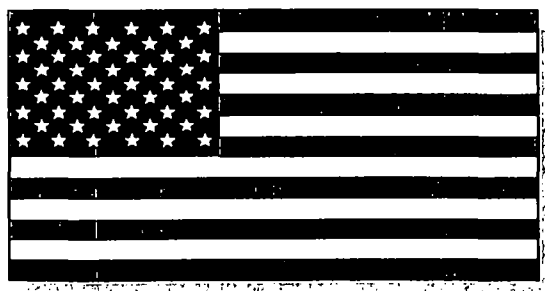


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**Background on President Clinton's  
Agenda for the Nation  
State of the Union Address  
January 19, 1999**



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***State of the Union Address***  
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## **21ST CENTURY SCHOOLS**

### **Accountability for Results**

In his State of the Union Address, President Clinton will announce a package of accountability measures designed to hold students, teachers, and schools to high standards, and to ensure that school districts and states provide students with a high quality education. These proposals will help to lift student achievement in every public school and close the achievement gap by giving special attention to disadvantaged students in low-performing schools.

The President's plan marks a sea change in national education policy -- for the first time holding states and school districts accountable for progress and rewarding them for results. While insisting that states and local governments retain primary responsibility for education, President Clinton will call on Congress to make sure federal dollars support what works and not what doesn't. His proposal emphasizes reforms that a growing number of states, cities, and schools across the nation are implementing and that are producing clear results.

Specifically, the President will announce that he will send Congress legislation to reauthorize the Elementary and Secondary Education Act (ESEA) to ensure that schools end social promotion; teachers are qualified to teach the subjects they are assigned; states turn around their lowest-performing schools; parents get annual report cards on school performance; and schools institute effective discipline policies.

### **Accountability for Results: End Social Promotion**

The President's ESEA proposal will require states and school districts to end social promotion -- the practice of promoting students from grade to grade regardless of whether they have mastered the appropriate material and are academically prepared to do the work at the next level. Students who are promoted without regard to their achievement fall even further behind their classmates, and are more likely to lack basic skills upon graduating from high school.

To ensure that this requirement helps more students succeed, rather than simply increasing the number held back, states and school districts would have to show how they will help students meet promotion standards on time by (1) strengthening learning opportunities in the classroom with clear standards, small classes with well-prepared teachers, high quality professional development, and use of proven instructional practices; (2) identifying students who need help at the earliest possible moment; (3) providing extended learning time, including after-school and summer school for students who need extra help; and (4) developing an effective remedial plan, with intensive intervention, for students who still do not meet the standards, so they can get back on track in their schooling.

In 1996 President Clinton challenged every state and school district to adopt policies to end social promotion and require students to pass high school graduation exams. Twenty six states now have high school exit exams, and last year four states adopted policies to stop promoting unprepared students from grade to grade. A growing number of urban school districts, including Boston, Philadelphia, New York City, and Washington D.C. are adopting similar policies. In Chicago, which three years ago ended the practice of social promotion in a way that gives students who need it substantial extended learning time, citywide math and reading scores have gone up every year, with the largest gains among the most disadvantaged students. President Clinton's FY 2000 budget proposes to triple federal funding for after-school and summer school programs (from \$200 million to \$600 million) to help schools ending social promotion give students the extra help they need to succeed.

**Accountability for Results: Turn Around Low Performing Schools**

The President's ESEA proposal will require states to identify the schools with the lowest achievement levels and least improvement and take corrective action to turn them around. These corrective actions, based on a careful assessment of each school's needs, would include steps such as intensive teacher training, support to improve school discipline, and the implementation of proven approaches to school reform. If these actions do not result in improved student achievement within two years, the proposal would require states to take additional corrective actions, such as permitting students to attend other public schools; reconstituting the school, by fairly evaluating the staff and making staff changes as appropriate; or closing the school and reopening it as a charter school or with an entirely new staff. Nineteen states currently take similar actions to help improve low-performing schools, and experience demonstrates that when these interventions are carefully implemented and accompanied by the resources to support change, schools improve and student achievement increases. The President's FY 2000 budget contains \$200 million to help states begin taking these steps immediately.

**Accountability for Results: Put Qualified Teachers in the Classroom**

According to the National Commission on Teaching and America's Future, one of the most important factors in improving student achievement is the knowledge and skills teachers bring to the classroom. Yet every year, approximately 50,000 individuals teach on "emergency"-certificates, which means they do not meet the standards the state has set for certification. In addition, numerous teachers teach subjects for which they lack adequate preparation, with fully one quarter of secondary school teachers lacking even a minor in their main teaching field. Students in schools with the highest concentrations of poverty -- those who often need the most help from the best teachers -- are most likely to be in classrooms with teachers who are not fully qualified: for example, in schools with the highest minority enrollment, students have a less than 50 percent chance of having a math or science teacher with a license and degree in the field.

The President's ESEA proposal will require states to adopt performance examinations for all new teachers, requiring them to demonstrate both subject-matter knowledge and teaching expertise. The proposal also will require states and school districts to phase out, over five years, the use of teachers with emergency certificates and the practice of assigning teachers to subjects for which they lack adequate preparation. To support these new teacher quality standards, the proposal will provide resources to help states strengthen teacher certification standards, test new teachers, provide training to current teachers, and give incentives to recruit more highly qualified teachers.

**Accountability for Results: Issue School Report Cards**

The President's ESEA proposal will require states to distribute to all parents annual report cards for each school and school district, as well as the state as a whole. The report cards will include information on student achievement, teacher professional qualifications, class size, school safety, and other factors that will help parents to judge the performance of the schools. Where appropriate, the report cards also will show the academic achievement of ethnic and racial subgroups, to ensure accountability for helping all students achieve. Thirty-six states currently publish or require local school districts to publish school report cards, and five additional states will begin the practice in the next two years. A recent report by Public Agenda, however, shows that only 31 percent of parents had seen these report cards. The President's ESEA proposal will help ensure that all parents in all states have access to the information they need to evaluate the quality of their schools and identify the areas in which improvement is needed.

**Accountability for Results: Adopt Discipline Policies**

Schools must be a place of learning. President Clinton already has challenged states, communities, and schools to take a number of steps to restore order and safety, such as adopting school uniforms, enforcing truancy laws,

and imposing curfews. But in some schools, the breakdown of classroom discipline remains one of the biggest obstacles to learning and one of the greatest concerns for teachers, students, and parents alike. The President's proposal will require states and school districts to adopt discipline policies to make sure students have the chance to learn and teachers have the chance to teach.

#### **A National Effort to Reduce Class Size in the Early Grades**

In his 1998 State of the Union address, President Clinton proposed to help local school schools hire 100,000 well-prepared teachers in order to reduce class size in grades 1-3 to a national average of 18, and make sure that every child gets a solid foundation in the basics. Studies show that smaller classes help teachers provide more personal attention to students and spend less time on discipline; this helps students to learn more and get a stronger foundation in the basic skills. In these studies, minority and disadvantaged students showed the largest achievement gains. Last year, Congress provided a down payment on the President's seven year, \$12.4 billion proposal by appropriating \$1.2 billion to help local communities hire about 30,000 teachers. Now Congress must finish the job by providing the next installment of funds for local schools to continue progress toward hiring 100,000 new teachers over seven years.

#### **Modern School Buildings to Improve Student Learning**

For students to learn, schools must be well-equipped and be able to accommodate smaller class sizes. In 1998, the American Society of Civil Engineers said that school buildings represent the nation's most pressing infrastructure need. To address this critical need, President Clinton is proposing federal tax credits as incentives to help states and school districts to build and renovate public schools. Half of the bond authority will be allocated to the 100 school districts with the largest number of low-income children, and the other half will be allocated to the states.

#### **Recruiting Outstanding New Teachers for Our Nation's Public Schools**

With more than 2 million teachers to be hired in the next ten years to accommodate record student enrollments and an aging teaching force, the nation must not only recruit an adequate *number* of teachers, but ensure a *quality* teaching force through effective teacher recruitment and preparation. The President's budget will contain a series of new initiatives and funding increases to help recruit well prepared individuals to teach where they are needed the most, in high poverty urban and rural communities. In particular, the President's FY 2000 budget will increase funding for his teacher recruitment effort enacted in last year's Higher Education Act — to \$35 million from \$7.5 million — to recruit 7,000 outstanding new teachers into high need public schools by giving them scholarships in exchange for a commitment to teach. The President will announce other initiatives to improve teacher quality at an event later in the week.

## **21ST CENTURY SUPPORT FOR AMERICAN FAMILIES**

### **LABOR**

#### **Minimum Wage Increase**

The President called on Congress to pass an increase in the minimum wage. Despite the strongest economy in a generation, there are still millions of workers trying to raise a family and struggling to make ends meet. The President believes that parents who work hard and play by the rules should not have to raise their children in poverty. That is why, in 1993, he expanded the Earned Income Tax Credit (EITC) and, in 1996, fought for and won a minimum wage increase. The President's proposal would increase the minimum wage from \$5.15 to \$6.15 over two years -- through a 50-cent increase on September 1, 1999 and a 50-cent increase on September 1, 2000 -- helping to restore the real value of the minimum wage to what it was when President Reagan took office in 1981. This increase will help ensure that -- as costs continue to increase -- parents who work hard and play by the rules can bring up their children out of poverty. For someone who works full-time, this minimum wage increase will mean an additional \$2,000 per year. According to data from the Bureau of Labor Statistics, about 12 million hourly paid workers would benefit directly from this pay raise.

#### **Ensuring Equal Pay**

According to the Department of Labor, the average woman who works full-time earns just 74 cents for each dollar that an average man earns. For women of color, the gap is even wider. This gap is, in part, attributable to differing levels of experience, education, and skill. However, even after accounting for these factors, a significant pay gap still remains between men and women in similar jobs. Recognizing this wage disparity, the President is proposing a \$14 million equal pay initiative for the Equal Employment Opportunity Commission (EEOC) and the Department of Labor. Additional details of this initiative will be announced at a later date. The President also will continue to support the Paycheck Fairness Act, which improves the enforcement of wage discrimination laws and provides for research, education, training of EEOC staff, and outreach on this important subject.

### **CHILD CARE**

#### **Expanding the Child Care Block Grant**

The President is proposing to expand the Child Care and Development Block Grant to help working families struggling to meet the costs of child care. The President's proposal will: (1) increase funding for child care subsidies by \$7.5 billion over five years, enabling the program to serve an additional 1.15 million children by FY 2004; (2) provide \$3 billion over five years to promote early learning; and (3) provide \$173 million to improve child care quality. Additional funds for subsidies are necessary because millions of families who are eligible for assistance with their child care costs currently do not receive any help: in FY 1997, states provided child care assistance to only 1.25 million of the 10 million low-income children eligible. Additional funding to improve early learning through challenge grants to communities for children ages zero to five responds to research showing that children's experiences in the earliest years are critical to their development and ability to reach school ready to learn. Finally, increased investment in improving child care is needed to support quality enhancement efforts such as performing inspections of child care facilities, providing resource and referral services for parents, assisting providers with training and scholarships, and creating networks for family day care providers.

### **Expanding After-School Opportunities**

The President is committed to triple funding for the 21st Century Learning Center Program, which supports the creation and expansion of after-school and summer school programs throughout the country. Experts agree that school-age children who are unsupervised during the hours after school are far more likely to use alcohol, drugs, and tobacco, commit crimes, receive poor grades, and drop out of school than those who are involved in supervised, constructive activities. The program increases the supply of after-school care in a cost-effective manner, primarily by funding programs that use public school facilities and existing resources. In awarding these new funds, the Education Department will give priority to school districts that are ending social promotion by requiring that students meet academic standards in order to move to the next grade. The President's budget will include \$600 million in FY 2000 to help roughly 1.1 million children each year participate in after-school and summer school programs.

### **Giving Greater Tax Relief for Child Care to Three Million Working Families**

The Child and Dependent Care Tax Credit provides tax relief to taxpayers 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. The President's proposal increases the credit for families earning under \$60,000, providing an additional average tax cut of \$354 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) that claim the maximum allowable child care expenses. The President's budget will include \$5 billion over five years to expand the Child and Dependent Care Tax Credit for nearly three million working families paying for child care. The President's plan also includes a new tax credit to businesses that provide child care services for their employees.

### **Providing Tax Relief to Parents Who Stay at Home**

The President believes that we should support parents in whatever choice they make for the care of their children. He therefore is proposing to enable parents who stay at home with children under one year old to take advantage of the Child and Dependent Care Tax Credit by claiming assumed child care expenses of \$500. The President's budget proposal will provide an average tax credit of \$178, at a cost of \$1.3 billion over five years, which will benefit 1.7 million families.

### **FMLA Expansion**

The President is proposing again to extend the benefits of the Family and Medical Leave Act (FMLA) -- the first piece of legislation that the President signed into law -- to ten million more American workers. Today, workers are eligible for up to 12 weeks of FMLA-protected leave to care for a newborn or adopted child, to attend to their own serious health needs, or to care for a seriously ill parent, child or spouse -- if they work at a business with 50 or more employees. By covering workers in businesses with 25 or more workers, 10 million more American workers will be covered by the FMLA. The President is also calling for expanding the law to allow FMLA-eligible workers to take up to 24 hours of additional leave each year to meet specified family obligations. Leave could be taken to: (1) participate in school activities, such as parent-teacher conferences; (2) accompany one's child to routine dental or medical appointments; and (3) accompany an elderly relative to routine medical appointments or other professional services.

### **Prohibiting Discrimination Against Parents**

The President proposed new federal legislation to protect parents from discrimination in the workplace. Building on laws in Alaska, Michigan, New Jersey and other states, this legislation would protect workers from unfair assumptions about their commitment to their job that can affect hiring, advancement, and other employment decisions. This law would not prohibit employers from making hiring and promotion decisions on the basis of

job performance, but would ensure that workers are not unfairly discriminated against simply because they are parents.

## **HEALTH CARE**

### **Addressing Growing Long-Term Care Needs**

Over five million Americans, most of whom are elderly, have significant limitations due to illness or disability and thus require long-term care. The aging of Americans will only increase the need for quality long-term care options: by 2030, the number of elderly Americans will have doubled, so that one in five Americans will be elderly. President Clinton has proposed an historic new \$6.2 billion initiative to support elderly and disabled Americans with long-term care needs and the millions of family members who care for them. This initiative includes over five years a \$5.5 billion investment in a \$1,000 tax credit to compensate for the cost of long-term care services; a new \$625 million National Family Caregiver Program; a \$10 million national campaign for FY 2000 to educate Medicare beneficiaries about long-term care options; and \$15 million to allow the Federal government to offer long-term care insurance to its employees at group rates.

### **The Potential of New Biomedical Research**

Advances in biomedical research have captured the imagination of all Americans, with scientists now poised to make advances that could revolutionize the way we treat diseases. The President's new \$320 million investment in NIH will allow us to make progress in preventing the complications of diabetes, combating diseases associated with aging, like Alzheimers and Parkinson's, and developing vaccines for tuberculosis, malaria, and AIDS.

### **Protecting Patients through a Strong, Enforceable Patients Bill of Rights**

Once again, the President is calling on Congress to pass a strong federally enforceable patients' bill of rights. This Health Care Bill of Rights should contain a range of protections, including guaranteed access to needed specialists, access to emergency room services when and where the need arises, access to a meaningful independent and external appeals process for consumers to resolve differences with their health plans, and the right to be compensated when a health plan's decision causes a patient to be harmed or die. The President is already doing everything he can to implement these protections, by extending them to the 85 million Americans covered by Federal health plans.

### **Protecting Privacy of Medical Records**

The President is challenging the Congress to pass strong bipartisan legislation to protect the privacy of medical records. The President also pledged that if Congress does not pass this legislation this summer, he will take action to implement protections for electronic medical records under the authority given to him by the Health Insurance Portability and Accountability Act of 1996.

### **Encouraging Small Businesses to Purchase Health Insurance**

Many small businesses cannot offer health insurance because of their higher administrative costs and premiums relative to large businesses. As a result, workers in small firms are less likely to have access to affordable, job-based health insurance. Nearly half of uninsured workers are in firms with fewer than 25 employees (relative to 30 percent of all workers). The President is proposing a new \$44 million initiative to encourage small businesses to offer health insurance to their workers by developing and/or joining coalitions for purchasing health insurance. This three-part initiative would provide a tax credit to small businesses that decide to offer coverage by joining coalitions; encourage private foundations to support coalitions by allowing their contributions towards these organizations to be tax exempt; and offering technical assistance to new small business coalitions.

### **Providing New Options for Americans Ages 55 to 65 to Obtain Health Insurance**

Americans ages 55 to 65 are one of the fastest growing groups of uninsured Americans. They are also extremely difficult to insure: they have less access to and a greater risk of losing employer-based health insurance; and they are twice as likely to have health problems as the population generally. The President's \$1.4 billion proposal gives this vulnerable population three new ways to gain access to health insurance by: (1) allowing Americans ages 62 to 65 to buy into Medicare, through a mechanism that preserves the Medicare trust fund; (2) assisting vulnerable displaced workers 55 and over by offering those who have involuntarily lost their jobs and health care coverage a similar Medicare buy-in option; and (3) giving Americans 55 and over who have lost their retiree benefits access to their former employers' health insurance.

### **Improving Economic Opportunities for Americans With Disabilities**

Since President Clinton and Vice President Gore took office, the American economy has added 17.7 million new jobs. However, the unemployment rate among working-age adults with disabilities is still nearly 75 percent. People with disabilities can bring tremendous energy and talent to the American workforce, yet institutional barriers often limit their ability to work. The President's budget proposes a historic new \$2 billion initiative that removes significant barriers to work for people with disabilities. It includes the Work Incentives Improvement Act, which invests \$1.2 billion in providing options for workers with disabilities to buy into Medicaid and Medicare; a new \$700 million investment in a \$1,000 tax credit for workers with disabilities; and more than double the government's current investment, an increase of \$35 million, in assistive technologies that make it possible for individuals with disabilities to work.

### **Improving Health Care Access for Uninsured Workers**

This new initiative invests \$1 billion over 5 years in local communities to integrate providers that traditionally provide services to the uninsured, such as public hospitals and clinics, into networks that provide a comprehensive range of services to uninsured people. Providers will receive funds to develop the financial, information, and telecommunication systems necessary to monitor and manage patient needs, as well as funds to expand the range of services they deliver.

### **Providing Critical Mental Health Prevention and Treatment Services**

Approximately 44 million adults and 14 million children suffer from a mental disorder each year. The Clinton/Gore Administration's new FY 2000 budget includes a \$70 million increase -- the largest ever -- in the mental health block grant. This 24 percent increase, totaling \$358 million, will enable states to enhance and expand their efforts to assist people with mental illnesses, by targeting particularly-hard-to-reach adults and children with severe mental illnesses, improving school violence abatement programs, helping states provide new effective medications for people with mental illnesses, and providing services to older Americans who are reluctant to reach mental health services in traditional mental health settings. This spring, the Administration will also hold the first ever White House Conference on Mental Health.

### **Protecting Our Children From Tobacco**

Every day, 3000 children become regular smokers and 1000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18 and today 4.5 million children -- 37 percent of all high school students -- smoke cigarettes. The state tobacco settlement is an important step in the right direction, but the President believes additional measures must be taken to reduce youth smoking and hold the tobacco industry accountable: 1) raise the price of cigarettes, so fewer young people start to smoke; 2) reaffirm the Food and Drug Administration's full authority to keep cigarettes out of the hands of children; 3) fund critical public health efforts to prevent youth smoking and hold the tobacco industry accountable for reducing youth smoking; and 4) protect farmers and farming communities. The President's budget will use all the funds resulting from this plan to help

reimburse the federal government for its annual tobacco-related health costs.

**Largest Increase in Family Planning Grants in 15 Years**

The President's FY 2000 budget proposal will call for a substantial increase in Title X Family Planning grants, which helps provide women with vital services, including contraception, pregnancy testing, STD screening and treatment. Further details of this increase will be announced later this week.

## **21ST CENTURY ECONOMY**

### **Re-employment Initiative**

In 1995, President Clinton proposed a G.I. Bill for America's Workers to reform our employment and training system for the 21st-century economy by empowering individuals, streamlining services, enhancing accountability, and increasing flexibility. For over three years, President Clinton repeatedly pressed Congress to pass job-training reform based on his original proposal. Last year, the Congress finally passed and the President signed comprehensive job training reform. This year, the President proposes a long-term commitment to ensuring that Americans who are displaced from their jobs can get the training and re-employment services they want and need to get new jobs.

### **Helping Adults Who Lack Basic Skills**

President Clinton will soon announce a major effort to help the more than 44 million adults who perform at the lowest level of literacy to obtain the skills they need to succeed in today's economy and to help immigrants more fully integrate into our civic and social life. This effort includes the 10% tax credit for employers who provide workplace education programs for their employees and a new award to recognize "High Skills" communities for their outstanding achievement in promoting adult education as announced by the Vice President on January 12. Later this month, the President will announce the other parts of this initiative.

