proposal. While some of those Democrats had principled (if, in our view, misguided) policy objections to the proposal, it is also clear that opposition from the Clinton Administration is what really doomed Breaux's efforts.

To his credit, President Clinton implicitly took responsibility for this outcome at a press conference held just minutes before the final Commission meeting, in which he outlined his concerns about the Breaux proposal and announced his adamant intention to pursue his own legislative package on Medicare this year. For a point-by-point analysis of the President's objections to the Breaux plan, we recommend you read a new PPI Backgrounder, Setback to Bipartisan Medicare Reform, by PPI Senior Health Policy Analyst David Kendall. But the most important question now is how and when the President will decide to redeem his pledge to seek bipartisan action on Medicare in the rapidly closing window of legislative opportunity before Washington becomes consumed with the 2000 election campaign.

It is not clear to us how any truly bipartisan package of recommendations will differ from Senator Breaux's, or how the overheated partisan climate surrounding this Congress and this Administration will provide a better incubator for a successful compromise than the just-concluded commission. On the other hand, this President has pulled political and legislative rabbits from a hat so often that we are not about to reject the possibility that he might do so on Medicare.

Our main concern is that Democrats from the President on down recognize that Medicare is one of the biggest, baddest, and most immediate policy challenges facing America, posing an unavoidable test of the Party's hard-won reputation for fiscal discipline and public sector reform. To be sure, Medicare reform will necessarily anger liberal activists and interest groups that want to keep the middle-class entitlement programs pickled in brine, even if retiree benefits eat up every available dollar of present or future budget surpluses, leaving nothing but spare change for all the causes Democrats are supposed to care about. There is, of course, no real evidence that actual voters share this reactionary attitude, and much evidence they are open to a Medicare system that offers higher quality, better benefits, and, most of all, a choice of health plans.

Reforming Medicare in this Congress, as the President insists he wants to do, will require genuine bipartisanship, not the phony bipartisanship of a Democratic or Republican proposal with token support from the opposition. That is why it is important that the Administration clearly, publicly, and repeatedly reject demands from the Democratic Left that Medicare reform be abandoned so as to preserve "saving Medicare" as a campaign issue for 2000.

Genuine bipartisanship on Medicare reform also means avoiding the temptation to make Medicare a pawn in the continuing partisan chess game over fiscal policy and the use of future projected budget surpluses. The President is right in arguing that any comprehensive Medicare plan must deal with the revenue shortfalls that will afflict the program even if a Breaux-style package of structural reforms is

enacted. But the surest way to sabotage Medicare reform is to demand that Republicans abandon their entire fiscal policy--including their attachment to tax cuts and defense spending increases--as the price for Democratic cooperation on Medicare. You might as well threaten to veto every spending bill until Republicans acknowledge Ronald Reagan's responsibility for the national debt: you'd be right, but you'd also destroy any prospect for legislative progress in a Republican-controlled Congress.

The bottom line is that the President and Democrats must once again decide whether to pursue "progress or partisanship," to cite the battle-cry Democrats used to score stunning gains in the 1998 Congressional elections. It is really no different than the choice faced by Democrats on welfare reform and the balanced-budget agreement: Cut the best possible deal with the opposition, or refuse to govern. In retrospect, many of the President's liberal critics now grudgingly agree he made the right choice for the country and for the Democratic Party in pursuing bipartisanship on crucial issues in the past. This is no time to reverse course, go back, and take the left fork in the road.

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The DLC Update Monday, August 16, 1999

Highlights Include:

- Idea of the Week: "Juvie" in the Schools
- Let 'Em Eat Lunch
- Disbanding the Armies of Compassion

Idea of the Week: "Juvie" in the Schools

The fear of violence in schools is a major preoccupation for Americans these days. Since the massacre at Littleton, the shootings in suburban Atlanta, and a foiled plot in Michigan, millions of gallons of ink have been spilled in worthy efforts to figure out what we can do to reduce the risk of school violence: improved gun control, greater parental involvement, reduced consumption of violence- glorifying entertainment products, among other ideas. But the two most immediately practical steps have both come from New Democratic Lieutenant Governor Kathleen Kennedy Townsend of Maryland.

The first was her proposal to stop the nonsense of treating schools as "norm-free zones" by introducing an intensive Character Education curriculum at the earliest possible age (see the July 24, 1998, DLC Update). This is now a statewide practice in Maryland, and Vice President Al Gore has proposed to take it nation-wide.