### **Welfare Rolls Decline as More Recipients go to Work**

The President announced that welfare is at its lowest level in 30 years and the welfare rolls have fallen by nearly half since he took office. The percent of welfare recipients working has tripled since 1992, and all states met the first work overall participation rates required under the welfare reform law. Two years ago the President challenged the business community to create jobs so that people can move from welfare to work. Today, 10,000 companies of all sizes, industries, and from all regions have joined the Welfare to Work Partnership and are successfully hiring and retaining hundreds of thousands of welfare recipients.

### **Additional Welfare-to-Work Assistance**

The President announced that he will propose \$1 billion for his Welfare-to-Work program to ensure that those remaining on the welfare rolls who face the greatest challenges can succeed in the workforce and to increase the employment of fathers of children on welfare so they can better support their children. This funding will help 200,000 people move from welfare to work and will help increase child support collections, which have gone up 80 percent since 1992. The President will announce further details of this proposal next week.

### **New Markets Investments Initiative**

One of the great still unmet challenges for the start of the 21st century is building economically vibrant communities in those places that our prosperity has not yet reached -- inner cities and distressed rural areas. These new markets here at home have great potential. We must build a bridge between Wall Street and our great untapped markets. The President's new markets initiative will spur \$15 billion in new capital investment in businesses in these underserved areas through a package of tax credits and guarantees.

Specifically:

- **New Markets Tax Credit:** A billion dollars of tax credits over five years worth up to 25% of the amount of equity invested in a variety of vehicles for providing equity and credit to businesses in underserved areas.

- ***America's Private Investment Companies (APICs):*** Modeled after the Overseas Private Investment Corporation's (OPIC) successful investment fund program, this program would create, each year, five new private investment partnerships of up to \$300 million. For each new APIC, HUD and the SBA would provide up to \$200 million in loan guarantees to match \$100 million in private investment, creating a fund of \$300 million for investment in mid-sized firms expanding or relocating into underserved areas.
- ***New Market Venture Capital Firms (NMVCs):*** SBA will match equity investment and technical assistance funds to finance 10-20 new investment partnerships selected to provide both patient growth capital and expert guidance to entrepreneurs who need both in order to transform their small businesses and great ideas into thriving companies.
- ***SBICs targeted to new markets:*** Over 40 years, the SBIC program has helped more than 85,000 small companies grow, some from start-ups to household names like AOL; but the program has not done enough to help spur growth in underserved areas. SBA will provide more flexibility and new financing terms, along with aggressive outreach, to promote investment in low- and moderate-income areas by SBICs.
- ***New Market Lending Companies (NMLCs):*** SBA will approve approximately 10 new non-bank lenders who have a strategy to target their lending to underserved areas.
- ***Other:*** Other elements include seed money to expand BusinessLINC partnerships to encourage large businesses to work with small businesses in new markets and reforms to the Specialized Small Business Investment Company (SSBIC) tax credit to make it easier to use.

### **Empowerment Zones**

Last week, Vice President Gore named 20 economically distressed communities as new Empowerment Zones (EZs). Tonight, the President is reaffirming his Administration's commitment to securing full funding of flexible grant funding for the new EZs. If Congress approves full funding for the EZs, federal investment is expected to help create and retain about 90,000 jobs and stimulate \$20.3 billion in private and public investment in the next 10 years.

### **Community Development Financial Institutions Fund (CDFI)**

In 1994, the President proposed and Congress established the CDFI Fund. This Fund further expands the availability of credit, investment capital, financial services, and other development services in distressed communities. The President is proposing to expand funding for the CDFI program to \$125 million -- a \$30 million increase from FY 1999.

### **Crop Insurance Program**

In the midst of the strongest economy we have enjoyed in decades, many farmers are suffering and others are at risk through no fault of their own. Natural disasters, coupled with declining demand abroad (exports have accounted for roughly a third of our farm products) brought historic losses last year. The President fought for and got an additional \$6 billion in emergency aid for farmers in 1998. But this is not an unexpected or one-time-only problem. When the President signed the 1996 Freedom to Farm Act, he called for additional work to be done to create an adequate safety net for farmers. In his State of the Union, he pledged to work with Members of both parties to achieve the needed reforms --both in the crop insurance program and in farm income assistance --this year.

### **Information Technology Research**

President Clinton and Vice President Gore will propose at least \$366 million, an increase of approximately 30 percent, for the government's investment in information technology research. The Vice President will announce the specifics of this initiative later this week.

### **Y2K**

The year 2000 problem results from a computer programming practice that for over 30 years designated a year by its last two digits, such as "99" for "1999." When the program has to deal with the year 2000, or "00," malfunctions may occur in software applications or operating processes because the program stops, reads the year as "1900," or otherwise produces erroneous information. The President and Vice President have been leading the attack on this problem by establishing a goal for all Federal programs to be year 2000 compliant by March 31, 1999 and by establishing the President's Council on Year 2000 Conversion. The December quarterly report from the Office of Management and Budget indicated that 61% of the Federal Government's mission critical systems, such as those for issuing Social Security checks, were already year 2000 compliant and 90% of the work to repair such systems had been completed with testing of the fixes underway. The Council's mandate is to coordinate the work of Federal agencies as they correct their own systems and to reach out to governments at all levels as well as internationally and to the private sector to help facilitate their efforts to meet the challenge of crossing into the next century without noticeable difficulty.

### **Financial Architecture**

As the world's strongest economy and largest exporter, we have a major interest in addressing the global financial crisis and in designing a global financial architecture for the 21st century. Starting last year, the President laid out a strategy working with key emerging and industrial economies to address the current crisis and restore recovery, by providing the IMF expanded resources and new tools, strengthening social safety nets to protect the most vulnerable, developing systemic approaches to rebuilding financial and banking sectors, and establishing "precautionary" means for assisting countries with strong policies ward off contagion. Longer term, we must prevent the disruptive cycle of boom and bust by increasing openness and accountability, strengthening national financial systems and international surveillance, providing more orderly mechanisms for crisis response, and ensuring the participation of the private sector in crisis prevention and mitigation. This work will culminate in the meeting of G-7 leaders in Cologne Germany in June.

### **A Firm Commitment to Free and Fair Trade**

The global financial crisis has touched the lives of many Americans. The surge in low-priced steel imports into the United States has adversely impacted our steel companies, workers and communities. This Administration is taking forceful steps to vigorously enforce our trade laws, to engage major exporting and importing nations to trade fairly and to bear their fair share of the import burden, to help crisis-stricken countries achieve recovery, and to provide American steel communities, workers and companies with the resources they need to adjust to the forces of globalization. Japan accounts for almost half of the surge in steel imports into the United States, and has increased exports of hot rolled sheet steel by 400 percent from 1997 to 1998. We have informed Japan it must trade fairly, and we expect its exports to fall to appropriate pre-crisis levels. We are prepared to take appropriate WTO-consistent actions under our trade laws to ensure that happens including, if necessary, self-initiated actions under section 201 and our anti-dumping laws. The President has made clear that open, rules-based trade is essential for both global economic recovery and continued U.S. prosperity.

### **Traditional Trade Negotiating Authority**

The President called for a new consensus granting him "fast track" trade authority to expand America's opportunities in the global economy while ensuring that expanded trade benefits all citizens, promoting

prosperity, respecting worker rights, and protecting the environment. With a global round of trade negotiations just around the corner and with the global financial crisis threatening America's hard won economic gains, it is more important than ever to give the President traditional trade authority to break down trade barriers that put American products made by American workers at a disadvantage. This authority has been given to every president since 1974 in order to pursue America's national interest in the global economy. Without trade authority, America's role as the largest exporter in the world could be put in jeopardy and America's ability to continue creating higher-paying jobs for more Americans could be undermined.

#### **Caribbean Basin Trade Enhancement**

The President will work with Congress toward swift passage of legislation expanding Caribbean Basin Initiative (CBI) trade ties with Caribbean and Central American countries. This trade legislation will create opportunities for American companies and workers even as it provides enhanced market access and economic stimulus for countries devastated by Hurricane Mitch. The Administration is strongly committed to the negotiations to conclude the Free Trade Area of the Americas by 2005, and expects to achieve commercially-meaningful outcomes by the end of the year, which will expand U.S. export opportunities in Latin America.

#### **African Growth and Opportunity Act**

In the State of the Union, President Clinton called upon Congress to pass the African Growth and Opportunity Act, an important and groundbreaking piece of legislation which recognizes African countries' efforts to institute sound economic policies and reform. The philosophy of this bill is simple: America stands ready to help those African countries that undertake difficult reforms to build a better future. Effective aid, combined with strong reforms and increased trade and investment, will help bring Africa into the global economy and create new markets for U.S. exports. American businesses, farmers, and workers all stand to benefit from expanding our trade with the largest underdeveloped market in the world.

#### **New WTO Round of Global Trade Negotiations**

The President is calling for the launch of an ambitious new WTO Round when world trade ministers meet in the United States this November to shape the world trading system in the 21st century. The President is calling for a new type of Round for the new century, which could yield concrete early results in key areas, ensure that labor and environmental standards are fully protected so that trade opening does not lead to a race to the bottom and result in a more open and accountable WTO system. The United States must play a leadership role: as the world's largest exporter, we have the most at stake. A successful accelerated Round of negotiations will create important new opportunities for America's world class farmers and ranchers, manufacturers, and service providers to increase sales in foreign markets. We will see new opportunities to sell our goods and services (such as express delivery, environmental and energy services, electronic commerce and professional services) where the preponderance of global trade is not subject to WTO rules, and further removal of tariffs because many of our trading partners in Asia, Latin America, and elsewhere retain far higher tariff rates than the United States. We will also seek to further open government procurement practices, ensure fair global competition, and protect intellectual property rights (IPR) in areas where the United States leads the world (software, film/video, music, pharmaceuticals). The U.S. Trade Representative will chair the 1999 meeting of WTO trade ministers in the United States.

#### **International Labor Rights**

The global economy holds the promise of a higher standard of living for more people in more countries, but we must ensure that spirited competition among nations never becomes a race to the bottom on labor standards. President Clinton's FY 2000 budget will provide \$40 million for the first time ever to help developing countries implement core labor standards and build social safety net programs such as unemployment insurance and

pensions. Specifically, the United States will provide: \$25 million to establish a new multilateral program at the International Labor Organization (ILO) to provide technical assistance to core labor standards efforts; \$9.5 million to the Department of Labor to help our trading partners strengthen their implementation mechanisms; and \$5 million to the Department of State to encourage cooperative efforts to eliminate international sweatshops.

### **Child Labor**

Last year the President fought for and obtained a ten-fold increase in the U.S. contribution to the International Program for the Elimination of Child Labor -- a \$30 million contribution making the U.S. the world's leader in the fight to reduce the most intolerable forms of child labor. This year, we will insist on maintaining that level of IPEC funding while adding a new \$10 million program -- "School Works" -- through U.S. AID to improve access to education to make it easier to get kids out of hazardous workplaces. In addition, the proposal calls for additional agents for the U.S. Customs Service to enforce the ban on the importation of goods made with forced or indentured child labor (almost doubling the enforcement budget from \$3 million to \$5 billion) and an increase of \$4 million (above last year's \$3 million) for domestic enforcement of labor laws in industries vulnerable to child labor -- garment and "salad bowl" farms.

### **U. S. Manufacturing Exports**

Manufacturing exports have been a key engine of America's sustained economic expansion. However, the global financial crisis has put that progress at risk. To help American manufacturers safeguard their hard-won gains in foreign markets and expand into new growth areas, the Administration is launching a \$108 million initiative to spur nearly \$2 billion in additional U.S. exports, which will sustain or create 16,000 high-wage American manufacturing jobs. First, the initiative boosts funding for the Export-Import Bank by 10 percent (\$81 million) to keep U.S. products -- from aircraft parts to capital equipment to environmental technology -- flowing to emerging markets where commercial banks have withdrawn. Second, the Trade Development Agency will receive an additional \$4 million for feasibility studies to enable U.S. companies to participate in major export-generating infrastructure projects overseas. Third, the initiative provides \$14 million for the Department of Commerce's International Trade Administration (ITA) to increase resources for export advocacy and service delivery to small manufacturers. Finally, the initiative provides \$9 million for ITA and Commerce's National Institute of Standards and Technology to help developing countries establish a legal and regulatory infrastructure to make it easier for U.S. firms to export.

## **A STRONG AMERICA IN A NEW WORLD**

### **Bringing Hope to Northern Ireland**

President Clinton's intensive diplomatic efforts helped achieve the landmark Good Friday Accord last spring, bringing new governing structures and a new era of cooperation to Northern Ireland. By an overwhelming margin, the people of Northern Ireland and Ireland have chosen a peaceful future after a generation of bloodshed. President Clinton reaffirmed his support for full implementation of the agreement, so Northern Ireland can pursue a prosperous, democratic course, free of violence and terror. The U.S. will also continue to support the International Fund for Ireland, which promotes reconciliation through economic regeneration projects targeting disadvantaged Irish border counties and Northern Ireland.

### **Securing Peace in the Balkans**

The U.S. continues to help its European allies in consolidating the peace in Bosnia and Herzegovina. Through 1999, our priorities will be to accelerate Bosnia's transition to a market economy, increase the momentum on refugee returns, improve the rule of law, reinforce central institutions and press ahead with media and education reform. The NATO-led Stabilization Force, which continues to play a vital role in implementing Dayton, will continue to draw down. This will allow a further reduction in the U.S. troop contribution, which is already one-third the size of the U.S. contribution to the previous Implementation Force. The U.S. is also leading efforts to end the repression and a peaceful solution to the Kosovo crisis.

### **Promoting Peace in the Middle East**

President Clinton believes that the best long-term strategy for Israeli security includes a secure peace with the Palestinians, recognition of their legitimate rights, and a comprehensive, secure peace in the Middle East. The President's efforts at Wye River helped put the peace process back on track after eighteen months of stalemate. At a time when the U.S. is calling on Israel and the Palestinians to meet the commitments they undertook at Wye, the U.S. must meet its responsibilities. The President's supplemental request would bolster Israel's security, strengthen the Palestinian economy and lend a hand to a trusted friend of peace, Jordan.

### **Defending Against New Threats to America's Security**

In an era of rapid technological change, Americans are faced with new challenges to our national security from biological and chemical attacks, and attacks on our computer networks. President Clinton has taken the lead in addressing these threats by developing new strategies to combat terrorism, prepare for weapons of mass destruction attacks, and protect our critical infrastructure. To prepare for the threat of biological and chemical weapons, President Clinton has called for an increase in funding for vaccine research and public health surveillance in his FY 2000 budget. He has also established a National Domestic Preparedness Office, which will provide a integrated federal program to train and equip those who would first respond to a biological or chemical weapons attacks, and develop emergency plans for 120 metropolitan areas nationwide. To protect our computer networks from cyber terrorism, he has called for an initiative to train and hire information technology experts to safeguard government computer networks, and an initiative to integrate systems designed to monitor computer intrusion. The President has also launched new public-private information sharing centers to foster better preparation for cyberattacks and a computer security initiative aimed at safeguarding networks from covert installation of destructive computer code.

### **Cooperative Threat Reduction Initiative**

President Clinton announced an enhanced effort to work with Russia and other former Soviet countries to reduce the risk that materials, technologies, and expertise for weapons of mass destruction and ballistic missiles will fall into the hands of rogue nations or terrorists -- and to help former Soviet countries implement existing arms

control agreements. The President's five year budget plan calls for a 70% expansion of threat reduction programs. Our initiative emphasizes engaging weapons scientists and institutes in civilian research, promoting nuclear security by dismantling and destroying warheads and dangerous materials, tightening export controls, and accelerating Russian efforts to withdraw troops stationed outside Russia. None of these funds will be available to entities that engage in dangerous missile or nuclear assistance to Iran. The Administration will continue to help Russia to develop an effective export control system that keeps dangerous technologies away from Iran and others. And we will continue to apply penalties against Russian entities that violate international nonproliferation standards.

We will also continue our efforts to restrain North Korea's nuclear and missile programs, halt a nuclear and missile race between India and Pakistan, and press China to play a more constructive role in efforts to contain the spread of mass destruction weapons and missiles. And we will move forward with international negotiations on the President's proposal to strengthen our ability to determine whether nations are complying with the Biological Weapons Convention.

### **Containing and Opposing Saddam Hussein**

President Clinton stressed that we will continue to contain Iraq as long as it poses a threat to its neighbors and continues to conceal its weapons of mass destruction programs. Saddam Hussein's actions demonstrate that he does not intend to comply with UN security council resolutions, even in the face of international pressure. We therefore are pursuing a two-track policy: advancing initiatives aimed at increasing availability of food and medicine for the Iraqi people while actively supporting efforts by Iraqi opposition groups to replace Saddam's regime.

### **Comprehensive Test Ban Treaty**

The President's call for the Senate to act without delay to give its advice and consent to ratification of the Comprehensive Test Ban Treaty (CTBT) will help prevent a new arms race and make it more difficult for non-nuclear states to develop these devices of destruction. The CTBT will allow America to maintain a safe and reliable nuclear deterrent while constraining the proliferation of nuclear material and technology to rogue states' weapons programs. CTBT will improve America's ability to detect and deter nuclear explosive testing. CTBT's global network of sensors will strengthen America's ability to monitor nuclear explosive testing across the globe, as well as deter any nation from believing it can conduct a nuclear explosive test undetected by the international community. If the United States fails to ratify before September, we will undercut our own efforts to strengthen the global nonproliferation regime and curb further nuclear arms development, particularly in South Asia.

### **Strengthening America's Military**

President Clinton proposed a six-year, sustained increase in defense spending to ensure that America's armed forces are fully prepared to meet the challenges of the next century and remain the world's best-trained, best-equipped fighting force – reversing a trend begun a decade ago. The President's budget for next year will provide \$12 billion more than we had planned last year for FY 2000 to meet readiness and modernization needs. These funds will strengthen recruitment and retention programs; enhance training, unit operations and flight hour programs, and provide additional spare parts. Funds will also be devoted to modernizing weapons programs, by replacing aging equipment with more technologically advanced systems, taking advantage of cutting edge computer technology, and developing defense systems against both theater and strategic ballistic missiles. Finally, the President's defense spending proposal will improve pay and benefits for America's men and women in uniform, ensuring that they enjoy the quality of life they deserve.

### **Strengthening Alliances and Promoting Freedom**

Promoting freedom by strengthening our alliances and building partnerships in Europe, Asia, and Latin America is central to President Clinton's foreign policy agenda. President Clinton will convene a NATO Summit in Washington this April to commemorate its first fifty years and to chart a course for the next century. Unprecedented in size and scope, this golden anniversary summit marks a milestone in President Clinton's efforts to strengthen the alliance and build a more integrated, democratic and peaceful Europe. It will reaffirm NATO's commitment to building its relationships with Russia and Ukraine and to the continuing evolution of the Partnership for Peace as a pillar of transatlantic security. Forty-four leaders from both sides of the Atlantic will come to Washington to welcome its newest members -- Poland, Hungary, and the Czech Republic -- and to forge a new consensus about the need for joint action to face new challenges to our shared security, including regional conflicts and the growing threat posed by the proliferation of weapons of mass destruction. NATO will also develop a new Strategic Concept, the blueprint guiding the Alliance's defense planning and policies, and take steps towards ensuring that NATO's door remains open to prospective new members.

### **Payment of United Nations Arrears**

President Clinton highlighted the need for congressional action to meet U.S. financial obligations to the United Nations. From critical peacekeeping operations to life sustaining relief and development efforts in Africa, the Middle East, Europe, and around the globe, the United Nations is an essential institution for the promotion of U.S. objectives across a broad spectrum of issues. Our interests abroad -- from maintaining political stability, to averting human rights and humanitarian catastrophe, to promoting international standards in areas such as aviation safety -- demand that we meet our international obligations and increase our leverage in international organizations.

### **Hurricane Mitch Response**

President Clinton reaffirmed our commitment to assist in the reconstruction of those Central American countries devastated by Hurricane Mitch. Over the past three months, more than 5,000 of our armed forces have provided critical relief and rehabilitation assistance to the people of Honduras, Nicaragua, Guatemala and El Salvador. This has included the initial response -- in which U.S. troops rescued many hundreds of Central Americans and delivered food, medical equipment and other essential supplies -- as well as more recent reconstruction efforts that have included bridge building and road repair. In addition, the U.S. Agency for International Development and the U.S. Department of Agriculture have provided food, medical aid, reconstruction material and other support. The U.S. contribution to the relief effort has totaled \$300 million thus far, and President Clinton intends to increase substantially our aid to longer term reconstruction in the weeks and months to come.

### **U.S. - Africa Partnership for Economic Growth and Opportunity**

The United States has important and growing strategic interests in Africa. Africa supplies over 13% of our oil imports and represents the largest untapped market in the world. Unfortunately, conflict still undermines Africa's vast potential and our own strategic interests. That is why we aim to build a stable and prosperous Africa -- a strong partner for security and peace, and an ally against drug trafficking, international crime, terrorism, the spread of disease and environmental degradation. President Clinton's historic trip to the continent last year highlighted the new opportunities for partnership between our nation and the nations of Africa.

## **21ST CENTURY COMMUNITIES**

### **CRIME/DRUGS**

#### **21st Century Policing Initiative**

In order to keep crime coming down to record low levels and the number of officers walking the beat at an all-time high, the President is committing nearly \$1.3 billion for a new 21st Century Policing Initiative. The new 21st Century Policing Initiative builds on the President's successful COPS program by: (1) helping communities to hire and redeploy between 30,000 and 50,000 more law enforcement officers over five years, with an effort to target new police officers to crime "hot spots" and to help retain those officers recently hired; (2) giving law enforcement access to the latest crime-fighting technologies, such as improved police communications, crime mapping software, laptop computers, and crime lab improvements; and (3) making an unprecedented commitment to engage entire communities in the hard work of preventing and fighting crime -- by funding new community-based prosecutors, and partnerships with probation and parole officers, school officials, and faith-based organizations.

#### **Zero Tolerance Drug Supervision**

Numerous studies confirm that the vast majority of prisoners report drug use and that many prisoners commit their crimes to buy drugs or while high. To help break this iron link between crime and drugs, the President will propose \$215 million for Zero Tolerance Drug Supervision that works to keep offenders drug- and crime-free. This initiative will provide new funds to help states and localities implement tough new systems to drug test, treat, and punish prisoners, parolees, and probationers. In addition, this initiative provides increased funds for innovative drug courts throughout the country and intensive drug treatment for state prisoners with the most serious drug problems.

#### **Making the Brady Waiting Period Permanent**

The Brady Law, which requires background checks of all prospective firearms purchasers, has stopped well over a quarter of a million illegal handgun sales since its enactment in 1993 -- proving itself to be one of the most effective law enforcement tools ever. But the Brady Law's "cooling off" or waiting period recently expired, and handguns can now be purchased on the spot in some states. To make sure that local law enforcement officers have enough time to conduct the best background check possible, the President will call for a new national waiting period of up to five days before the purchase of a handgun.

#### **Preventing Violent Juveniles from Buying Guns**

Violent juveniles should be treated as adults for their adult crimes, and stopped from getting weapons to hurt again. The President will propose legislation to ban violent juveniles from buying guns for life. The President's proposal would extend the Brady Law to violent juveniles, closing the loophole under current law which permits youths convicted in juvenile court for certain violent and drug offenses to buy handguns on their 21st birthday.

#### **Child Safety Locks for Handguns**

Child safety locking devices can reduce the unauthorized use of handguns, by a child at play or a teen looking to commit a crime. And many youths have to look no further than their own home to get access to a gun: a third of all privately-owned handguns are left both loaded and unlocked. To address this problem, the President's proposal would require federally-licensed firearms dealers to sell a child safety lock with every handgun -- to help prevent youths from hurting themselves or each other.

### **Helping Make All Schools Safe, Disciplined, and Drug-Free**

President Clinton is proposing a significant overhaul of the nearly \$600 million Safe and Drug-Free Schools and Communities Program to provide more effective prevention programs for the reduction of drugs and violence in schools, more accountability for results, and better targeting to those schools that need the most assistance.. Under the President's proposal, schools would be required to adopt rigorous, comprehensive school safety plans that include: tough, but fair, discipline policies; 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.

## **ENVIRONMENT**

### **Climate Change**

On the heels of the announcement that 1998 surpassed 1997 as the warmest year on record, the President's FY 2000 budget will propose a package of investments and tax cuts to help address global climate change. It includes start-up funding for a new Clean Air Partnership Fund (discussed below) and tax incentives to promote the purchase of energy-efficient cars, homes, and appliances, spurring the swift movement of innovative technologies into the market. Proposed increases in Federal spending would help foster a new generation of clean, energy-efficient technologies and renewable energy, as well as support research to identify and quantify carbon sinks in forests and farmlands. This package complements the other elements of the Administration's climate change plan, which include working cooperatively with industry sectors on initiatives to cut greenhouse gas emissions, strengthening efforts to incorporate energy efficiency goals into Federal procurement and energy use, working with Congress to reward companies taking early, voluntary action to reduce their emissions, and restructuring the electricity industry. In addition, the Administration will continue its vigorous diplomatic efforts to fill in key details of the Kyoto Protocol in areas such as international emissions trading, as well as to encourage the meaningful participation of developing countries in efforts to address global warming.

### **Livability Agenda: Easing Traffic Congestion and Community Planning and Collaboration**

To help communities across America grow in ways that ensure a high quality of life and strong, sustainable economic growth, President Clinton and Vice President Gore are proposing a comprehensive Livability Agenda providing new tools and resources for state and local governments. The initiative includes: a record \$6.1 billion for public transit, plus \$2.4 billion for other innovative programs to promote improved transportation planning and ease traffic congestion so commuters can spend less time in traffic and more with their families; \$50 million in matching grants to help neighboring communities develop collaborative "smart growth" strategies; and \$10 million to encourage citizen participation in the design of schools as centers of their communities, provide communities with new information tools so they can grow according to their values, and improve public safety by sharing crime data among communities. By delivering tools and resources to the local level, where issues of growth are most appropriately addressed, this initiative helps empower citizens to build more "livable communities" for the 21st century.

### **Livability Agenda: Better America Bonds**

To help communities reconnect with their land and water, preserve green space for future generations, and provide attractive settings for economic development, the Administration is proposing a new financing tool generating \$9.5 billion in bond authority for investments by state, local and tribal governments. The President's budget will propose tax credits totaling almost \$700 million over five years -- to support Better America Bonds, which can be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields

(abandoned industrial sites). The program will be coordinated through an interagency process.

### **Lands Legacy Initiative**

To meet the conservation challenges of a new century, President Clinton and Vice President Gore are proposing a \$1 billion Lands Legacy Initiative -- the largest one-year investment ever proposed for the protection of America's land resources. This FY 2000 budget proposal -- a 125 percent increase over FY 1999 -- expands federal efforts to save America's natural treasures, and provides significant new resources to states and communities to protect local green spaces. To sustain these efforts in the new century, the President commits to work with Congress to create a permanent funding stream beginning in FY 2001. In addition, the President calls on Congress to extend permanent wilderness protection to more than 5 million acres within 17 national parks and monuments. This landmark initiative charts a new conservation vision for the 21st century, preserving irreplaceable pieces of our natural legacy within easy reach of every citizen.

### **Clean Air Partnership Fund**

To help protect public health and ease the threat of global warming, President Clinton is proposing \$200 million in FY 2000 funding for a new Clean Air Partnership Fund supporting state, local and private efforts that achieve early reductions in both greenhouse gas emissions and ground-level air pollutants. The Fund, to be included in the President's FY 2000 budget proposal, will direct new resources to state and local governments to provide financing for public and private sector projects that accelerate pollution reductions. This new financing will support demonstration projects that go beyond legal requirements and enable communities to achieve clean air goals sooner. Targeting the financing to projects that reduce both carbon emissions and health-threatening pollutants -- such as smog, soot or air toxics -- will stimulate integrated, cost-effective pollution control strategies. In addition, the Fund will spur technological innovation, encourage public-private partnerships, and leverage substantial non-federal investment in improved air quality. The Fund will be administered by the Environmental Protection Agency under existing authority.

## **SERVICE**

### **AmeriCorps**

President Clinton called on Congress to increase support for AmeriCorps. When he came into office, the President outlined a vision for a national service program which would allow young people to serve our nation while earning funds for college. Since 1994, more than 100,000 Americans have served their country and community through AmeriCorps. Serving in more than 4,000 communities, AmeriCorps members have taught, tutored or mentored more than 2.6 million children, operated after-school programs for more than 500,000 at-risk youth, recruited or organized more than 1.7 million volunteers, and operated more than 40,000 neighborhood safety patrols. In the FY 2000 budget, the President is proposing a \$133 million dollar increase over FY 1999 for the Corporation for National Service in order to expand AmeriCorps and support other national service programs.

## **POLITICAL AND GOVERNMENT REFORM**

### **Enact Bipartisan Campaign Finance Reform**

The President remains committed to the enactment of bipartisan campaign finance reform. Tonight he is challenging the Congress to pass bipartisan reform early this year. Acceptable campaign finance reform legislation must meet five criteria: 1) it must be bipartisan; 2) it must be comprehensive; 3) it must reduce the

amount of money that is raised and spent on federal elections; 4) it must help level the playing field between challengers and incumbents; and 5) it cannot favor one party over the other.

### **Reinventing Government**

We have already cut the size of the Federal civilian work force by more than 333,000 people, creating the smallest work force in 35 years and, as a share of total civilian employment, the smallest since 1933. But can be done. As part of its reinvention effort to create a government that works better and costs less, the administration will propose legislation creating new buyout authorities for agencies to reduce the further the size of government. To improve customer satisfaction, the 32 agencies that serve over 90% of the government's customers will participate in a government-wide customer satisfaction survey that will compare the quality of their services to the private sector's. To produce better results for children, the federal government will enter into ten partnerships with state and local governments that will increase their flexibility in using federal program dollars using key indicators that reliably chart measurable improvements in the lives of children. Finally, to assist Federal agencies to provide better customer service and ensure that taxpayer dollars are spent to produce results, President Clinton is proposing significant civil service improvement initiatives. these improvements, which will result in the most dramatic change in the Federal workplace in 20 years, will increase the link between pay and good performance, and provide agencies with flexibilities to hire, reward, and retain the high-quality, diverse workforce they need to meet their mission and respond to increasing customer and workplace demands.

### **ONE AMERICA**

#### **English Literacy/Civics Initiative**

President Clinton is proposing an initiative to help states and communities provide expanded access to high-quality English-language instruction, linked to practical instruction in civics and life skills including how to navigate the workplace and public education system. This initiative is designed both to help meet the extraordinary demand for English and civics instruction in immigrant communities and to demonstrate our shared commitment to fully integrating new Americans into our social and civic life. The initiative is part of a broader effort to reduce adult literacy. Further details of this initiative will be provided at a later date.

#### **Civil Rights Enforcement**

The Clinton Administration's Fiscal Year 2000 budget contains \$663 million for civil rights enforcement agencies and offices -- an increase of \$84 million, or 15 percent, over last year's funding. This budget maintains the President's commitment to ensure equal opportunity for all Americans: that no one should be denied such essentials as a job, a home, or a chance at an education because of the color of their skin, a disability, their gender, or their religion. Highlights of the President's package include: (1) a \$13 million increase for the Civil Rights Division at the Department of Justice -- the largest increase in nine years -- to permit the Division to expand investigations and prosecutions of criminal civil rights cases (including hate crimes), fair housing and lending cases, and violations of the Americans with Disabilities Act; (2) a \$14 million Equal Pay Initiative at the EEOC and the Department of Labor; (3) a \$33 million overall increase for the EEOC -- from \$279 to \$312 million; (4) an \$11 million overall increase for the Office of Federal Contract Compliance (OFCCP) at the Department of Labor to expand the compliance assistance strategy to encourage Federal contractor compliance through increased outreach, education, and technical assistance; (5) a \$7 million overall increase from last year -- from \$40 million to \$47 million -- for HUD's efforts to reduce housing discrimination, including funding for the second year of a three-year audit-based enforcement initiative; and (6) \$5 million to the Department of Justice for the creation of a Civil Rights Enforcement Partnership that will provide competitive grants to help build the capacity of States

to address specific enforcement issues within their jurisdictions by hiring additional staff.

**The Employment Non-Discrimination Act ("ENDA")**

This bill would outlaw discrimination in hiring, firing, and promotions based on sexual orientation. It is designed to protect the rights of all Americans to participate in the job market without fear of unfair discrimination. The Act provides an exemption for small businesses, the Armed Forces, and religious organizations, including schools and other educational institutions that are substantially controlled or supported by religious organizations. The bill specifically prohibits preferential treatment on the basis of sexual orientation, including quotas. President Clinton and Vice President Gore are the first President and Vice President ever to back civil rights legislation for gays and lesbians. President Clinton originally announced his support for the legislation in October 1995.

**The Hate Crimes Prevention Act**

This measure expands the principal federal hate crimes statute. The current statute prohibits any use of force that is based on a person's race, color, religion, or national origin and that is intended to interfere with certain specified federally protected activities. The Hate Crimes Prevention Act would strengthen and expand the ability of the Justice Department to prosecute hate crimes by removing needless jurisdictional requirements for existing crimes. Further, it would give Federal prosecutors the power to prosecute hate crimes committed because of the victim's sexual orientation, gender or disability. President Clinton originally announced his support for the bill on November 10, 1997 at the first-ever White House Conference on Hate Crimes.

## **PERORATION: THE MILLENNIUM**

### **Millennium Communities Program**

The President invites community leaders and all Americans to be part of our national Millennium program, using the millennium as an opportunity to engage in meaningful activities that mark this milestone in human history. Millennium Communities is a new program of the White House Millennium Council in partnership with major intergovernmental associations which represent local elected officials and Native American leaders. The special designation of "Millennium Community" will be awarded to those communities which propose plans to carry out the national theme, "Honor the Past -- Imagine the Future." Elected officials will submit plans that preserve their history and prepare citizens for the 21st century, and their respective associations will recommend the official designation. Millennium Communities will receive the use of the national millennium logo and motto, register their projects on a new web site and be honored in other ways.

### **Save America's Treasures Program**

Save America's Treasures is a national millennium program, designed as a public-private partnership, to preserve our deteriorating historic sites, art, artifacts, documents and monuments, so that they may inform future generations of the American story. President Clinton requested, and Congress appropriated \$30 million to Save America's Treasures in FY99. The private sector partner, the National Trust for Historic Preservation, created the Millennium Committee to Save America's Treasures, with Hillary Rodham Clinton as the Honorary Chair. That group has sparked attention and raised contributions which already surpass the federal commitment. Mrs. Clinton has visited over twenty historic sites and collections since last July, bringing recognition and support to the places and objects that embody our heritage and culture. Some of the preservation projects underway are the conservation of the Star-Spangled Banner at the Smithsonian Institution, the re-encasement of the Declaration of Independence and the Constitution at the National Archives, and the new exhibition space at the Thomas Edison National Historic Site. The Administration's forthcoming budget will propose additional funding for Save America's Treasures.

# SOCIAL SECURITY/MEDICARE SOTU ROLLOUT PLAN

*The NEC will work with the Press Office, the Communications Office, Cabinet Affairs, Legislative Affairs, Public Liaison, Intergovernmental Affairs, and others over the next week (January 14-20) to implement the rollout strategy outlined below. This effort is designed to ensure that the White House handles the press and politics of any Social Security/Medicare announcement properly.*

- Components:**
- Briefing administration officials
  - Briefing Democratic leaders and members
  - Briefing validators
  - Briefing pundits and press
  - Briefing interest groups
  - Briefing state and local government officials

- Briefers:**
- John Podesta
  - Gene Sperling
  - Robert Rubin
  - Ken Apfel
  - Jack Lew
  - Larry Stein
  - Chris Jennings
  - Sylvia Mathews
  - Larry Summers

## 1. Briefing Administration Officials

### Monday, January 18

- Sperling briefs Sec. Herman and Sec. Daley
- Sperling and Jennings brief Sec. Shalala

### Tuesday morning, January 19

- Sperling, Lew, and Apfel brief Cabinet as a whole

## 2. Briefing Democratic Leaders, Democratic Members, and Other Members

### Sunday/Monday, January 17/18

- *Democratic leaders:* Podesta, Sperling, and Stein brief Daschle and Gephardt

Monday evening, January 18

- *House Dems:* Rangel, Matsui, Levin, Pomeroy, Jefferson, Becerra, Stenholm (?)
  - *Briefers:* Sperling, Stein, Lew, and Apfel
- *Senate Dems:* Bingaman, Moynihan, Kerrey, Rockefeller, Mikulski, Conrad, Kennedy, Breaux
  - *Briefers:* Sperling, Stein, Lew, and Apfel
- *Health care:* Jennings briefs Waxman, Dingell, Breaux, Rockefeller

Tuesday afternoon, January 19

- *Republicans:* Kolbe, Gregg, Archer, Santorum, Gramm, Domenici, Kasich, Bill Thomas
  - *Briefers:* Sperling, Stein, Lew, and Apfel

**3. Briefing Validators**

Monday evening, January 18 (informal)

- Sperling briefs Rother, Greenstein, Phillips, Ball
- Summers briefs Aaron, Reischauer, Peter Dimond

Tuesday, January 19

- Rubin briefs Rudman, Peterson
- Jennings briefs Medicare commissioners
- Lew briefs Carol Cox Waite, Rudy Penner

**4. Briefing Pundits and Press**

Networks

- Consult with Lockhart on who and when

Washington Post

- Broder, Hager, Goldstein, Pianin, Milius

New York Times

- Stevenson, Weinstein, Weissman

Wall Street Journal

- Wessel, Davis

USA Today

- Nichols, Welch

Associated Press

- Love

**5. Briefing Interest Groups**

Monday, January 18 (special outreach)

- Podesta (Sperling) briefs Sweeney, Shea

Tuesday, January 19

- Apfel briefs public interest groups, including National Committee to Preserve Medicare and Social Security, etc.
- Sperling, Mathews brief women's groups

**6. Briefing State and Local Government Officials**

Monday, January 18

- Sperling briefs key supportive Governors and Mayors via conference call (Intergovernmental Affairs to draft suggested list)

Tuesday, January 19

- Lew briefs other Governors and Mayors via conference call (Intergovernmental Affairs to draft suggested list)

**State of the Union Press Briefings Schedule**  
*as of 1/18, 1:30 p.m.*

**Pundits/Columnists Briefing -- 10:00 a.m., Roosevelt Room**

Briefers: Sperling, Sosnik, Reed/Kagan, Steinberg

*(confirmed to date)*

Fred Barnes  
Wolf Blitzer  
Gloria Borger  
David Broder  
Marie Coco  
Sam Donaldson  
Michael Duffy  
Jeff Greenfield  
Mark Halprin  
Carl Leubsdorf  
Alan Murray  
Lars-Erik Nelson

**Pundist/Columnists Briefing -- 11:00 a.m., Roosevelt Room**

Briefers: Lew, Sperling, Sosnik, Reed/Kagan, Steinberg

*(confirmed to date)*

E.J. Dionne, Jr.  
Rowland Evans  
Howard Fineman  
Morton Kondrake  
Mara Liasson  
Doyle McManus  
Mary McGrory  
Susan Page  
Steve Roberts  
William Safire  
Bob Scheiffer  
Mark Shields  
Jules Whitcover

**White House Correspondents Briefing -- 12:00 noon, Roosevelt Room**

Briefers: Lew, Sosnik, Sperling, Reed/Kagan, Berger

*(invited)*

|                  |                     |
|------------------|---------------------|
| Associated Press | Terence Hunt        |
| UPI              | Helen Thomas        |
| Reuters          | Larry McQuillan     |
| Bloomberg        | Dina Temple Ralston |
| Conus            | Jeff Ballou         |
| Tribune          | Gary Nurenberg      |
| AP Radio         | Mark Smith          |
| NPR              | Mara Liasson        |
| Westwood One     | Peter Maer          |

|                        |                         |
|------------------------|-------------------------|
| Baltimore Sun          | Jonathon Weissman       |
| Chicago Tribune        | Roger Simon             |
| Dow Jones              | Alex Keto               |
| Houston Chronicle      | Nancy Mathis            |
| Newsday                | Bill Douglas            |
| New York Post          | Deborah Orin            |
| Washington Post        | John Harris/Peter Baker |
| USA Today              | Susan Page              |
| Commerce Clearinghouse | Paula Cruikshank        |
| Copley                 | George Condon           |
| Knight Ridder          | Jodi Enda               |
| Newhouse               | Miles Benson            |
| Scripps Howard         | Ann McFetters           |
| Newsweek               | Debra Rosenberg         |
| US News                | Ken Walsh               |
| Univision              | Lourdes Meluza          |
| BET                    | Donna Foster            |
| Gannett                | John Hanchette          |
| American Urban Radio   | April Ryan              |
| National Journal       | Alexis Simendinger      |
| BNA                    | Mark Felsenthal         |
| Philadelphia Inquirer  | Chris Mondics           |
| Buffalo News           | Doug Turner             |
| Congress Daily         | Keith Coffler           |
| Detroit Free Press     | Melanie Eversley        |
| Columbus Dispatch      | Roger Lowe              |