Now Lt. Governor Townsend has proposed to build on a successful Maryland pilot program that places juvenile probation officers directly in schools instead of distant bureaucratic offices. The goal is to bring "juvie" right into the schools where kids spend most of their days and to focus on the kids most likely to commit violent acts--those who have committed them before. Begun at a cluster of nine schools in 1996-97, "Spotlight on Schools" has decreased school suspensions and dropout rates, and, most importantly, not one student has been arrested for new offenses.

In a similar pilot program in Fresno, California, firearm possessions in school dropped by 76 percent and assaults on teachers decreased by 58 percent. In both cases, the cause was obvious: someone with the ability to "violate" violent kids with serious penalties was on the scene, watching and talking, interacting not just with students but with teachers and administrators. Says one Maryland juvenile parole officer: "Before, a field officer would go and visit a school and would have contact with a kid about every two weeks. Now, with an office physically in the school, I see all my kids two or three times a week, if not everyday."

It's the same principle used in community policing. Law officers who are "in the community" can identify and intervene in patterns of behavior before they produce crime, and offer a visible presence that can deter crime.

That's why it is most appropriate that Townsend is expanding "Spotlight on Schools" to include many of the neighborhoods participating in her "Hot Spots" initiative, Maryland's successful effort to create teams of crime-fighters across the criminal justice system to focus on high-crime areas (see the Oct. 8, 1998 DLC Update). The best place to fight violence and crime is in the community, not in the bureaucracy.

Let 'Em Eat Lunch

Last week Senate Republicans held a press conference for the specific purpose of mobilizing high-technology firms to support their \$792 billion tax cut bill on grounds that it would permanently extend the tax credit for research and development. They released a letter to the President that said, "Mr.

President, it's time to stop playing politics with the R&D tax credit."

But lo and behold, the final bill that Congress sent the President dropped the permanent extension, replacing it with a five-year provision. Explaining the flip-flop on an issue that Senate Republicans had made such a big deal about just days earlier, Senate Majority Leader Trent Lott (R- MS) tersely said, "We had to go down the list and make some decisions."

Indeed they did. Most important, of course, was the Senate's decision to go along in part with the House on an across-the-board income tax cut and an abolition of the estate tax, guaranteeing that the final product would reflect the House GOP's determination to skew tax cuts to high-earners.

But quite a few other items proved more important to Republicans than promoting research and development, the life-blood of the New Economy. There were special tax breaks for manufacturers of tackle boxes, processors of poultry excrement, and whaling captains, among others. All in all, there were an estimated \$80 billion in new corporate subsidies, leading Sen. John McCain (R-AZ) to denounce the bill before voting for it on grounds that the President would veto it in any event.

New Democrat Coalition co-chair Rep. Cal Dooley (D-CA) quickly pointed out that House Democrats had managed to find room in their much smaller tax package for a permanent R&D credit. Meanwhile, House GOP appropriators slashed the President's R&D investment requests across the board, with 70 percent cuts in the Information Technology Initiative, a \$1 billion cut for NASA, and big hits for the National Science Foundation and the Department of Energy's science programs. With "friends" of the New Economy like this, who needs enemies?

One of the largest items that got into the tax-bill cafeteria line ahead of the permanent R&D credit was an increase in the deductibility of business lunches. That seems to be the GOP's answer to a New Economy starved for the kind of innovation that increased research and development could feed: Let 'em eat lunch!

Disbanding the Armies of Compassion

Speaking of questionable GOP priorities, the House has voted for the fourth time in the five years of Republican control to zero out appropriations for the AmeriCorps national service program. In part, this demonstrates the brain-dead method that Congress is using to enforce discretionary spending "caps," allocating funds not by any deliberative process but by dividing them up among appropriations subcommittee barons. Thus, you get AmeriCorps pitted against veterans' health programs, and education and training initiatives--both key to the New Economy--battling for bucks in the same shallow pool.

There's something deeper going on in Republican counsels as they once again try to kill AmeriCorps. For all the talk of "compassionate conservatism," most congressional Republicans are simply unwilling to do anything positive with government to promote community-based, non-governmental efforts to address social problems, which is exactly what AmeriCorps is all about.

Just last month, the presidential candidate endorsed by a majority of House Republicans made his first major policy address, calling for government to "rally the armies of compassion in our communities to fight a ...war against poverty and hopelessness, a daily battle waged house to house and heart by heart."