**White House Network Correspondents Briefing -- 2:00 p.m., Roosevelt Room**

Confirmed Briefers: Podesta, Lew, Sperling, Steinberg

*(invited)*

ABC

Sam Donaldson  
Anne Compton

CBS

Scott Pelley  
Bill Plante

CNN

Chris Black  
Wolf Blitzer  
John King

FOX

Jim Angle  
Wendell Goler

NBC

David Bloom  
John Palmer

Claire Shipman

**White House Correspondents Briefing -- 3:00 p.m., Roosevelt Room**

Briefers: Sosnik, Sperling, Reed/Kagan, Berger

*(invited)*

|                         |                                   |
|-------------------------|-----------------------------------|
| C-Span                  | Steve Scully                      |
| CBS Radio               | Mark Knoller                      |
| UPI Radio               | Don Fulsom                        |
| Arkansas Dem Gazette    | Jane Fullerton                    |
| Boston Globe            | Ann Scales                        |
| Dallas Morning News     | Susan Feeney                      |
| Hearst                  | Stewart Powell                    |
| AFP                     | Gretchen Cook                     |
| Miami Herald            | Tom Fedler                        |
| LA Times                | Jim Gerstenzang/Elizabeth Shogren |
| New York Daily News     | Ken Bazinet                       |
| New York Times          | James Bennet/John Broder          |
| Washington Times        | Bill Sammon                       |
| Wall Street Journal     | Jeanne Cummings                   |
| States News             | Leland Schwartz                   |
| Cox                     | Bob Deans                         |
| McClatchy               | Muriel Dobbins                    |
| McClendon               | Sarah McClendon                   |
| Fortune                 | Jeff Birnbaum                     |
| Time                    | Jay Branegan/Karen Tumulty        |
| Bloomberg Radio         | Tina Stage                        |
| CNN Spanish Radio       | Jacobo Goldstein                  |
| Business Week           | Rick Dunham                       |
| Chicago Sun Times       | Lynn Sweet                        |
| St. Louis Dispatch      | Terrence Samuel                   |
| San Francisco Chronicle | Marc Sandalow                     |
| Detroit News            | Dick Ryan                         |
| The Economist           | John Andrews                      |
| St. Petersburg Times    | David Dahl                        |
| Cleveland Plain Dealer  | Tom Brazaitis                     |
| Minneapolis Star Trib   | Tom Hamburger                     |
| Reuters TV              | Deborah Luttreck                  |
| VOA                     | Wendy Ross                        |
| USIA                    |                                   |

## State of the Union Press Roll Out Plan and Surrogate List

*as of 1:00 p.m., January 16, 1999*

*names in bold are confirmed*

### Wednesday, January 13

#### *Print:*

- ✓ Photo opportunity for Time magazine (Diana Walker) of President meeting with staff on SOTU revisions
- ✓ Interview for NPR advance story (Surrogates: **Echaveste**)

### Thursday, January 14

#### *Television:*

- ✓ Interview for CNN advance story (Surrogate: **Podesta**)
- ✓ Mailing of accomplishments documents to top 100 editorial boards

### Friday, January 15

#### *Television:*

- ✓ Pundits/columnists briefing (Surrogates: **Lew, Lewis, Reed**); 9:30 am, Roosevelt Room
- ✓ Briefing for regional TV news services (Surrogates: **Kagan, Begala, Katzen, Gotbaum**); 2:30 pm, Roosevelt Room

#### *Radio:*

- ✓ Interview for NPR advance story (Surrogate: **Podesta**)
- ✓ Network radio roundtable on accomplishments and announcement recaps (Surrogate: **Lewis**); 4:30 pm, Roosevelt Room
- ✓ Hispanic radio conference call on accomplishments and announcement recaps (Surrogate: **Murguia**); 11:00 am

#### *Print:*

- ✓ Interview for USA Today advance story (Surrogate: **Podesta**)
- ✓ Briefing for Time, Newsweek and US News (Surrogates: **Echaveste, Sosnik, Mathews, Waldman**); 9:00 am, Joe Lockhart's office
- ✓ Pundits/columnists briefing -- same as in television, above (Surrogates: **Lew, Lewis, Reed**); 9:30 am, Roosevelt Room
- ✓ White House photo of POTUS in theater rehearsing speech released to newsweeklies
- ✓ Roundtable for regional print news services and regional WH reporters (Surrogates: **Lewis, Kagan, Gotbaum**); 3:30 pm, Roosevelt

#### *Specialty:*

- ✓ Briefings via conference calls with African American (Surrogate: **Marshall**) and Latino print outlets (Surrogate: Echaveste); 3:00 p.m. and TBD, respectively
- ✓ Briefings via conference call with seniors, health, and disability media (Surrogate: **Bianchi**); 2:00 p.m.

- ✓ Mailing to seniors, health, disability, education, youth, crime, environment, family and minority publications. (Overall Administration accomplishments document was translated into Spanish for Hispanic publications.)

### Sunday, January 17

#### *Print:*

- WH photo of POTUS rehearsing speech in theater, released for Monday

### Monday, January 18

#### *Radio:*

- Embargoed briefing for WH radio correspondents (Surrogate: **Begala**); 9:30 a.m., *Roosevelt Room*
- Embargoed talk show host/radio producers conference call (Surrogate: **Sosnik**); 2:00 p.m.

#### *Print:*

- Provide "color" to selected outlets

### Tuesday, January 19

#### *Television:*

- Interviews with morning shows (Surrogates: **Podesta, Echaveste**)
- Network anchors briefing/lunch (Surrogates: **VPOTUS** -- could do other press, if needed)
- Pundits/columnists briefing #1 (Surrogates: **Sperling, Sosnik**, Reed/Kagan, Steinberg); 10:00 a.m., *Roosevelt Room*
- Pundits/columnists briefing #2 (Surrogates: **Lew, Sosnik**, Reed/Kagan, Steinberg); 11:00 a.m., *Roosevelt Room*
- White House network correspondents briefing (Surrogates: **Podesta, Lew**); 2:00 p.m., *Roosevelt Room*
- Excerpts of speech distributed by 6:30 p.m. for evening news (Lockhart)
- (T) Interviews with regional TV news services immediately after SOTU speech and Republican response (Surrogates, as needed: **Begala, Lew, Lewis, Reed, Sperling**)

#### *Radio:*

- Hispanic conference call (Surrogate: **Echaveste/Murguia**)
- Hispanic regional interviews (Surrogates: **Alvarez, Richardson**)
- Tom Joyner and Urban Radio Network interviews (Surrogates: **M. Moore**, Mathews)
- African American regional interviews (Surrogates: **Herman, Slater, West**)
- SOTU actuality coverage, including regional highlights from speech
- Morning and afternoon drive-time interviews with networks and regional stations (Surrogates: **Ibarra, Stein, Murguia, Lovell, Moore, Frampton, Kagan, Leavy, Duval**, Cabinet secretaries)
- White House correspondents briefing #1 (Surrogates: **Lew, Sosnik**, Reed, Steinberg); 12:00 p.m., *Roosevelt Room*

- White House correspondents briefing #2 (Surrogates: **Sperling, Sosnik**, Reed, Steinberg); 3:00 p.m., Roosevelt Room

*Print:*

- Pundits/columnists briefing #1 -- same as in TV, above (Surrogates: **Sperling, Sosnik**, Reed, Steinberg); 10:00 a.m., Roosevelt Room
- Pundits/columnists briefing #2 -- same as in TV, above (Surrogates: **Lew, Sosnik**, Reed/Kagan, Steinberg); 11:00 a.m., Roosevelt Room
- White House correspondents briefing #1 -- same as in radio, above (Surrogates: **Lew, Sosnik**, Reed/Kagan, Steinberg); 12:00 p.m., Roosevelt Room
- White House correspondents briefing #2 (Surrogates: **Sperling, Sosnik**, Reed/Kagan, Steinberg); 3:00 p.m., Roosevelt Room
- Calls to editorial boards of
  - Washington Post (Surrogate: **Lew**)
  - New York Times (Surrogate:
  - LA Times (Surrogate:
  - USA Today (Surrogate
  - Wall Street Journal (Surrogate:
- Calls to editorial boards of key regional newspapers (Surrogates: Begala, Echaveste, Frampton, Kagan, Katzen, Mathews)
- Release advance text of speech (Lockhart)

*Specialty:*

- Interviews with Spanish language networks -- Univision, CBS Telenoticias, ECO (Surrogate: **Echaveste**)
- Conference call with Hispanic print media (Surrogate: **Echaveste**)
- Interview with BET's Tavis Smiley (Surrogate: **Secretary Herman**)

**Wednesday, January 20**

*Television:*

- Interviews with morning shows (Surrogates: VPOTUS, Rubin, Sperling)
- Regional satellite interviews (Surrogates: Apfel, Shalala, Riley, Rubin)
- Interviews with regional TV news services (Surrogates: Kagan, Mathews)

*Radio:*

- SOTU actuality coverage, including regional highlights from speech
- Morning drive-time radio interviews with networks and regional stations (Surrogates: **Ibarra, Stein, Murguia, Lovell, M.Moore, Frampton, Kagan, Leavy, Duval, Cabinet secretaries**)

*Print:*

- Mailing to top 250 editorial boards
- Editorial board calls to regional newspapers (Surrogates: Cabinet Secretaries)

- Follow-up interviews with regional newspapers (Surrogates: Cabinet Secretaries and Policy Leads)

*Specialty:*

- Follow-up mailings
- Conference calls (Surrogates: WH staff and Cabinet secretaries)

**Surrogates**

Vice President Gore

John Podesta

Doug Sosnik

Ann Lewis

Paul Begala

Maria Echaveste

Jack Lew

Sylvia Mathews

Gene Sperling

Sally Katzen

Bruce Reed

Elena Kagan

Sandy Berger

Jim Steinberg

George Frampton

Cabinet Secretaries, particularly Apfel, Riley, Rubin, Shalala

## PUNDIT BRIEFING INVITE LIST

|                   |                         |                |
|-------------------|-------------------------|----------------|
| Johnny Apple      |                         |                |
| Fred Barnes       | Weekly Standard         | 293-4900       |
| Wolf Blitzer      | CNN, Chief WH Corr      | 638-5234       |
| Gloria Borger     |                         |                |
| Ken Bode          | 898-7000                |                |
| David Broder      | Washington Post         | 334-7444       |
| Ron Browstein     | L.A. Times              | 955-2000       |
| Margaret Carlson  | Time                    | 861-4013       |
| Tucker Carlson    |                         |                |
| Eleanor Clift     | Newsweek                | 626-2030       |
| Maria Coco        | Newsday                 | 626-8468       |
| Richard Cohen     | Washington Post         | 334-7205       |
| Susan Dentzer     |                         | 955-2367       |
| E.J. Dionne Jr    | Washington Post         |                |
| Sam Donaldson     | ABC, WH Corr            |                |
| Michael Duffy     |                         |                |
| Lars Erik-Nelson  | 467-6670                |                |
| Rowland Evans     | Evans and Novack        |                |
| Howard Fineman    | Newsweek                | 626-2058       |
| Jack Germond      | Baltimore Sun           | 452-8250       |
| Mark Halperin     | ABC, Political Director | (212) 456-4545 |
| Bob Herbert       | New York Times          |                |
| Jim Hoagland      | Washington Post         |                |
| Mort Kondracke    | Roll Call               | 289-4900       |
| Michael Kramer    |                         | (212) 522-2253 |
| Bill Kristol      | Weekly Standard, Editor | 293-4900       |
| Carl Leubsdorf    | Dallas Morning News     | 661-8410       |
| Mara Liassion     | NPR                     | 414-3313       |
| Anthony Lewis     | New York Times          | (617) 227-0224 |
| Mary McGrory      | Washington Post         | 334-7583       |
| Doyle McManus     | LA Times, Bureau Chief  | 861-8432       |
| Marianne Means    | Hearst                  | 298-6920       |
| Peter Milins      |                         |                |
| Alan Murry        | Wall Street Journal     | 862-9232       |
| Jack Nelson       | LA Times                | 861-9217       |
| Bob Novack        | Evans and Novack        | 393-4340       |
| Tom Oliplant      |                         | 857-5129       |
| Clarence Page     |                         |                |
| Susan Page        | USA Today               |                |
| William Raspberry | Washington Post         | 334-7462       |
| Cokie Roberts     | ABC, This Week          | 222-7259       |

|                  |                      |          |
|------------------|----------------------|----------|
| Steve Roberts    | NY Daily News        | 467-6670 |
| Tim Russert      | NBC, Bureau Chief    | 885-4548 |
| William Safire   | New York Times       | 862-0330 |
| Robert Samuelson |                      | 626-2056 |
| Bob Schieffer    | CBS, Face the Nation | 457-4466 |
| Gary Seib        | Wall Street Journal  | 862-9225 |
| Frank Sesno      | CNN, Bureau Chief    | 898-7540 |
| Mark Shields     |                      | 662-1255 |
| David Shiribman  | Boston Globe         | 857-5137 |
| Tony Snow        | FOX                  |          |
| Lee Walczak      |                      | 865-2200 |
| Jacob Weisberg   |                      |          |
| George Will      | ABC                  | 965-0440 |
| DeWayne Wickham  |                      |          |
| Jules Witcover   | Baltimore Sun        | 452-8250 |
| Gordan Witkin    | US News Bureau Chief | 955-2000 |

**10:00**

Fred Barnes  
Wolf Blitzer  
Gloria Borger  
David Broder  
Sam Donaldson  
Michael Duffy  
Carl Leubsdorf  
Alan Murry  
Lars-Erik Nelson

**11:00**

E.J. Dionne, Jr.  
Rowland Evans  
Howard Fineman  
Mara Liasson  
Doyle McManus  
Mary McGrory  
Susan Page  
William Safire  
Bob Scheiffer  
Mark Shields  
Mortan Kondrake  
Steve Roberts



**Beverly J. Barnes**

01/16/99 01:37:58 PM

.....

Record Type: Record

To: Laura Emmett/WHO/EOP

cc:

Subject: SOTU WH Briefing Invites

this shows the tentative breakdown of our wh reporters briefings. #1 is scheduled for noon on tuesday. #2 is scheduled for 3 p.m. on tuesday. both are in the roosevelt room. we are all set for the network correspondents briefing, so don't worry about that. thanks. bb

----- Forwarded by Beverly J. Barnes/WHO/EOP on 01/16/99 01:38 PM -----



**Heather M. Riley**



01/14/99 02:46:41 PM

Record Type: Record

To: Beverly J. Barnes/WHO/EOP, Elizabeth R. Newman/WHO/EOP, Jennifer M. Palmieri/WHO/EOP

cc:

Subject: SOTU WH Briefing Invites



SOTU.WPD

**White House Reporters Briefing #1**

|                        |                         |
|------------------------|-------------------------|
| Associated Press       | Terence Hunt            |
| UPI                    | Helen Thomas            |
| Conus                  | Jeff Ballou             |
| Tribune                | Gary Nurenberg          |
| AP Radio               | Mark Smith              |
| NPR                    | Mara Liasson            |
| Westwood One           | Peter Maer              |
| Baltimore Sun          | Jonathon Weissman       |
| Chicago Tribune        | Roger Simon             |
| Dow Jones              | Alex Keto               |
| Houston Chronicle      | Nancy Mathis            |
| Newsday                | Bill Douglas            |
| New York Post          | Deborah Orin            |
| Washington Post        | John Harris/Peter Baker |
| USA Today              | Susan Page              |
| Commerce Clearinghouse | Paula Cruikshank        |
| Copley                 | George Condon           |
| Knight Ridder          | Jodi Enda               |
| Newhouse               | Miles Benson            |
| Scripps Howard         | Ann McFetters           |
| Newsweek               | Debra Rosenberg         |
| US News                | Ken Walsh               |
| Univision              | Armondo Guzman          |
| BET                    | Donna Foster            |
| States News            |                         |
| Gannett                |                         |
| American Urban Radio   | April Ryan              |
| National Journal       | Alexis Simendinger      |
| BNA                    | Mark Felsenthal         |
| Philadelphia Inquirer  | Chris Mondics           |
| Buffalo News           | Doug Turner             |

**White House Reporters Briefing #2**

|                      |                                   |
|----------------------|-----------------------------------|
| Reuters              | Larry McQuillan                   |
| Bloomberg            | Dina Temple Raston                |
| C-Span               | Steve Scully                      |
| CBS Radio            | Mark Knoller                      |
| UPI Radio            | Don Fulsom                        |
| Arkansas Dem Gazette | Jane Fullerton                    |
| Boston Globe         | Ann Scales                        |
| Dallas Morning News  | Susan Feeney or Bob Hillman       |
| Hearst               | Stewart Powell                    |
| AFP                  | Gretchen Cook                     |
| Miami Herald         | Tom Fedler                        |
| LA Times             | Jim Gerstenzang/Elizabeth Shogren |
| New York Daily News  | Ken Bazinet                       |
| New York Times       | James Bennet/John Broder          |
| Washington Times     | Bill Sammon                       |
| Wall Street Journal  | Jeanne Cummings                   |
| Congress Daily       | Keith Coffler                     |
| Cox                  | Bob Deans                         |
| McClatchy            | Muriel Dobbins                    |

McClendon  
Fourtune  
Time  
Bloomberg Radio  
CBS Telenoticias  
Business Week  
Chicago Sun Times  
St. Louis Dispatch  
San Francisco Chronicle  
Detroit News  
The Economist  
St. Petersburg Times

Sarah McClendon  
Jeff Birnbaum  
Jay Branegan/Karen Tumulty  
Tina Stage  
Jacobso Goldstein  
Rick Dunham  
Lynn Sweet  
Terrence Samuel  
Marc Sandalow  
Dick Ryan  
John Andrews  
David Dahl

**WHITE HOUSE NETWORK CORRESPONDANT BRIEFING**

ABC

Sam Donaldson  
Anne Compton  
Josh Gerstein

CBS

Scott Pelley  
Bill Plante

CNN

Chris Black  
Wolf Blitzer  
John King

FOX

Jim Angle  
Wendell Goler

NBC

David Bloom  
John Palmer  
Claire Shipman

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Cathy R. Mays

---

01/15/99 05:26:43 PM

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Record Type: Record

To: Laura Emmett/WHO/EOP

cc:

Subject: State of the Union Briefings--Proposed Agenda

----- Forwarded by Cathy R. Mays/OPD/EOP on 01/15/99 05:27 PM -----

 Lisa J. Levin 01/13/99 12:29:04 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Cheryl M. Carter/WHO/EOP

Subject: State of the Union Briefings--Proposed Agenda

I know it is difficult to committ to time for next Tuesday bc most of you are involved in sotu prep. Unfortunately, we need to lock down as much as possible what we can in terms of agenda because we are bringing in hundreds of people for these briefings. The following is what we propose in terms of agenda and use of your bosses' time. Please let me know if this will or will not work. Thank you.

## AGENDA

### Session #1 --

|             |                              |                 |
|-------------|------------------------------|-----------------|
| 2:00 - 2:10 | Welcome and General Overview | Maria Echaveste |
| 2:10 - 2:25 | Political Overview           | Doug Sosnik     |
| 2:25 - 2:45 | Message                      | Ann Lewis       |
| 2:45 - 3:15 | Policy Overview              | Gene Sperling   |
| 3:15 - 3:30 | Q&A                          |                 |

### Session #2 --

|             |                              |                 |
|-------------|------------------------------|-----------------|
| 4:00 - 4:10 | Welcome and General Overview | Maria Echaveste |
|-------------|------------------------------|-----------------|

|             |                    |             |
|-------------|--------------------|-------------|
| 4:10 - 4:25 | Political Overview | Doug Sosnik |
| 4:25 - 4:45 | Message            | Paul Begala |
| 4:45 - 5:15 | Policy Overview    | Bruce Reed  |
| 5:15 - 5:30 | Q&A                |             |

Message Sent To:

Leslie Bernstein/WHO/EOP  
Dominique L. Cano/WHO/EOP  
Ruby Shamir/WHO/EOP  
Peter A. Weissman/OPD/EOP  
Tracy Pakulniewicz/WHO/EOP  
Cathy R. Mays/OPD/EOP

**Tuesday Briefings**

9:30 HILL- Senate Staff Directors- *Elena*

10:00 PRESS- Pundits- *Bruce*

11:00 PRESS- Pundits

11:00 HILL- Senate Democratic AA's, LD's, & key committee staff

12:00 PRESS- White House Reporters

2:00 HILL- House Democratic AA's, LD's, & key committee staff

3:00 PRESS- White House Reporters

3:00 HILL- Press Secretaries- *Elena*

4:45 CABINET- Cabinet Affairs

5:00 HILL- House Leadership- *Bruce*

FYI- SOTU briefings  
one of you should  
attend

## SOTU ROLL OUT -- LEGISLATIVE AFFAIRS

### Friday (1/15):

1:00pm -- Lewis, Kagan and Stein will brief the House Democratic Staff Directors in H-201.

### Tuesday (1/19):

9:30 am -- Lewis, Kagan and Stein to brief Senate Staff Directors in S-211, The Capitol.

11:00 am (or 1:00 pm if Senate is not in Session) -- <sup>Kagan ~~Kagan~~ Mathews ~~Kagan~~</sup> ~~Sperling, Reed~~ and Stein will brief Senate Democratic AA's, LD's and key committee staff in 325 Russell.

2:00 pm -- <sup>LC/LC</sup> ~~Sperling, Reed~~ and Stein will brief House Democratic AA's, LD's and key committee staff in The Gold Room (2168) of the Rayburn Building.

3:00 pm -- Lockhart and Lewis will brief House and Senate press secretaries in SC-5, The Capitol.

5:00 pm - Podesta (T), Sperling, Reed, Lewis and Stein will brief the House Leadership and Steering Committee in 311 CHOB.

### Sub-briefs

**Education** - Dept. of Ed officials will brief key Senate and House committee staff on Tuesday (1/19) at 5:00pm.

**Environment** - Democratic House and Senate briefing will be held on Tuesday (1/19) at 11:00am in 1334 LHOB.

### **Health Care**

Long Term Care - Jennings and HHS briefed Democratic House and Senate leadership staff and key committee staff on 1/12.

Patients' Bill of Rights - Jennings and HHS briefed Democratic House and Senate leadership and key committee staff on 1/13.

### **Tax Issues**

Treasury and NEC will brief Senate Finance and House Ways and Means staff on Tuesday (1/19).

11:30 mtg  
in Stein's  
office

NOT going to  
give you the list  
of the 100,000 teachers

Mix of new & old  
unfamiliar + new  
as mixed in.

## STATE OF THE UNION TALKING POINTS

January 13, 1998

Education - broad  
- after school / social promotion  
Families  
- child care - (something new)  
- health - many things  
- long-term health  
- youth reduction / learning thing  
COPS 100,000  
other shift - from old to new  
put on by agenda

### I. Active Agenda: Building on a Foundation of Accomplishment

This is a remarkably active agenda, both in its scope and vision. Its breadth is unique for a seventh year presidency -- especially one endowed with such good economic times.

We have the strongest economy in a generation with nearly 18 million new jobs, a majority of which have been created in the private sector. We have the fastest real-wage growth in more than two decades, and the lowest unemployment in nearly thirty years.

### II. Basic Theme: Meeting the Challenges of the 21st Century

But, as the President says, this is no time to rest. We have come far, but still face great challenges:

- An Aging Population
- Quality Education for our Children
- Strengthening Families and Communities
- A Global Economy
- New Challenges to Peace and Security

### III. Examples Of Innovative Policies

Following are examples of some of the innovative policies the President's new agenda will develop to address our 21st century challenges.

- Long Term Care
- Expanding After School Programs and Ending Social Promotion.
- Livability and Lands Legacy Initiative
- COPS II: an extension of community policing, with a new focus on cutting-edge law enforcement technology
- Economic Opportunity for all Americans
- Strengthening National Security

### IV. Familiar Themes and Values

While the President's State of the Union address will contain new ideas, it will be built around familiar themes and values reflecting Bill Clinton's presidency:

- Opportunity/responsibility/community
- Active progressive government with fiscal responsibility
- America as world leader
- One America

coverage

**AN ACTIVE AGENDA:  
Building on a Foundation of Accomplishment**

The President will lay out a remarkably active agenda in his State of the Union address -- both in its scope and its vision. Its breadth is unique, especially for a seventh year presidency. The President recognizes that our nation -- thanks to many of the Administration's previous accomplishments -- has a unique opportunity to address the issues that face it at the turn of the millennium.

Just think about the foundation we have to build on after the last seven years. In the past 30 days we have learned that:

- we have created the longest peacetime economic expansion in American history;
- wages are rising at twice the rate of inflation;
- we have nearly 18 million new jobs;
- welfare rolls are the smallest in 29 years;
- unemployment is at its lowest level in three decades;
- home ownership is at its highest level in history;
- violent crime is at its lowest point in a quarter century;
- the environment is cleaner than has been in 25 years;
- and we have the highest budget surplus in American history -- \$76 billion.

**BASIC THEME:**  
**Meeting the Challenges of the 21st Century**

As the President says, this is no time to rest. We have come far, but still face great challenges:

**I. An Aging Population**

The number of Americans age 65 years or older will double by 2030 (from 34.3 to 69.4 million), so that one in five Americans will be elderly. The number of people 85 years or older, nearly half of whom need assistance with everyday activities, will grow even faster (from 4.0 to 8.4 million). There is an immediate need for us to reform our entitlement programs to handle and address these changing demographics.

**II. Quality Education for our Children**

While we have made enormous strides in providing more and better quality education opportunities for our children over the past six years, we still have much work to do. One in five public school students still move from grade to grade without having mastered the basics. Many schools in depressed communities still fail to give disadvantaged children the tools they need to break their way out of poverty. Nearly a quarter of secondary school teachers do not have college majors -- or even minors -- in the subjects they teach. And too many of our schools are falling apart, have walls too old to be wired for the Internet, or have insufficient space to handle our nearly 53 million school children.

**III. Strengthening Families and Communities**

Changes in work and culture during the 20th century have created new challenges that must be addressed in order to strengthen our families and communities. From unsafe food to tobacco, families continue to face a host of health problems. Millions of working Americans must spend more time working and less time at home to make ends meet -- increasing the pressures of parenting. Crime remains a dangerous fact of life in too many neighborhoods, schools and homes. And global warming, pollution and the demands of growing populations continue to challenge the quality of our environment.

**IV. A Global Economy**

As the President has noted the United States "cannot remain an 'oasis of prosperity.'" Today more than ever, our economic success at home depends on economic success around the world. Given the current international financial crisis, our continued economic prosperity depends on whether we can work with others to restore confidence, manage change, stabilize the financial systems, and spur global growth.

**V. New Challenges to Peace and Security**

As recent events in the Middle East have highlighted, the Cold War may be over, but our world remains a dangerous place. Today our military faces a host of challenges -- from the proliferation of weapons of mass destruction to the changing nature of terrorism to emerging 21st century threats such as attacks on our critical infrastructure. Around the world, from Haiti to Bosnia, our military is playing key roles in efforts to further peace and promote democracy. This is why the President is committed to keeping our readiness "razor sharp" and to improving recruitment in the next budget cycle.

## EXAMPLES OF INNOVATIVE POLICIES

Following are examples of some of the innovative policies the President's new agenda will develop to address our 21st century challenges.

### **I. Long-Term Care**

The President will unveil a four-part plan to deal with the long-term health care needs of Americans, that will: 1) educate the elderly and people with disabilities about long-term care issues and options; 2) provide immediate support and assistance for millions of Americans who care for family members with long-term care needs; 3) provide an historic \$1,000 tax credit for families with members who need long-term care, benefitting nearly 2 million Americans; 4) offer quality, private long-term care insurance to Federal employees.

### **II. Expanding After School Programs and Ending Social Promotion**

The President will request that funding for the 21st Century Community Learning Center Program be tripled -- allowing roughly 1.1 million children to participate each year. The program gives schools funds to operate after-school and summer school programs. The President will give priority for these funds to school districts that have developed strong policies to end social promotion, including plans to give extended learning time to students who need extra help to meet standards.

### **III. Preserving America's National Treasures**

The President will unveil the Lands Legacy Initiative, which will provide \$442 million for federal land acquisitions to help preserve America's natural treasures and resources (including parts of: the Mojave Desert, the New England forests, the Everglades, the Lewis and Clark Trail, and Civil War battlefields).

### **V. Improving Economic Opportunity for Americans with Disabilities**

To bring greater opportunity to people with disabilities, the President will request funding for a historic new initiative that will remove significant barriers to work for these Americans. This three-part budget initiative, which invests \$2 billion over five years, will help provide better health care options for people with disabilities who work, a \$1,000 tax credit for work-related expenses, and invest in technology that can enhance their ability to participate in the workplace.

### **IV. COPS II: An New 21st Century Policing Initiative**

The President will propose a \$1.3 billion plan to strengthen police agencies across the nation, building his already successful COPS program. It will help communities: 1) continue to hire, redeploy, and retain police officers; 2) give law enforcement access to the latest crime-fighting technologies; and 3) target funds to programs that engage the entire community -- including community leaders, prosecutors, probation and parole officers, school officials, and faith-based organizations -- in preventing and fighting crime.

### **V. Training American Workers**

President Clinton will propose a \$60 million plan to assist working Americans in getting the skills they need to succeed and to ensure employers get the skilled workers they need to stay competitive. The plan will: 1) create regional partnerships with local businesses to identify skill shortages and design job training programs for dislocated and incumbent workers; 2) work with businesses, higher education, labor unions and work force investment boards; and 3) provide tax credits for worker scholarships and tax credits for businesses that provide literacy programs at the workplace.

**VI. Strengthening National Security**

The President will request a \$12 billion boost over planned spending for fiscal year 2000, and about \$100 billion over six years to: 1) provide significant increases for military readiness programs; 2) fund weapons modernization programs; and 3) improve the pay, performance rewards, and retirement benefits of America's servicemen and women.

## **FAMILIAR THEMES AND VALUES**

While the President's State of the Union address will contain new ideas, it will be built around familiar themes and values reflecting Bill Clinton's presidency:

### **I. Opportunity / Responsibility / Community**

President Clinton has pursued an agenda that is based on the belief that the spirit brought by all Americans to our work makes all the difference. He believes that we must be committed to the pursuit of "opportunity for all Americans, responsibility from all Americans, in a community of all Americans."

### **II. Active Progressive Government with Fiscal Responsibility**

President Clinton is committed to a new kind of government -- not one that solves all our problems for us, but one that gives all our people the tools they need to make the most of their own lives. The lynch-pin for making this philosophy successful has been a three part economic strategy of fiscal responsibility, investments in our people, and the opening of more markets to American goods and services.

### **III. America as World Leader**

President Clinton has pursued an ambitious agenda to keep American leadership strong, and to make sure that we enter the 21st century as the world's leading force for security, peace, freedom and prosperity both domestically and abroad.

### **IV. One America**

President Clinton has a vision of One America in the 21st Century -- a diverse, democratic community in which we respect, even celebrate our differences, while embracing the shared values that unite us.

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*FRG check*

**PRESIDENT WILLIAM J. CLINTON  
STATE OF THE UNION ADDRESS  
UNITED STATES CAPITOL  
January 19, 1999**

*Mr. Speaker, Mr. Vice President, Members of Congress, honored guests, my fellow Americans:*

On your behalf, let me acknowledge the presence in the box with Mrs. Hastert of Wei Ling Chestnut and Lyn Gibson, the widows of the two Capitol Police officers who were struck down in this house, the heart of this democracy. As much as any soldiers in our history, they were defending our freedom. I ask us all now to bow our heads in silent prayer in honor of JJ Chestnut and John Gibson. [*moment of silence*]

Tonight, we begin again our work together for the people of America. And let me begin by saluting the new Speaker of the House. On the day you were sworn in, you asked us to work in a spirit of civility and bipartisanship. Mr. Speaker, let's do exactly that.

Tonight, I have the honor and of reporting on the State of our Union.

I stand before you to report that we have created the longest peacetime economic expansion in American history -- with wages rising at twice the rate of inflation and nearly 18 million new jobs.

I stand before you to report that more Americans are living in their own homes than at any time in our history -- that the welfare rolls are the smallest in 29 years -- and that the peacetime unemployment rate is the lowest it has been since 1957.

I stand before you, the first president in three decades to report, not just that the budget is balanced, but that we have a \$70 billion surplus -- the highest in American history. And I can now report that there will be a surplus year after year for the next 20 years, ~~a total surplus of \$2 trillion.~~ <sup>a total surplus</sup>

I stand before you to report that violent crime is at its lowest point in a quarter century.

I stand before you to report that the environment is the cleanest in a quarter century, and that in six years -- even as our economy has boomed -- we have cut pollution from factories in half.

I stand before you to report that America stands strong -- a force for peace and reconciliation in lands torn by ancient hatreds, from Northern Ireland, to Bosnia, to the Middle East.

I stand before you to report that once again our government is a progressive instrument

of the common good. Thanks to the pioneering leadership of Vice President Gore, America has a government for the Information Age ~~that lives within its means~~. The smallest government since -- well, since John Glenn first orbited the Earth. A flexible, creative government driven not by rigid ideology, but by ideas that work; devoted to giving the American people the tools they need to solve their own problems. A 21st Century government for 21st Century America.

Now we are on the eve of great possibilities. Stunning scientific discoveries; remarkable advances in the health of our people; a time when cancer will be cured; when new technologies will make it easier for parents to succeed both at work and at home; when children will acquire new knowledge in new ways ~~that keep us together~~ -- all moving us into a new time of longer, healthier, more rewarding lives.

The State of our Union is strong.

The promise of our future is limitless.

But we cannot realize ~~it~~ <sup>that promise</sup> if we allow the hum of our prosperity to lull us into complacency. Yes, America is working again. But we now face challenges that will ~~face~~ <sup>shape</sup> who we are as a people, and how we fare as a nation, far into the 21st Century. So with our budget surplus growing, our economy expanding, and our confidence rising, let's get to work.

## AGING OF AMERICA

Our fiscal discipline gives us an unsurpassed opportunity to address remarkable new challenge: the aging of America.

We are blessed with the longest life expectancy we have ever known. With the number of elderly Americans set to double by 2030, the Baby Boom will become a Senior Boom.

First and above all, we must save Social Security. Early in this century, being old meant being poor. When President Franklin Roosevelt created Social Security, thousands wrote to thank him for eliminating what one woman called the "stark terror of penniless, helpless old age." Even today, without Social Security, half our nation's elderly would forced into poverty.

Today, Social Security is strong. But by 2013, payroll taxes will not cover retirement obligations. And by 2032 the Trust Fund will be exhausted, and Social Security will be unable to pay out the full benefits older Americans have been promised.

We must keep that promise. Last year, from this podium, I said we must set aside the surplus until we save Social Security. Tonight, I propose to you that we invest the surplus to save Social Security.

The best way to keep Social Security a rock-solid guarantee is to invest its resources wisely -- not to make drastic cuts in benefits; not to raise payroll tax rates; and not to drain resources from Social Security in the name of saving it.

Specifically, I propose that we take half the budget surplus for the next 15 years and invest it to save Social Security. Just by investing a small a small portion of the Trust Fund in the private sector -- like any private or state government pension would -- we will earn a higher return and we will keep Social Security strong for 50 years without benefit cuts or tax rate increases.

Beyond that, I look forward to working with you to achieve, sensible, tough-minded changes to assure that the system will be on sound footing for at least the next 75 years.

Second, once we have set aside sufficient funds from the surplus to save Social Security, we must fulfill our obligation to save and improve Medicare. Already, we have extended the life of Medicare by 10 years -- but for the health care of our seniors to be on solid ground, it must be extended for at least another decade beyond that. So tonight I propose that we use one out of every five dollars in the surplus to guarantee the soundness of Medicare until at least the year 2020. And, if we work together across party lines and review the work of the panel chaired by Sen. John Breaux and Rep. Bill Thomas that will report in March, we can not only add to the life of Medicare -- we can improve the lives of our seniors by covering the greatest growing need, access to affordable prescription drugs.

Third, we must help all Americans, from their first day on the job, to save, to invest, to create wealth. Today, tens of millions of people still retire with little to live on other than Social Security. And even even if we save Social Security, Americans living longer than ever must save more than ever. Tonight I propose a new initiative for retirement security in the 21st Century. I propose that we use 10% of the surplus to establish Universal Savings Accounts -- USA Accounts. Every American will be able to save in their own personal account, investing as they see fit, with the United States government matching their savings -- and with the most help for those least able to save.

The USA Account will give all Americans a greater stake in our prosperity. . . a greater hand in the creation of wealth. . . a greater chance to retire in comfort, security, and dignity.

Fourth, we must help Americans provide long-term care for ailing seniors. Today, millions of working people are caring for ~~elderly relatives and even neighbors~~ <sup>elderly relatives and even neighbors</sup>, often at great cost. In my balanced budget, I will propose a tax credit of \$1,000 to help keep families ~~together~~ <sup>together</sup> as they provide for aging mothers and fathers or disabled people with long term care needs. The care our families can provide at home is invaluable; let us begin to show how much we value it.

With these four measures -- savings Social Security, strengthening Medicare, establishing USA accounts, and the long-term care tax credit -- we can begin to meet the historic responsibility of our generation to establish true security for 21st Century seniors. Their hard work over a lifetime has created the budget surplus -- and there is no better use for it.

I was born in 1946. I am one of the oldest of the Baby Boomers. And I know that I speak for my generation: None of us wants our growing old to place an intolerable burden on our children and their ability to raise our grandchildren.

Education

Today, there are more children in our public schools than at any time in our history, and their education is more important than ever, for the new economy prizes knowledge, creativity and skills as never before.

Today we can say what we could not say six years ago: Together, we have opened the doors of college to all - with more affordable student loans, more Pell grants for deserving students, 1 million new work study jobs, education IRAs, and the HOPE scholarship tax cut that nearly 6 million Americans will receive this year.

We have also made progress in renewing our public schools. Nearly every state has set higher academic standards, we will soon have a voluntary national test to measure the progress of our students. Thousands of schools have cracked down on drugs, gangs, and violence, and improved learning and discipline with school uniforms. We have supported teaching values and finding a proper place for religious faith in our public schools.

With our help, there are 9 times as many classrooms connected to the Internet as there were six years ago. With \$2 billion additional dollars coming this year, we can meet our goal of connecting every classroom and every library in America to the Internet by the Year 2000.

We have begun to marshall a volunteer army of students from 1000 colleges to teach young children to read, and mentors in thousands of communities to prepare young people prepare for college.

To bring more discipline, more attention, and more learning to every young child, we reached across party lines last fall and began to hire 100,000 new highly-trained teachers to reduce class size in the early grades. I ask this Congress to finish our mission of hiring 100,000 new teachers.

*Our ch. are doing*  
SAT scores are up. Math scores have risen in nearly all grades nationwide. But there is a problem. While while our fourth graders outperform their peers in other developed countries in math and science, our eighth graders are around average, and our twelfth graders rank near the bottom. Clearly, American students have the capacity to learn. They fall behind because the system fails them.

Each year the national government invests over \$13 billion [ck] in our public schools. I believe we must change the way we invest that money. We know what works -- so we have no excuse for continuing to invest in what doesn't. ~~We have a moral responsibility to our children to invest in what does~~

Later this year, I will send Congress a plan that for the first time will hold states and school districts accountable for progress and reward them for results. I propose that every community receiving federal help for their schools must take the following four steps.

First, all schools must end social promotion. Too many students move from grade to grade without mastering the basics.

Because we must help young people to meet higher standards, my new balanced budget

triples the funding for summer school and after school programs. We can keep one million students learning in the hours after regular school lets out, when parents work and juvenile crime soars. Our children should learn their lessons in the classroom, not on the streets.

Three years ago, Chicago's Mayor Richard Daley ended social promotion. If students fail to master the basics, they go to summer school and get special tutoring until they do pass - and most do. ~~[Today, Chicago's summer school is the sixth largest school district in the nation.]~~ ~~[we all feel this is a frightening statistic]~~ Citywide math and reading scores are up three years in a row.

Last Spring in Chicago, [x] got a letter saying she would have to repeat [x] grade unless she raised her grades. [x] buckled down, and in six weeks of summer school boosted her reading level by [#] months and her math by [#]. She passed her test, went on to the next grade with her friends, and now she's planning to college. [X] is with us tonight, sitting with the First Lady. We're proud of you, [x].

Second, all states and school districts <sup>must</sup> turn around their worst-performing schools or shut them down. That is the policy established by Gov. Jim Hunt in North Carolina -- and last year, that state's test scores made the biggest gains in the nation. We can no longer tolerate schools anywhere in America that deny any young Americans the opportunity to learn their way out of poverty. \$200M

Third, all states and school districts must be held responsible for the quality of their teachers. None of us would be here tonight if not for our teachers. We must lift them up, not tear them down. But in too many schools, teachers don't have college majors--or even minors--in the subjects they teach. All new teachers must pass skills tests, and all teachers must be required to know the subject they are teaching. <sup>should</sup>

To attract talented teachers to the toughest teaching assignments, my balanced budget calls for a five-fold increase in scholarships for college students who commit to teach in the inner city, in isolated rural areas and on Indian reservations.

Fourth, we must empower parents by creating more charter schools and giving them better information on their children's education. In too many communities, it is easier to get information on the quality of local restaurants than the quality of local public schools. From now on, every school district must issue report cards on every school.

We are creating a public school system driven by more information, more competition, more choice.

There was one independent, public charter school in all of America when I became President. There are 900 today. My budget assures that by early in the next century, there will be 3000.