Was George W. Bush simply talking about exhorting private non profit and faith-based groups to fight the good fight, getting government out of the way? No, he pointedly denounced a "destructive mindset: the idea that if government would only get out of our way, all our problems would be solved." Bush specifically called for government to serve as a partner with civic organizations, because "the challenges are often greater than their resources....It is not enough for conservatives like me to praise these efforts. It is not enough to call for volunteerism."

It is impossible to square this centerpiece presentation of "compassionate conservatism" with the actions of Gov. Bush's House Republican allies. Bush himself was asked about AmeriCorps following his Indianapolis speech, and replied: "Here's the question: Does it work? If it's helped to change people's

lives, then I support it."

Does it work? Well, AmeriCorps participants have so far taught, tutored or mentored nearly 2 million children; helped more than 200,000 senior citizens live independently; organized after-school programs for more than a half-million at-risk kids; built or rehabilitated more than 25,000 homes; and most importantly, mobilized 2 million volunteers in more than 4,000 communities. Gov. Bush's close advisor, retired Gen. Colin Powell, has no trouble reaching a conclusion about whether AmeriCorps works: "I think the House made a big mistake....I have now had two years of experience with AmeriCorps, and they are doing a great job....what they do in terms of leveraging other individuals to volunteer...is really incredible."

Perhaps the House decision to kill the AmeriCorps appropriation is just a hostage taken in anticipation of a big budget deal with the President in the fall. But it says a lot about the gap between Republican rhetoric and Republican behavior in a party that is supposedly uniting under Gov. Bush's banner. If "compassionate conservatism" is anything other than a happy-face label for the same old anti-government conservatism, then public initiatives like AmeriCorps should be at the top, not the bottom, of Republican priorities in Congress. We invite Governor Bush to publicly make the same point, or let us all continue to wonder if he will be missing-in-action when the "armies of compassion" are mustered.

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The DLC Update Monday, July 19, 1999

New Democrat **IDEA EXCHANGE**

Highlights Include:

- Idea of the Week: Working With Fathers
- 1999 National Conversation: Growing at the Grass Roots

Idea of the Week: Working With Fathers

There are two overriding verdicts of history that New Democrats believe true progressives should accept without much debate: markets are the most efficient way to create wealth and allocate resources, and two-parent families are the best institution for raising children. The U.S. is doing quite well in the marketplace but also has the dubious distinction of leading the world in fatherless families, with 25 million children living away from their biological father and 17 million living with their mothers alone.

More ominously, the families headed only by a single mother are those most in need of financial and emotional resources because they live in poverty. In fact, the vast majority of welfare families are headed by young single mothers. Sadly, growing up fatherless is a strong indicator of whether a child will someday dropout of school, have a child of his/her own out of wedlock, or go to jail.

On a more practical level, the epidemic of absent fathers creates an enormous challenge for the nation's current experiment in replacing welfare with work. It's hard enough to "make work pay" sufficiently to lift families out of poverty even if both parents work. Worse, a majority of absent fathers in families on public assistance don't pay any child support at all, some because they refuse to, some because they have evaded detection and enforcement, and some because they don't have jobs themselves. More fundamentally, promoting a revival of two-parent families in impoverished areas is essential in "breaking the cycle" of dependence on public assistance that so often stretches for generations.

We are pleased to report that New Democrat Sen. Evan Bayh (D-IN) along with Sen. Pete Domenici (R-NM) is sponsoring legislation to make a revival in responsible fatherhood and two-parent families a national policy goal. Their Responsible Fatherhood Act (introduced on July 14 but not yet assigned a bill number) would give states and communities new tools to promote the formation and maintenance of two-parent families and the acceptance of personal responsibility for children by absent fathers.

The legislation gives states and communities flexible funds to promote responsible fatherhood through alliances with the news media, charities, community-based organizations, and religious institutions. It also makes clear that states can use welfare-to-work funds to help fathers get jobs. This would allow them to generate the income necessary to support their children, while making sure this help gets to families in the quickest manner possible. On this last point, the legislation wisely lets states set up a "child support enforcement pass-through," which basically lets absent fathers send child support directly to families without going through the government or risking the mother's availability for public assistance. Fathers are far more likely to pay child support if they know the money is going to their kids rather than to or through bureaucrats.