If we do these four things -- end social promotion, turn around failing schools, demand qualified teachers, and promote innovation and competition -- we will begin to meet our generation's historic responsibility to create 21st Century schools for our children.

Tonight, let's make our children one more promise. In some of our cities, the average

age of school buildings is 65 years old. Too many of our schools are falling apart. Many others are so overcrowded that students learn in trailers. Last fall, Congress missed an opportunity to create a tax break to modernize or build 5000 schools. This year, for the sake of our 53 million schoolchildren, Congress must not miss that opportunity again.

## **BUILDING STRONG FAMILIES FOR THE 21st CENTURY**

We must also strengthen the American family for the 21st Century. No government can raise or love a child. Mothers and fathers do. But government can empower parents with the tools they need to meet their most vital responsibilities.

The most basic tool of all is a decent income. So first, let's agree to raise the minimum wage by \$1 over the next two years.

### **Strong families depend on strong parents.**

Next fall, the First Lady and I will host a White House conference to explore new ways to help Americans balance work and family as we enter the new millennium. I am proud of the First Lady's work here and in so many other areas at home and abroad. She has played an historic role in serving this nation and advancing our best ideals.

We must do more to help the millions of working American parents who give their all every day to succeed at home and at work.

I ask the Congress once again to enact a comprehensive plan to make quality child care more affordable and more accessible than ever. My balanced budget provides tax credits for working families, child care subsidies for small business, and high standards and training for child care providers. Our child care plan includes a new tax credit for stay-at-home mothers. ~~They need help too. No job is more important than the job of raising a child.~~

I am proud that the Family Medical Leave Act was the first bill I signed into law. Since then, it has helped nearly 120 million Americans care for a new baby or an ailing relative without risking their jobs. Now let's extend this to workers in smaller companies, and guarantee Family Leave to 10 million more Americans.

And parents who work to support their families should never face discrimination in the workplace. I will send legislation to Congress that prohibits companies from refusing to hire or promote workers simply because they have children.

### **Strong families need strong health care.**

Our families deserve the world's most advanced medical care -- and we must continue our commitment to cutting-edge research and pathbreaking innovation.

We have begun testing the first drugs to prevent or reduce risk of cancer. In just the past six years, medical researchers introduced the first effective drugs to treat AIDS. They have

discovered the process of aging itself -- raising the prospect of new treatments to prevent or delay diseases from Parkinsons to Alzheimers to arthritis.

THU  
STELL

My balanced budget will keep us on track to increase the budget for the National Institutes of Health by fifty percent. I ask Congress to fund this scientific research, and commit our nation to finding a cure for cancer and AIDS early in the new century.

And as our medicinal advance race ahead, we cannot let our health care system lag behind.

Managed care has transformed medicine in America -- driving down costs, but threatening to drive down quality as well.

Here's a true story told by an emergency room physician from Dearborn, Michigan. A patient was rushed into the emergency room; he had died. The doctor revived him. And he recovered. But the man's health plan said they would not pay. He hadn't called the 800 number to get prior approval. Being dead, apparently, was not "an emergency"! *but I thought I was the comeback kid.*

Despite his HMO, he is here with us tonight. Let's make him and all Americans a promise: This year, we will pass the patient's bill of rights ... so every American can have the right to the best care, not just the cheapest. The right to see a specialist. And the right to emergency care.

Within my power as President, I have acted, extending these rights to the 85 million Americans served by Medicare, Medicaid, and other federal health plans. But only Congress can enact the Patients Bill of Rights for all Americans. Last year, Congress missed that opportunity. This year, for the sake of our families, Congress must not miss that opportunity again.

And as more of our medical records are stored electronically, the threats to our privacy increase. If Congress does not act this year, as provided by law, I will act -- issuing an executive order to protect the privacy of medical records ~~online~~.

Two years ago, we extended health insurance to up to 5 million children. Now, we should give people 55 to 65 the chance to buy in to Medicare. We should make it easier for small businesses to offer health insurance to their employees. We should pass the bipartisan legislation, introduced by Senators Kennedy, Jeffords, Roth and Moynihan to allow people with disabilities to buy Medicaid health insurance so they can go back to work.

Next, we must must step up our efforts to treat and prevent an illness that brings pain to millions of American families -- mental illness. With sensitivity and commitment, Tipper Gore has led our efforts here. This year, we will host a [first-ever] White House Conference on Mental Health. No American should ever be afraid to recognize and treat this disease. ~~And every American should have equal opportunity to thrive.]~~

Next, we must protect our children from the drunk drivers who kill nearly 3000 of them every year. I ask the Congress to write tough new blood alcohol standards into law to protect every American, on every roadway. Last year, Congress missed the opportunity to do this last

year. This year, Congress should not miss that opportunity.

### Tobacco

As everyone in this chamber knows, our children -- the children the tobacco industry has called "replacement smokers" -- are the target of a massive media campaign to hook them on cigarettes. I ask this Congress to resist the awesome power of the tobacco lobby and pass a bipartisan bill that will safeguard our children while protecting farmers.

For decades the tobacco industry deceived America. They passed the real costs of smoking -- medical care for illnesses from cancer to emphysema -- onto you, the taxpayers. It is time to recover those costs.

Tonight, I am directing the Department of Justice to prepare and bring a lawsuit against the tobacco companies for the costs to Medicare of tobacco related illnesses. The funds we recover should be used to strengthen Medicare.

In all these areas -- minimum wage, child care, health care, family leave and tobacco -- this generation has a historic responsibility to strengthen our families for the 21st Century.

### 21st Century economy

But we cannot meet any of our other challenges if we do not succeed in building a new economy for that new century.

Today, America is without dispute the most dynamic, innovative, competitive, job creating, wealth creating economy in the history of the world. ~~And America will continue to lead because the qualities that mean success in the global economy are at the core of the American character.~~ *And we can do this.*

We must make a place for all our people in the new economy.

Today, there is not so much an income gap as a skills gap. At a time when skills matter more than ever, one out of four working people reads at less than a sixth grade level. This past year I was proud to sign bipartisan legislation to transform our worker training system. With a simple voucher, Americans can now choose the skills they need. My balanced budget will build on that momentum, with a national campaign to improve adult literacy and a commitment that every American who needs training will get training. *be able to put it*

*Facts or how well we're doing*

We have made great strides in moving from a system of welfare to a system of work. Two years ago, from this podium, I asked five companies to lead a national effort to move people from welfare to work. As of tonight, our Welfare to Work Partnership includes 10,000 companies. My budget provides funds to create jobs to move another [TK,000] people from welfare to work.

*Emp. zones*

[We have a new and urgent priority. The farmers who are the backbone of our country are in trouble. Dropping prices and the loss of foreign markets have led to dire economic

conditions for too many of our hardworking family farmers. I pledge to work with members of Congress of both parties to craft a better farm safety net for rural America, with crop insurance reform and income assistance. ]

And we must spur and strengthen our new technological economy.

Government investment in computers led to the creation of the Internet. Now I propose a 30% increase in long-term computer research.

Today's consumers need 21st Century protections. We will continue our aggressive but prudent record of enforcing our antitrust laws. I will propose a new financial right to know law to protect them and their investments.

We must be ready for the 21st Century at the very first moment of that century. We have already fixed the millennium bug for the Social Security system, and the checks will keep coming on time. But every business, every city and county, every university must be ready. But if we work hard and work together, the millennium bug can be remembered as the last headache of the 21st Century and not the first crisis of the 21st Century.

It is plain that economic growth at home also depends upon economic growth around the world.

Until recently, a full one third of our economic growth came from trade. But over the past year and a half, the financial turmoil that began in Asia has put that growth at risk. Today, much of the world is in recession. Across Asia, an entire generation that worked its way into the middle class has been plunged into poverty.

This is the most critical financial crisis in a half century. Last September, I set out a new strategy to spur global growth, to stabilize the global economy and keep the world trading system open, free, and fair.

Together with other nations, the United States acted -- lowering interest rates, and meeting our obligations to the International Monetary Fund, preventing crisis from spreading.

The turmoil is not over. But because of America's leadership, the world's economy is sounder than it otherwise would have been -- and our economy continues to grow, steady and strong. I thank lawmakers of both parties for your support.

Now we must build a financial system for the 21st Century that tames the cycles of boom and bust in the world economy. This spring, I will meet with the leaders of the world's most important economies to lay plans for a world financial system as modern as the markets. [Every nation must open its books. We must strengthen international bank regulations. We must build a rapid response system to prevent problems from becoming global crises. And we must make sure that the poorest citizens in the poorest nations do not become the victims of financial turmoil.][*we are working with Treasury to improve these policies*]

We must build a trading system for the 21st Century one that spurs growth, expands

opportunity, and honors the values of hard work and fair return.

For too long, trade has divided Americans, across lines of party and philosophy. We must find the common ground on which business, workers, environmentalists and government can stand together.

We must do more to help American manufacturers hit hard by the global financial crisis. I ask the Congress to provide \$2 billion in new credit to promote U.S. manufacturing exports abroad. We must resist a protectionism that could start a chain reaction, hurting our exports and triggering a global recession. Where imports are unfairly flooding into our nation, we will act. I have already informed the government of Japan that [if Japan's sudden surge of cheap steel imports into our country is not reversed, I will respond under our trade laws.]

Five times in the past half century, we have negotiated worldwide agreements that have opened markets and lifted prosperity. Tonight I propose to launch a new round of negotiations in the World Trade Organization to expand our exports of farm products, services and manufactures. We will seek to expand trade with Africa and with the Central American nations devastated by the recent hurricane, and to pursue a Free Trade Area of the Americas.

But as we press for open trade, we must also press for trade that promotes the dignity of work and the rights of workers. We must insist that international trade organizations be open to the sunlight of public scrutiny. We must insist that trade rules never be used as a pretext to destroy environmental protections. We must never let vigorous international economic competition become a race to the bottom among nations.

I ask Congress to move forward with me based on this common approach and pass legislation granting the President traditional trade authority so we can advance our prosperity.

We will work with the International Labor Organization on a new initiative to lift labor standards around the world. And we must act, once and for all, to end the most exploitative trade practices of all: I will sign a new international agreement to ban child labor everywhere in the world.

## **A STRONG AMERICA IN A NEW WORLD**

## **ONE AMERICA IN THE 21ST CENTURY**

**If we want to exert influence in the world, we must set an example here at home. We must come together as One American community -- and we begin by strengthening our communities.**

Strong communities, first, are communities where hope and opportunity flourish.

Last Friday I travelled to Wall Street to speak to the leaders of many of America's biggest corporations. I challenged them to invest in poor urban and rural neighborhoods. My balanced budget includes tax credits for new investment, 100,000 housing vouchers to help poor people

move out of public housing. And we should create a new American Private Investment Corporation, modeled after our Overseas Private Investment Corporation. The most important untapped markets are here at home.

500,000 cop  
wanting by the  
us private  
a community  
place

And strong communities are safe communities.

That is  
a new  
bill

This year, we will reach our goal of putting 100,000 community police officers on the street. The Brady Bill has stopped a quarter million felons, fugitives, and stalkers from buying guns -- enough guns to fill this chamber shoulder high. Last year, the nation's crime rate dropped for the sixth straight year, and the murder rate is the lowest in [30] years.

But too many neighborhoods still are not safe. Tonight, I propose a 21st Century crime bill to marshal the latest tools, technologies and tactics in the fight against crime.

My budget provides funds to put up to 50,000 more police on the beat in the areas hardest hit by crime. Our crime bill will give law enforcement 21st Century tools, from crime-mapping computers to digital mug shots. It's time we gave the police of America better technology than the criminals.

also

We must do more to keep guns out of the hands of criminals. Congress should restore the mandatory 5-day waiting period for buying a handgun that expired last year, and extend the Brady Bill so that juveniles who commit violent crimes won't be able to buy handguns for life. [And we should follow the lead of South Carolina, Maryland and Virginia and say, nobody needs to buy more than one handgun a month.]

We must finally begin to break the deadly cycle of drugs and crime. Too many prisoners go back on the street addicted to the drugs that made them commit crimes in the first place. My budget strengthens support for drug testing and treatment. It says to prisoners: If you stay on drugs, you must stay behind bars. And it says to those out on parole: If you want to keep your freedom, you have to keep free of drugs.

prison  
parole

And for all the progress we have made to restore discipline and order in our schools by imposing a zero-tolerance policy for guns in schools and getting districts to adopt school uniforms, I ask Congress to pass my plan to strengthen the Safe and Drug-Free School Act this year. And we should hire and train 2,000 new community police and school resource officers to keep kids safe in our classrooms and playgrounds. No child should go to school feeling terrorized by classmates. No parent should worry that his child become the target of deadly violence. Our schools ought to be the safest place in every community.

Let's go  
to the  
community  
and  
work in  
the

big

Strong communities are livable communities.

A century ago, President Theodore Roosevelt set our nation on the course of conservation. He defined our nation's "great, central task" as "leaving this land even a better land for our descendants than it is for us."

This is the vision we are fulfilling today, protecting California's ancient redwoods; the Florida Everglades, and Yellowstone, the world's first National Park. At a time when our

economy is the strongest in a generation, our air and water are the cleanest in a generation -- and the American bald eagle, the symbol of our national strength, soars once again. But there are new environmental challenges we must come together to meet.

The most profound challenge is the threat of global warming. The deadly heat waves, crippling ice storms, and near-biblical floods of the past year are but a hint of what future generations may endure if we don't act now.

So tonight, I propose a clean air fund to help communities reduce both greenhouse pollution and smog; new grants for developing clean energy sources; tax cuts for buying energy-efficient cars, homes, and appliances; rewards for companies that take early action to reduce greenhouse pollution; and vigorous new diplomatic efforts to meet this global threat with a global response.

Another new challenge is, quite literally, in our very neighborhoods. At a time when so many more citizens are buying new homes and sharing in the American Dream, our communities are losing about 7,000 acres of farms and open space every day.

So Vice President Gore and I propose an unprecedented \$2 billion initiative to help communities save open space, enhance city parks, ease traffic congestion, and grow in ways that enhance every citizen's quality of life. We must keep our growing communities livable and green.

### AmeriCorps

From our earliest days, the ethic of service -- the belief that all Americans have a duty to give something back to our communities and to each other -- has been the hallmark of American citizenship. Six years ago, I fought to create AmeriCorps to give today's generation a new chance to serve America, earn money for college and work side by side with peers from all walks of life.

In just four years, AmeriCorps have built thousands of low-income homes with Habitat for Humanity. They have helped churches in Dallas tutor children and raise reading scores by more than half. They have worked with the American Red Cross to comfort families hit hard by Hurricane Georges.

Nothing in my time as President gives me greater pride than this: as of today, 100,000 young people now have served our nation through AmeriCorps -- more than served in the Peace Corps during its entire first two decades. Some of them are with us tonight, and we should thank them for their service.

I ask this Congress to thank these young people as only you can: by increasing support for AmeriCorps. And to all the young people in America, I want you to know that you can make a difference in your community.

**Democracy**

*(Double the  
# over 3 yrs.)*

And as we work to strengthen our communities, we must work to renew our democracy. Our campaign finance system is broken -- our laws overwhelmed by an out of control fundraising arms race. Last year, a strong bipartisan majority in the House of Representatives passed strong campaign finance reform. But obstruction by a partisan minority blocked reform and preserved the status quo. Today, Reps. Chris Shays and Marty Meehan introduced their bill again. I ask the House to pass it quickly once again -- and I ask the Senate to say no to big money and yes to a strong democracy in the Year 2000.

[free TV]

## ONE AMERICA

The greatest opportunity facing our nation is also our oldest challenge: building One America. What can we do to build one nation for the 21st Century?

For the past year and a half, our Initiative on Race has sought to bridge the divides between our people. What we discovered was that the will to bring our people together across all racial lines is strong in America.

But there is much more we can and must do to close the opportunity gaps that deepen the divides between the races.

We believe that all citizens should have the chance to rise as far as their God-given talents will take them. No arbitrary distinctions should bar the way. Denying opportunity because of ancestry or religion, race or gender, disability or sexual orientation, is wrong. It is un-American. And it should be illegal. I call upon the Congress to make the Employment Non-Discrimination Act the law of the land.

*+ the US 7 m*  
[REFERENCE TO BYRD & SLEPIAN] [With us tonight are Judy and Dennis Shepard of Casper, Wyoming. Dennis is an oil rig inspector. Judy [stayed at home and raised two fine sons]. This fall, they were proud when their elder son Matthew enrolled in his Dad's alma mater, the University of Wyoming.]

But barely a few months into his freshman year, Matthew was beaten, tied to a fence, and left for dead on a deserted country road. He was killed, police say, because he was gay. My fellow Americans, this should never have happened to the Shepards and their son -- and it should never happen to any family in America.]

I call on Congress to pass the Hate Crimes Prevention Act this year and declare unequivocally that America will never tolerate violent intolerance in this great land of freedom and equality.

The face of America will change immeasurably in the next century. Today, one in ten people in America was born in another country. By the end of next year, California will have no majority race.

I believe our newest immigrants are good for America. They are revitalizing our cities, energizing our culture, building our new economy, just as they settled the frontier and powered the Industrial Revolution.

My fellow Americans, just look at our immigrants and you will see yourselves, your parents, your grandparents.

We say to our newest immigrants: You are welcome here, to share and enlarge the bounty of America. But you must take responsibility -- to learn English, to enter the mainstream of American life and to make America's heroes your own. That is why my balanced budget will enhance our efforts to teach immigrants English, our laws, and our system of government.

Whether our ancestors came here on the Mayflower or on slave ships, whether they landed on Ellis Island or Los Angeles International Airport, whether they arrived yesterday or have been here thousands of years, if you believe in the Declaration of Independence and the Constitution, if you accept the responsibilities as well as the rights embedded in them, then you are an American.

#### **PERORATION: THE MILLENNIUM**

Barely 300 days from now, we will cross that bridge into a new millennium. This is a moment, as the First Lady has said, to honor the past and imagine the future.

I thank the Congress for its support of our efforts to restore the Star Spangled Banner and other national treasures that are known to every schoolchild. Last year, Hillary traveled across our country to inspire more communities to work together to Save America's Treasures. By preserving the places in which our forbears lived and worked, from Thomas Edison's laboratory to Louis Armstrong's house in Queens, we ensure that children today and in the next century can better understand who we are and where we came from. So I call on cities and towns to strive to become "Millennium Communities" -- working to mark the millennium through one shared endeavor, whether by restoring historic places, cleaning up a river or a park, recruiting a volunteers to help children.

I came to this office six years ago tomorrow in a time of doubt for America. Our economy was troubled; our deficit was high; many, even among our own people, wondered whether America's best days were behind us. But a year earlier, traveling across this country through a thousand cities and neighborhoods, in living rooms, churches, and community centers, I had seen, even in the pain and uncertainty of recession, the strength, the idealism, the bold, big hearted character of America.

I had no doubt of what we, together, could do for our country.

Tonight, as I deliver the last State of the Union message of the 20th Century, that work goes on.

So I ask all of us who hold office to work as hard every day as do the American people, who sent us here to do a job for them.

~~This is no ordinary time.~~ We are in the final months of a century when generations of Americans answered the call to greatness, overcoming Depression, lifting up the dispossessed, bringing down barriers of racial prejudice, opening up opportunity and the most widely shared prosperity in human history, winning two world wars and “a long twilight struggle” against the most vicious forms of tyranny ever known. Perhaps in the daily press of events, in the clash of controversy, we do not see our time for what it truly is – a new dawn for America.

A hundred years from tonight, another American President will stand in this place to report on the State of our Union. He – or she – will look back on a 21st Century shaped in so many ways by the decisions we make here and now.

Let it be said of us then that we were thinking not only of our time, but of their time; that we reached as high as our ideals; that we put aside our divisions and found a new hour of healing and hopefulness; that ~~in these next two years~~, with pride in our purpose and the grace of our God, we joined together to serve and strengthen the country we love.

Let us lift our eyes as one nation, and from the mountaintop of the American century, look forward to the next one.

Let us go to work together for the American people.

And, in this high endeavor, may God watch over the United States of America.

## **A STRONG AMERICA IN A NEW WORLD**

Our ideals are ascendant. Our economy is the engine of global growth. Our military strength is unrivaled. No nation in history has had the opportunity we now have to help shape a world more peaceful, prosperous, and free. But great nations have great responsibilities. In the new century, we must seize the opportunities before us -- and remain ever vigilant against new threats to our security.

All Americans should be proud that we helped bring peace to Northern Ireland. On Good Friday, Protestants and Catholics emerged from the deep freeze of despair and walked together into the warm sunlight of reconciliation. Now that they have chosen a future of peace, America will help them build it.

All Americans should be proud that our leadership has put an end to the bloodiest conflict in Europe since World War II, and put Bosnia on the path to peace. This year, we will help that peace take deeper root -- as we continue to bring our troops home. In neighboring Kosovo, we will work to sustain a fragile cease-fire and to restore to its people the self-government they so strongly deserve.

And all Americans can be proud that our leadership has renewed hope for a lasting peace in the Middle East. In October on the Maryland shore, we helped put the peace process back on track. We are determined to travel the hard road to a just, secure and comprehensive peace that is good for Israelis, for Palestinians, for and for the world. I ask the Congress to act now to provide resources to support the Wye Agreement . . . to protect Israel's security, stimulate the Palestinian economy, and bolster friends of peace such as Jordan.

I wish every one of you could have been there with me in December, when I watched as the Palestinian National Council renounced its call for the destruction of Israel -- fully, finally and forever. Both sides are taking risks for peace -- we must not let them down.

**We must also stand ready to meet the new threats to our nation and the security of the world.** Today, outlaw nations and bands of terrorists can disrupt the peace... acquire poison gas, biological weapons and even nuclear arms... to wreak havoc through fear -- from the subways of Tokyo, to the streets of Tel Aviv, to our embassies in Nairobi and Dar es Salaam.

We will defend our security wherever it is threatened -- as we did this summer when we struck at Osama bin Laden's network of terror in Sudan and Afghanistan.

We will defend our nation against emerging threats here at home. My balanced budget includes a 50 percent increase in funding to keep hackers and terrorists from disrupting the computers that keep our armed forces, communications, transportation, electrical networks and financial markets running strong. It will help prepare our fire and police departments, hospitals and communities for chemical and biological emergencies. And it will support research into

vaccines, treatments and monitoring programs to protect our people from these deadly threats.

We will restrain the spread of nuclear weapons. To that end, we must continue to prevent North Korea from producing nuclear materials... and avert an arms race between India and Pakistan.

And we must work with Russia, Ukraine, and the other nations of the former Soviet Union to keep a tight grip on their arsenals and technology as they make the difficult transition to democracy. My balanced budget would help these countries prevent deadly weapons from falling into the hands of terrorists and outlaw nations... use their scientific potential for peaceful purposes... implement arms control agreements... and accelerate the destruction of nuclear weapons and materials. For half a century, our nation spent trillions in the standoff with the Soviet Union. By making this smaller investment in peace today, we can help make sure the American people never again have to live in fear of nuclear war.

There is also a vital step Congress can take. I ask the Senate to give its advice and consent to the Comprehensive Test Ban Treaty. In 1963, just two months elapsed between the time President Kennedy signed the Limited Test Ban Treaty and its approval by the Senate. It's been more than two years since I became the first world leader to sign the CTBT. If the Congress acts now, we can prevent a new arms race, make it harder for new nations to develop nuclear arms, and end nuclear testing forever.

And let me say something to another democratically elected legislature. I ask the Russian Duma to promptly ratify the START II treaty, for the sake of Russia's security as well as our own. President Yeltsin and I have already agreed on a framework for START III -- to cut our arsenals by 80 percent from Cold War heights. Together, our two great nations can do more than any other to lift the cloud of nuclear annihilation from the Earth. For our children, let us do so.

We must also protect our nation from those who would threaten the peace with the weapons of terror. For nearly a decade, Iraq has defied its obligation to destroy its nuclear, chemical and biological weapons and the missiles to deliver them. American resolve has contained Saddam -- with diplomacy and sanctions whenever possible, with force whenever necessary. And we will work for the day when Iraq has a government worthy of its people.

Every American should be proud of the men and women of our military who last month struck at the weapons of terror in Iraq. Our troops were superb; their weapons powerful and precise. Their mission was successful -- so flawlessly executed that we risk taking for granted the bravery and skill they brought to the job. [x] flew [x] missions, destroying [x] that made [chemical weapons][or whatever]. He is here with us tonight. Let us all honor him and the 10,000 other men and women of Desert Fox.

Since the Cold War ended, Republicans and Democrats have worked together to streamline our military while ensuring that it remains second to none. In the last year, I have asked for, and Congress has appropriated, six billion dollars to keep our forces ready for action. Now, we must get them ready for the new century. My balanced budget calls for an increase of

\$12 billion for defense readiness and modernization -- the start of a sustained six year reversal of the decline in defense spending that began in 1985. It will ensure that our troops can deploy rapidly in any crisis ... that they remain the best equipped in the world ... and that their service is not only rewarding, but well-rewarded.

Each day, our men and women in uniform stand ready -- ready at a moment's notice to go where comforts are few and dangers are many, doing what needs to be done as no one else can. They serve proudly, and whatever mission they are given, they always deliver for America. We must deliver for them.

**A new century also demands new partnerships for peace and security.**

In Europe, NATO has helped keep the peace and defend democracy for half a century, NATO has kept the peace and defended democracy in Europe. This spring, the leaders of a new NATO will gather in Washington. . . to welcome Hungary, Poland and the Czech Republic as our first new allies from Central Europe and to update its capabilities for the next 50 years and beyond. Together we can make sure that Europe is never again divided by concrete and barbed wire, and that Europe always stands with America.

~~We are a nation that spans a continent, embracing two oceans.~~ More than ever, we know that the security of America is linked to the stability of Asia. I have worked to strengthen our relationships with Japan and Korea, ~~our allies in peace and partners in trade.~~ Last year, the First Lady and I also traveled to China -- home to one in five of the world's people -- to see first hand the ways an ancient culture is making the transition to a new millennium. I spoke candidly about our shared interests as well as our differences. I said then to the leaders of China -- and I will say again tonight -- that stability cannot be bought at the expense of liberty.

But we must also remember: China will not change if we isolate the Chinese people from the forces that have brought change to so much of Asia and the world. The more we bring China into the world, the more the world will bring freedom to China.

Economic freedom, political freedom, respect for human dignity -- these are the birthrights of people everywhere. "The cause of America," said Thomas Paine, "is the cause of mankind." On every continent, democracy has flowered in the final years of this century. We must make sure that it takes hold, and is not uprooted by prevailing winds of crisis, financial or political. The friends of freedom must always find an ally in America.

Last spring, Hillary and I saw an Africa transformed by democracy and economic reform. But we also the scars of violence and the scourge of disease. We must intensify our efforts to end conflict, to fortify the foundations of African democracy, and to promote the progress so many nations there have made. And because trade and investment are the keys to African prosperity -- we must finally pass the Africa Growth and Opportunity Act.

In our own Hemisphere, every government but one is freely chosen by its people. We are determined that the people of Cuba, too, will know the blessings of freedom. To that end, we

have taken new steps to help the Cuban people without helping the Castro regime.

We also will strengthen our ties to our neighbors in the Americas -- to help build a hemisphere where the rule of law prevails, where children are educated and healthy, and where markets are open. And in the wake of Hurricane Mitch, we will continue to help rebuild roads and homes and lives. More than 5000 American troops have helped rescue stranded victims, deliver emergency aid, clear debris, and repair bridges. Many are there still. I am proud of them -- and proud of the generosity of the American people, who have opened their hearts to our neighbors, our families and our friends.

Have we gotten  
anything from  
Mike yet?

**PRESIDENT WILLIAM J. CLINTON  
STATE OF THE UNION ADDRESS  
UNITED STATES CAPITOL**

**January 19, 1999**

*Mr. Speaker, Mr. Vice President, Members of Congress, honored guests, my fellow Americans:*

On your behalf, let me acknowledge in the presence in the box with Mrs. Hastert of Wei Ling Chestnut and Lyn Gibson, the widows of the two Capitol Police officers who were struck down defending this house, the heart of this democracy. As much as any soldier in our history, they were watchmen on the walls of freedom. I ask us all now to bow our heads in silent prayer in honor of JJ Chestnut and John Gibson. *[moment of silence]*

Tonight, we begin again our work together for the people of America. And let me begin by saluting the new Speaker of the House. Mr. Speaker, on the day you were sworn in, you asked us to work in a spirit of civility and bipartisanship. I accept. Let's heed the words and honor the spirit of Thomas Jefferson, who in 1801 asked a divided Congress to restore "that harmony and affection without which liberty and even life itself are but dreary things." More and more, all across our nation, Americans are working in that spirit. They demand no less of us.

Tonight, I have the honor and responsibility of delivering the last report of the 20th Century on the State of our Union, and to call on our nation to rise to the challenges and opportunities of the 21st Century, barely more than 300 days before us.

I have the privilege to report that we have created the longest peacetime economic expansion in American history -- with wages rising at twice the rate of inflation and nearly 18 million new jobs.

I stand before you to report that more Americans are living in their own homes than at any time in our history -- that the welfare rolls are the smallest in 29 years -- and that the peacetime unemployment rate is the lowest it has been since 1957.

I stand before you the first president in three decades to report not just that the budget is balanced, but that we have a \$76 billion surplus -- the highest in American history.

I stand before you to report that violent crime is at its lowest point in a quarter century.

I stand before you to report that the environment is the cleanest in a quarter century,

and that in six years -- even as our economy has boomed -- we have cut pollution from factories in half.

I stand before you to report that America stands strong -- a force for peace and reconciliation in lands torn by ancient hatreds, from Northern Ireland, to Bosnia, to the Middle East.

In the last years of what has been called the American Century, a new American century has already begun.

Once again our government is a progressive instrument of the common good. Thanks to the pioneering leadership of Vice President Gore, America has a government for the Information Age that lives within its means. The smallest government since -- well, since John Glenn first orbited the Earth. A flexible, creative government driven not by rigid ideology, but by ideas that work; devoted to giving the American people the tools they need to solve their own problems. A 21st Century government for 21st Century America.

Once again, after years of doubt, we have proved to ourselves and the world that when America faces a challenge at home and abroad, we can meet it. President Washington told the First Congress that succeeding generations must carry forward "the sacred fire of liberty" which is "finally staked on the experiment entrusted in the hands of the American people." My fellow Americans, at the end of one American century and the dawn of another, that sacred fire still burns brightly. The State of our Union is strong.

What will we make of this moment? We stand before time of unimaginable possibility for our nation -- of vast new economic opportunities, stunning scientific discoveries, remarkable advances in the health and happiness of our people: a time when cancer is a thing of the past; when new technologies make it easier for parents to succeed at work and be raising their children; children acquire new knowledge in new ways that keep us together -- moving us forward.

This is the future we can build together. But we cannot do it if we allow the hum of our prosperity to lull us into complacency. New times pose new perils even as they offer new promise. They demand new action.

Yes, America is working again. But we still face large long-term [unclear] challenges on our way to the 21st Century.

We must deal with the aging of America by saving Social Security and Medicare and do more for retirement savings. We must give our growing and increasingly diverse population of schoolchildren a world-class education. We must bring economic opportunity to people and places still untouched by our prosperity and put a human face on a more stable global economy. We must build stronger families and communities for the 21st Century,

giving parents health care and child care, safer streets and a cleaner environment. We must maintain our leadership in science and technology so that we can conquer dreaded diseases and stay at the forefront of human discovery. We must remain, in the face of new threats, the world's leading force for peace, prosperity and security. And still we must keeever.

There will never be a better time to meet these challenges than now -- now, with our budget surplus growing, our economy expanding, and above all, our confidence rising. Let's get to work.

## AGING OF AMERICA

Our fiscal discipline gives us an unsurpassed opportunity to address perhaps our greatest new challenge: the aging of America.

Though our nation is young in spirit, our people are aging. Life expectancy is at an all time high. With the number of elderly Americans set to double by 2030, the Baby Boom will become a Senior Boom. We must prepare for this seismic demographic shift.

First and before all else, we must save Social Security. Early in this century, to be old meant to be poor. When President Franklin Roosevelt created Social Security, thousands wrote to thank him for eliminating what one woman called the "stark terror of penniless, helpless old age." Even now, without Social Security, half our nation's elderly would plunge into poverty.

Today, Social Security is strong. But it will soon face a crisis. By 2017, payroll taxes will not cover retirement obligations. By 2032 the Trust Fund will be exhausted, and Social Security will be unable to pay out the full benefits older Americans depend upon to live.

Last year, from this podium, I said we should set aside the surplus until we save Social Security. Working together, we have done so. Tonight, let us resolve to finish the job -- and invest the surplus to save Social Security.

Tonight, I propose that we invest half the budget surplus for 15 years to save Social Security. We can get a higher return if we invest a small portion of the Trust Fund in the private sector -- like any private or state government pension would, or, indeed, like any family would. If we take this step, we can save Social Security for 50 years. But we must do more. From the first days of this program, we have sought to assure that the system was on sound footing for at least 75 years. To do that, we will have to make difficult but achievable choices in a bipartisan agreement. I am committed to that end; I ask you to commit to it, too.

[Let me be clear. [The best way for Social Security to remain, for the long-

term, a rock-solid guarantee of support, is to invest its resources more wisely -- not to make drastic cuts in benefits; not to raise payroll tax rates; and not to drain resources from Social Security in the name of saving it.] I do not believe we should devote a single dollar of the payroll paid by every American tax to any new or untested account that puts basic Social Security benefits at risk.]

*we have no surplus to save it*

Second, after ~~we save Social Security~~, we must fulfill our obligation to save and improve Medicare. Already, we have extended the life of Medicare by 10 years -- but for the health care of our seniors to be on solid ground, it must be extended for at least another decade. So I propose that we put one out of every five dollars in the surplus toward saving Medicare. ~~If we did this and no more, we would extend the life of Medicare for at least 12 years.~~ But if we do more -- if we take strong steps and take seriously the work of the bipartisan panel chaired by Senator John Breaux and Rep. Bill Thomas that will report in March -- then we can also improve the quality of Medicare as well. [You had questions about this sentence]

*saving old programs*

*have to be more specific - we're in a bind to bill what he's talking about*

Third, we must do more to help all Americans, from their first day on the job, to save, to invest, to create wealth. As President Roosevelt made plain, Social Security was only one pillar of support for older Americans; private savings and pensions were the others. But today, tens of millions of people still retire with few savings and no pension. Even if we save Social Security, Americans living longer than ever simply must save more. Therefore I propose a new universal pension -- personal savings, invested as each worker sees fit, which would be bolstered by the national government. By doing so we would give more Americans a greater stake in our prosperity. . . a greater hand in the creation of wealth. . . a greater chance to retire in comfort, security, and dignity. I know we can agree: this is a future, a secure future, every hard-working American deserves. [what % of surplus?]

*USA  
n a c  
i v c  
v a u  
f n  
1 t*

Fourth, to better prepare for the Senior Boom, we must help Americans provide long-term care for aging and ailing loved ones. Today, millions of working people are caring for elderly relatives and even neighbors, often at great cost to their families. The care these families provide is invaluable. Our nation should recognize and reward it. In my balanced budget, I will propose a long-term care tax credit of \$1,000 for aged or disabled people with long-term care needs or for the families that shelter them. The care these families provide is invaluable; but we can show we value it very much indeed.

Finally, we should help every elderly American who can do so to stay in their own home or with their own family, before going to a nursing home. A new initiative in my balanced budget plan will help [50,000] elderly Americans stay in their own homes.

Preparing for the aging of America means investing this fraction of our budget and 85 percent of our budget surplus. This will not only help the growing Senior population; it will help their children, by freeing them of their [?????] for their grandchildren. If we make good use of our good fortune, the retirement of the old need not be a burden on the young. So

we should take those bold steps toward a better future now. This year. With no excuses.

## Education

We must look to the future not only for older Americans, but for our children. Today, there are more children in our public schools than at any time in our history, and their education is more important than ever, for the new economy prizes knowledge, creativity and skills as never before.

Together, we have opened the door of college to all -- with easier student loans, more Pell grants for deserving students, 1 million new work study jobs, education IRAs, and the HOPE scholarship tax cut that nearly 6 million Americans will receive this year. Today we can say what we could not say six years ago: Every high school graduate in America, regardless of income, can afford to go to college.

We have also made progress in renewing our public schools with higher academic standards, more discipline, more choice, and a focus on results. Nearly every state has imposed tougher academic goals, and a voluntary national test is being developed to measure students' progress in meeting those goals. Thousands of schools have cracked down on drugs, gangs, and violence, and improved learning and discipline with school uniforms. We have supported teaching values and finding a proper place for religious faith in our public schools.

[QUERY: AMERICA READS, MENTORING]

All these efforts and continuing reform at state and local levels have begun to bear fruit. SAT scores are up. Math scores have risen in nearly all grades nationwide. This is good news. But there is a perplexing problem: while our fourth graders outperform their peers in other developed countries in math and science achievement, our eighth graders are around average, and our twelfth graders rank near the bottom. Clearly, American students have the capacity to learn and start out strong, but the system fails them.

We can and must do better, with higher expectations, more reforms that work and resources [???]. Each year the national government invests over \$13 billion [ck] in our public schools. I believe we should invest more in education -- in our schools, our classrooms, our teachers. But I also believe we have a responsibility to invest in what works and insist on results when we do. Later this year, I will send Congress a plan that for the first time will hold states and school districts accountable for progress and reward them for results. I propose that every school in every community receiving federal help for their schools take the following steps, steps teachers and students have proved work.

First, all schools must end social promotion. Too many students move from grade to grade without mastering the basics. This practice must stop. We need to give young people the help they need to meet high standards, and make sure they do. My new balanced budget triples the funding for academically-enriched summer school and after school

no excuse for continuing to invest in what we know doesn't work

every five yrs. response to reality  
this is fed first schools direct to what works - accountability

programs, so schools can end social promotion and give extra help to the kids who need it. We can keep one million students learning in the hours after regular school lets out, when parents work and juvenile crime soars. Our children should learn their lessons in the school house, not on the streets.

Three years ago, Chicago Mayor Richard Daley sparked such a revolution in his city's schools when he ended social promotion and started giving students extra help during and after school to master the basics. If they still fall short at the end of the year, they go to summer school and get special tutoring until they do pass -- and most do.

It is tough medicine, but it works. Citywide math and reading scores have gone up three years in a row in Chicago, with the biggest gains coming from some of the most disadvantaged students. One of those students is Darneisha Rogers, who lives in Chicago's tough Cabrini-Green public housing complex. Last spring, Darneisha got a letter saying she would have to repeat sixth grade unless she raised her test scores. Distraught at first, Darneisha buckled down, and in six weeks of summer school boosted her reading level by eight months and her math by a year and five months. She passed her test, entered seventh grade with her friends, and now she's thinking about going to college. Darneisha is with us tonight, sitting with the First Lady.

Every child in America can learn. We owe all of them the same chance as Darneisha to prove they can.

Second, all states and school districts must identify their worst-performing schools, and take serious, even drastic steps, to turn them around. We will no longer tolerate schools that deny generation after generation of disadvantaged Americans the opportunity to learn their way out of poverty. That means, if need be, bringing in new principals, new curricula, and new, better-trained teachers. If schools still fail to improve, they should be shut down and the students placed elsewhere. That's what [19] states are already doing. My balanced budget includes \$200 million to help turn around failing schools.

Third, all states and school districts must be held responsible for the quality of the teachers they send into the classroom. None of us would be here tonight if it weren't for our teachers. We should lift them up, not tear them down. But in too many schools, teachers do not have college majors--or even minors--in the subjects they teach. We should require new teachers to pass skills tests, and all teachers to know the subject they're teaching.

And we need to attract our best and brightest to the teaching profession, especially where they are needed most. My budget includes a five-fold increase in scholarships for people who agree to teach in our poorest schools.

We must do more to get better trained teachers into our poorest neighborhoods: in the inner city, in isolated rural areas and Indian reservations.

*and more choices*

Fourth, we must empower parents by giving them better information about their schools. In most communities, it is easier to get information on the quality of local restaurants than the quality of local public schools. Schools issue report cards on students. I believe every school district should issue report cards on schools.

Empowering parents with better information will create tremendous competitive pressure on schools to improve. So will expanding the choices parents have by creating more innovative public charter schools. There was one such charter school in all of America when I became President. There are 900 today, thanks in no small measure to the support we have provided. By early in the next century, there should be 3000. This budget keeps us moving toward that goal. We should also offer parents new public school choices tailored to the way families work and live today -- including new public schools located at workplaces, so that harried working parents can spend more time with their children and get more involved in their schools. *[THIS BUDGET?]*

To bring more discipline, more attention, and more learning to every young child, we reached across party lines last fall and began to hire 100,000 new highly-trained teachers to reduce class size in the early grades. I ask this Congress to finish our mission of hiring 100,000 new teachers.

*7/1/00*

We must also give our children schools as modern as the world they live in. The average school buildings begins to deteriorate after 40 years, and the average school building in America today is 42 years old. In some cities, the average age of school buildings is 65 years old. Too many of our schools are falling apart, with walls too old to be wired for the Internet. Many others are so packed with our nearly 53 million school children that trailers must be used to handle the overflow. Last fall, Congress missed an opportunity to create a tax break to modernize or build 5000 new schools. This year, for the sake of our children, Congress must not miss that opportunity again.