The Bayh-Domenici legislation also amends the "high-performance bonus" created in the 1996 welfare reform law to make formation and maintenance of two-parent families a factor in granting bonuses to states who have succeeded in moving welfare recipients into private-sector jobs. A revival of two-parent families in the welfare population will do more to break the cycle of dependence than any other initiative we can take.

Two-parent families work, and when fathers are absent, their work should contribute to the nurturing and upbringing of their children. That's the verdict of history, and Sens. Bayh and Domenici are right to say our policies should reflect our values in honoring it.

1999 National Conversation: Growing at the Grass Roots

More than 170 state and local elected officials and policymakers representing all 50 states joined President Bill Clinton in Baltimore this week for the DLC's third annual "National Conversation." Press coverage of the event naturally focused on a couple of clever shots the President took at the incoherence of the "compassionate conservative" message of Texas Governor George W. Bush, who was literally across the street doing what he does best: raising money with a smile.

But something more enduring happened at this event: a demonstration that the New Democrat movement is truly national--young, vibrant, diverse and growing. DLC President Al From began the National Conversation by noting the international strength of the Third Way politics pioneered by New Democrats, but also suggested that its future lies in applying Third Way principles to the practical issues of governing in state capitals, city halls and county courthouses.

On the first day of the National Conversation, the DLC showcased a group of New Democrat state and local elected officials who also lead other major national associations of their colleagues: Denver Mayor Wellington Webb, president of the US Conference of Mayors; Prichard, Alabama Mayor Jesse Norwood, president of the National Conference of Black Mayors; Prince Georges County, Maryland County Executive Wayne Curry, president pro tempore of the County Executives of America; and Delaware Gov. Tom Carper, chairman of the National Governors' Association. They reinforced our belief that state and local Democrats are naturally attracted to the DLC as the "problem-solving" wing of the Democratic Party, and that New Democrats, not Republicans who have the most influence in state and local governments.

Innovation, and an exchange of ideas, were also promoted in a series of presentations on cutting-edge issues by four Democratic Governors. Gov. Roy Barnes of Georgia explained his success in getting bipartisan support for a strong new initiative to deal with suburban "sprawl" in metropolitan Atlanta. Gov. Tom Vilsack of Iowa talked about the power of information technology to revive traditional industries, especially agriculture. Gov. Mel Carnahan of Missouri addressed the need for making government results-oriented, as reflected in his "Show Me Results" initiative that focuses state agencies on measurable performance goals. And Gov. Carper suggested that Democratic Governors create an ongoing partnership with the DLC and PPI in developing new policy ideas. National Conversation Co-Chair Lt. Gov. Kathleen Kennedy Townsend also discussed her trailblazing anti-crime initiatives.

As always, President Clinton excelled in connecting past New Democratic accomplishments with new challenges. Noting the remarkable economic and social achievements of the country during his Administration, and the success of Third Way political movements in Europe, Latin America and Israel, he said: "If there's anyone responsible for the resurgence of progressive politics around the world, it's Al From and the DLC."

But the President also pointed to a lot of unfinished business, especially the continued plight of impoverished urban and rural areas left out of the current prosperity. He asked for support of his New Markets Initiative, an effort to bring new private-sector economic growth to poor areas (see the July 12 issue of the *DLC Update*), and also announced several new executive actions aimed at ensuring that families moving from welfare for work don't have to choose between taking a job and staying eligible for food stamps.

As for "compassionate conservatives," the President was not simply making fun of their opaque views on most issues of concern to Americans. He was also accepting the challenge they pose to the successful politics of the center represented by New Democrats. "We're hearing a lot of familiar rhetoric from the other party. If imitation is the best form of flattery, that, too, you should welcome."

Finally, the National Conversation was a striking demonstration of our long-standing view that a New Democrat message can unite traditional Democratic voting constituencies with the politically "homeless" ranks of independents and swing voters. A session led by California Lt. Gov. Cruz Bustamante on "The Politics of Aspiration and the Latino Electorate" clearly demonstrated that centrist

Democratic politics can unite the diverse elements of the Democratic coalition. So, too, did the presence of many African-American New Democrats, like Georgia Labor Commissioner Mike Thurmond, Maryland's Wayne Curry, and Mayor Wellington Webb of Denver.

As Lt. Gov. Townsend suggested, the New Democrat movement, and its strength at the grassroots, is Bill Clinton's most important legacy.

If you missed the National Conversation, you can view it in part or in whole on our web page: www.dlc.org.

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