In 1996, the Vice President and I promised that every classroom and library in America would be connected to the Internet by the year 2000. We have made new investments in computers, training for teachers, and discounts to make logging on affordable. Since then, nine times as many classrooms have been hooked up. But another million classrooms have yet to be connected to the technology that will connect children to the future. This year, our budget makes \$2 billion available to link all our classrooms to the Internet. I ask every school in every community in America to make that vital connection.

I ask the Congress to fund a Digital Library that will put online state of the art math and science curriculum, the treasures of the Smithsonian, and up to 400,000 of the greatest books in human history. Imagine what our children can accomplish when they enter a library as vast as their imaginations. We can put that library within the reach of every child.

21st Century economy

By securing the retirement of the elderly and the education of the young, we will make huge strides to build lasting prosperity into the 21st Century. To widen the circle of opportunity in a modern economy, we must do more.

To spur the high tech industries that account for one third of our growth, my administration will propose a 30% increase in long-term computer research -- so that [TK].

To help families with the dizzying choices in the financial marketplace, my administration will propose a new "financial right to know" law to help consumers protect their investments, combat fraud, and make smart choices.

To make sure that competition and innovation thrive, my enforcement team will continue its prudent but aggressive record of enforcing our antitrust laws.

To make certain that we reap the rewards and minimize the disruptions of these new technologies, we are working around the clock to prepare for the so called 'millennium computer bug.' As you know, many computers and machines will have difficulty processing the year 2000. I believe that the national government will be ready. Every business, every city and county, every university in this country and around the world is at risk. But if we work hard and work together, the millennium bug can be the last headache of the 21st Century and not the first crisis of the 21st Century.

Finally, it is plain that economic growth at home depends upon economic growth around the world. Because this is so vital to our nation, I want to take a moment to explain what the stakes are and what we have done.

Our nation benefits greatly from the free flow of goods and capital and the new lines of commerce and communication that link us to other nations. America has prospered in this decade because of the vibrancy of our economy, the flexibility of our markets, the creativity of our people. The qualities that spell success in the global economy are at the core of the American character. But the same economy that brings new opportunity brings with it new uncertainty. Until recently, a full one third of our economic growth came from trade. But over the past year and a half, financial turmoil that began in Asia and spilled across the world has put that growth at risk. Worldwide financial markets first flood a nation with funds, then just as suddenly withdraw those funds in a panic -- leaving social devastation in its wake. Today, much of the world is in recession. Across Asia, an entire generation that worked its way into the middle class has been plunged into poverty. Too many of our trading partners can't buy our exports -- and can flood our market with inexpensive imports, as the value of their money drops relative to ours and they can be [can't read].

This is the most critical financial crisis in a half century. Last September, I set out a new strategy to spur global growth, to stabilize the global economy and keep the world

*8/25/91  
international*

trading system open, free, and fair. Together with other leading nations, the United States acted -- lowering interest rates, meeting its obligations to the International Monetary Fund, [organizing the nations of the world to help the economy of Brazil]. The turmoil is not over; and over the next year we may yet feel its full impact within our own borders. But because America led and America acted, the world economy is much more sound than it would have been. I thank lawmakers of both parties for your support.

This year there are two big challenges ahead -- to build a 21st Century trading system and a 21st Century financial system that will put a human face on the global economy. An international market that does not honor the values and protect the interest of ordinary citizens will neither earn nor deserve their support.

We must build a financial system for the 21st Century that tames the savage cycles of boom and bust in the world economy. This spring, I will meet with the leaders of the world's most important economies to lay plans for a world financial system as modern as the markets. We must insist that every nation open its books. We must strengthen bank regulations to reduce the risks posed by the ricocheting of money around the world. We must work together to build new ways to respond to these crises before they become calamities. We must make sure that the poorest citizens do not become the victims of financial turmoil.

And we must build a trading system for the 21st Century -- one that spurs growth, expands opportunity, and honors the values we fight for every day.

For too long, trade has divided Americans, across lines of party and philosophy and economic station. We must find a new approach to trade -- the common ground on which business and labor and environmentalists and government can stand.

We must do more to help American manufacturers hit hard by the global financial crisis. I ask the Congress to provide credit to help spur \$2 billion more manufacturing exports abroad. We would be very unwise to erect protectionist walls that could start a chain reaction, hurt exports of American goods, farm products, and services. But let me be clear: where imports are unfairly surging into our nation, we will act. I have made clear to the government of Japan that if Japan's inexplicable surge of cheap steel imports into our country is not reversed, I am ready to self-initiate actions under our trade laws.

We will work with Congress to ensure that sanctions in pursuit of our foreign policy goals do not jeopardize the competitive position of our farmers and businesses in foreign markets.

Five times in the past half century, we have negotiated worldwide trade agreements that have opened markets and lifted our prosperity. Tonight I propose to launch new trade negotiations to open markets -- a new round of negotiations in the World Trade Organization to expand our exports of farm products, services and manufactures. We will

seek to expand trade with Africa and with the Central American nations devastated by the recent hurricane and to pursue a Free Trade Area of the Americas.

In all these efforts, we must press for trade that is more open. But we must also press for trade that promotes the dignity of work and the rights of workers. We must insist that international trade organizations be open to the sunlight of public scrutiny. We must insist that trade rules never be used as a pretext to destroy environmental protections. We must never let vigorous international economic competition become a race to the bottom among nations.

I ask Congress to move forward with me based on this common approach and pass legislation granting the President traditional trade authority so we can advance our prosperity.

We will work with the International Labor Organization on a new initiative to lift labor standards around the world. And we must act, once and for all, to end the most exploitative trade practices of all: I will sign a new international agreement to ban child labor everywhere in the world.

And we must make certain that every American worker has the tools to succeed in the new economy.

Today, there is not so much an income gap as a skills gap. At a time when skills matter more than ever, one out of four working people reads at less than a sixth grade level. This past year I was proud to sign bipartisan legislation to transform our worker training system. With a simple voucher, Americans can now choose the skills they need. My balanced budget will build on that momentum, with a national campaign to improve adult literacy and a commitment every American who needs training gets training.

## **BUILDING STRONG FAMILIES FOR THE 21st CENTURY**

**In the 20th Century, the American family was transformed as we adapted to new workplaces and new ways. Now, we must strengthen the American family for the challenges of the 21st Century.** No government can raise or love a child. Mothers and fathers do. But government can empower parents with the tools they need to meet their most vital responsibilities.

### Tobacco

Strong families start with healthy children.

As is now well known, our children – what the tobacco industry calls “replacement smokers” -- are the target of a massive media campaign to hook them on

cigarettes – a product that will kill them. I ask this Congress to resist the awesome power of the tobacco lobby and pass comprehensive, bipartisan legislation that will raise the price of cigarettes, protect farmers, and give us the tools to protect our children from tobacco.

The tobacco industry and its deceptions have imposed a cost not just on our families. Illness due to smoking -- from cancer to emphysema -- costs Medicare [X billion] a year. Taxpayers should not be left holding the bag. Already, state governments have recovered [x] billion dollars for taxpayers for state health care costs.

Tonight, I am directing the Department of Justice to prepare and bring a lawsuit against the tobacco companies for the costs to Medicare of smoking. Any funds we recover from these tobacco companies will help strengthen and reform Medicare. And these funds could be used to extend health care, including a new Medicare prescription drug benefit.

We know that tobacco is not the only product that can bring early death to our children. Each year, on too many dark roads, drunk drivers kill nearly 3000 children. I ask the Congress to write tough new blood alcohol standards into law to protect every American, on every roadway. We missed the chance to do this last year. We should take it now.

### **Strong families depend on strong parents.**

We must do more to help the millions of working American parents who give their all every day to succeed at home and at work.

I ask the Congress once again to enact a comprehensive plan to make quality child care more affordable, more accessible, and more enriching than ever. Our plan – with tax cuts for working families, child care subsidies for small business, high standards and training for child care providers – is fully paid for in our balanced budget. It will pay off in greater peace of mind for working parents, and better care for our children.

A child care plan that is in balance with our values will also help mothers who choose to stay at home with their children, giving up income while they do. Our child care plan includes a new tax credit to help those stay-at-home mothers. No job is more important than the job of raising our children.

I was proud that the Family Medical Leave Act was the first bill I signed into law. Since then, it has helped nearly [20 million] American workers to care for a new baby or an ailing relative without risking their jobs. We should build on that success, and guarantee Family Leave to 10 million more Americans who work for smaller companies.

And parents who work to support their families should never face discrimination in the workplace. I will send legislation to Congress that prohibits companies from refusing to hire or promote workers simply because they have children. We should not

punish parents who fulfill their most important responsibility -- we should honor them.

[Next Fall], the First Lady and I will host a White House Conference to examine work and family in the 21st Century. [*Reference to Mrs. Clinton*]

**Strong families need strong health care.**

The United States has the world's most advanced medical care -- and we must continue our commitment to cutting edge research and pathbreaking innovation.

In just the past six years, medical researchers introduced the first effective drugs to treat HIV. They have begun testing the first drugs to prevent or reduce risk of cancer. They have discovered the process of aging itself -- raising the prospect of new treatments to prevent or delay the infirmities of old age, from Parkinsons to Alzheimers to arthritis.

My balanced budget will keep us on track to increase the budget for the National Institutes of Health by fifty percent. By voting to fund scientific research, this Congress will commit our nation to finding a cure for cancer and HIV early in the new century.

But as our sophisticated medicine races ahead, we cannot let our health care system lag behind.

And as we all know, managed care has transformed medicine in America -- driving down costs, but threatening to drive down quality as well.

Here's a true story told to us by an emergency room physician from Dearborn, Michigan. A patient was rushed into the emergency room; he had died. The doctor managed to resuscitate the patient, and he recovered. But the man's health plan said they would not pay. Being dead, apparently, was not "an emergency"!

Our health care bill of rights says: Every American should have the right to the best care, not just the cheapest. The right to see a specialist. The right to continuity of care. The right to [??] medical treatment. The right to emergency care.

Within my power as President, I have acted, extending these rights to the 85 million Americans served by Medicare, Medicaid, and other federal health plans. But only Congress can extend this Patient's Bill of Rights to all Americans, and again I ask Congress to do so, on a bipartisan basis, early this year.

Step by step, we must also extend health insurance to more Americans. Today, more Americans lack coverage than they did in 1993. Two years ago, we extended health insurance to up to 5 million children. Now, we should give people 55 to 65 -- the fastest

*care health.*  
*CHIP*

*move tobacco  
to health section*

growing group of the uninsured -- the chance to buy in to Medicare. We should make it easier for small businesses to offer health insurance to their employees. We should pass the bipartisan legislation, introduced by Senators Kennedy and Jeffords, to allow people with disabilities to buy Medicaid health insurance when they return to work. No American should have to make the choice between having health care and going to work.

And as more of our medical records are stored electronically, the threats to privacy increase. If Congress does not act this year, as provided by law, I will act -- issuing an executive order to protect the privacy of medical records online.

[And we must step up our efforts to treat and prevent an illness faced by tens of millions of Americans -- mental illness. Mrs. Gore has led our efforts to fight the stigmas faced by the millions of Americans with mental illnesses and to improve their treatment and care. This year, we will host a [first-ever] White House Conference on Mental Health. No American should ever be afraid to recognize and treat this disease. No American should face an ugly stigma. And every American should have equal opportunity to thrive.]

#### **Strong families are working families.**

Already, by expanding the Earned Income Tax Credit and raising the minimum wage, we have helped [x] million work their way up from poverty. But you can't raise a family on \$5.15 an hour. I believe that we should say to all parents: if you work hard and play by the rules, you can raise your children out of poverty. Let's agree to raise the minimum wage by \$1 over the next two years.

Welfare to work -- [to come]

#### **A STRONG AMERICA IN A NEW WORLD**

We end this century as the world's indispensable nation. The power of our ideals, the strength of our economy, and the might of our military have given us a unique opportunity to shape a more democratic, peaceful and prosperous world. Because of our unique position, we bear a responsibility -- to act when our interests are clear, our values are at stake and where we can make a difference. In the new century, new opportunities for peace and democracy must be seized. And new threats to our security and the world's must be addressed with vigilance.

**Over the next year, the United States must continue to bring the calm hand of reconciliation to lands torn by war and violence.**

At the center of Europe, where just a few years ago tens of thousands of people lost their lives to the bloodiest war since World War II, American leadership and NATO's resolve have put Bosnia on the path to peace and prevented a humanitarian catastrophe in

Kosovo. Over the next year, we will continue to make Bosnia's peace self-sustaining -- and continue to drawdown our forces. In Kosovo, we will work to sustain a fragile cease-fire and press for a settlement that gives its people the self-government they once enjoyed and so strongly deserve.

All Americans should be proud that we stood with Protestants and Catholics in Northern Ireland as they moved from the deep freeze of despair to the warm sunlight of peace. Through the Good Friday Accord, the people of Northern Ireland have put an end to 30 years of heartbreak and chosen a future of peace. Now, America will help them build it. [*Cong-Peter King? Kennedy & Dodd?*]

And in the Middle East -- birthplace of three great religions, source of so much instability in the world -- we have helped bring the parties closer to a lasting peace. Two months ago, in a long week of meetings on the Maryland shore, we helped put the peace process back on track. Last month, in Israel, we kept it moving forward. I was proud to address the Palestinian National Council on the day it renounced its call for the destruction of Israel. The road to ahead will be difficult. But we can see our way toward a just and secure peace that is good for Israelis, for Palestinians and for the world. [*aid to Israel, Palestinian Auth & Jordan*]

**As we seize the opportunities to make peace, we must also stand ready to meet the new threats to our nation and the security of the world.** With the end of the Cold War, there is no longer a single, existential threat to our survival. But today, outlaw nations and bands of terrorists can disrupt the peace... acquire poison gas, biological weapons and even nuclear arms... and wreak havoc through fear. The battlefields of this conflict are the subways of Tokyo. The streets of the Middle East. Our embassies in Nairobi and Dar es Salaam. We will stand ready to defend our security wherever it is threatened.

We stand ready on the Korean Peninsula, where 37,000 American troops and our South Korean allies guard the last militarized fault line of the Cold War. We must continue to deter aggression and prevent North Korea from developing nuclear materials. Forty-five years after the end of the Korean War, it is time for a secure peace to come to Korea.

We stand ready to defend our nation against emerging threats here at home. My balanced budget includes a fifty percent increase in funding to protect from hackers and terrorists the computers that keep our armed forces, communications, transportation, electrical networks and financial markets running strong. It will help train and equip fire departments, police departments, hospitals and local communities to deal with chemical and biological emergencies. And it will support significant new research into vaccines, treatments and monitoring programs to keep our people healthy and secure from these new and deadly threats.

We stand ready to restrain the spread of nuclear weapons. To end all nuclear

testing, to prevent a new arms race, and to make it harder for nations without nuclear weapons to develop them, I call on Congress to give its advice and consent to the Comprehensive Test Ban Treaty. In 1963, just two months elapsed between the time President Kennedy signed the Limited Test Ban Treaty and its approval by the Senate. It's been more than two years since I became the first world leader to sign the CTBT. I ask the Senate to act -- without delay.

We must also help Russia, Ukraine, and the other nations of the former Soviet Union keep a tight grip on their nuclear arsenals as they continue to make the difficult transition to democracy and free markets. My balanced budget would help these countries prevent weapons of mass destruction from falling into the hands of terrorists and outlaw nations... use their remarkable scientific potential for peaceful purposes... implement sweeping arms control agreements... and accelerate the destruction of thousands of nuclear weapons and fissile material. For half a century, our nation spent trillions of dollars in the nuclear standoff with the Soviet Union. This would be one of the best investments for peace that we could make today.

And we stand ready -- and stand firm -- against the threat posed by Saddam Hussein. For nearly a decade, Iraq has defied its obligation to destroy its nuclear, chemical and biological weapons and the missiles to deliver them. Saddam has used such weapons before -- against soldiers and civilians against his neighbors and his own people. I have no doubt that, left unchecked, he would use them again. American resolve, leading the international community, has held Saddam in check -- with diplomacy and sanctions whenever possible, with force whenever necessary. And we will work for the day when Iraq has a government worthy of its people.

In all of these efforts, we rely on our Armed Forces to defend America's interests in a dangerous world. We are proud of them because they are the best in the world. Every American should be proud of the men and women of our military who last month struck at the weapons of terror in Iraq. Our troops were superb; their weapons precise and powerful. Their mission was successful -- so flawlessly executed that we risk taking for granted the bravery and skill they brought to the job. [x] flew [x] missions, destroying [x] that made [chemical weapons][or whatever]. He is here with us tonight. Let us all honor him and the 10,000 other men and women of Desert Fox.

When I took office, to take advantage of the end of the Cold War and to make America stronger by putting our economic house in order, this Administration continued to streamline our military. But as Commander-in-Chief, I have no higher obligation than to give our troops the tools, training and equipment they need to succeed. Four times over the past nine months, I asked Congress for a total of \$6 billion in emergency funds and reprogrammed money to keep our readiness razor-sharp. Each time, Congress said yes. The budget I will submit for next year asks you to approve an increase of over \$12 billion for defense readiness and modernization -- the start of a sustained, six-year real effort that will reverse a decline in defense spending that began in 1985. My budget will ensure that our Armed Forces remain

ready to deploy rapidly in any crisis... that they remain the best equipped fighting force in the world... and that their service is not only rewarding, but well-rewarded, with a pay raise of 4.4 percent. [TK: BRAC insert?] Our men and women in uniform always deliver for America. We must deliver for them.

**As we enter the 21st Century, we must strengthen and extend our alliances and partnerships to preserve peace and security.**

For half a century, NATO has kept the peace and defended democracy in Europe. Now, we are modernizing NATO for the challenges of the 21st Century. This spring in Washington, we will mark NATO's 50th anniversary by welcoming Hungary, Poland and the Czech Republic as our first new allies from Central Europe. And we will continue to give NATO new capabilities to combat the more diverse, but no less dangerous threats of the future: ethnic, racial and religious conflict... the spread of weapons of mass destruction.

And we recognize that more than ever, America's future will not be secure if Asia's is in doubt. As President, I have worked hard to strengthen America's relationships with Japan and Korea, our allies and economic partners. And I am convinced that engaging with China -- home to one in five of the world's people -- is the best way to advance America's interests in this region and to deal directly with our differences. I told the Chinese people on TV this past summer that free markets, political pluralism, the rule of law, and respect for human rights are the best guarantees of national stability. The more we bring China into the world, the more the world will bring freedom to China.

**Finally, we must do more to foster the spread of freedom, democracy and human rights around the world.** From our founding, as Thomas Paine said, "The cause of America is the cause of mankind." The blossoming of democracy on every continent at century's end was so sudden, and so widespread, that we risk taking it for granted. There is a danger that, in some countries, confidence in democracy and free markets will be undermined financial turmoil, and by the failure of new institutions to keep up with aspirations. We must help people deepen their democracies so that the historic choice they have made for freedom is never again in doubt.

Last spring, Hillary and I saw an African continent transformed by democracy and economic reform. But we also saw how violence and disease continue to plague the people of Africa and threaten their progress. We must intensify our efforts to strengthen democracy, end conflict, and promote good health. And -- because Africans and Americans can benefit from more trade and investment -- we must finally pass the Africa Growth and Opportunity Act.

And we must continue to strengthen our ties to our neighbors in the Americas, where now every government but one is freely chosen by the people. We must honor our commitment to put the victims of Hurricane Mitch back on the road to recovery. They are

our neighbors, and when neighbors are in trouble, good neighbors help out. And we are determined that the people of Cuba, too, should know the blessings of freedom.

## 21st CENTURY COMMUNITIES

*diversity - shared res*

In the 20th Century, the ties that bind us together too often have been frayed by the force of change. In the 21st Century, we have no choice but to restore those threads of community.

**Strong communities, first, are communities where hope and opportunity flourish.**

Already, new empowerment zones, community banks, and a surge in investment by private banks have brought [\$x] trillion into our inner cities and poor rural areas. Tonight I propose the next stage of our urban opportunity strategy. More capital into our inner cities. A new American Private Investment Corporation to make loan guarantees for investment in our untapped domestic markets. Tax credits for new investments. 100,000 new vouchers to help poor people move out of public housing. A better farm safety net for rural America, with crop insurance reform and income assistance. When dropping prices and the loss of foreign markets have led to dire economic conditions for too many of our hardworking family farmers.

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that??*

**Strong communities are safe communities.**

Six years ago, our country was at peace, but too many of our communities were at war. Gangs and drug dealers controlled entire neighborhoods where even police officers weren't safe to walk the streets. Then, in our communities and our capitol, we fought back. Here's the strategy: More police on the beat. Fewer guns in the hands of criminals. Tougher punishment. Better prevention.

Crime has declined to its lowest level in 28 years. But you and I know that crime is still a dangerous fact of life in too many neighborhoods. So we must build on our success of the past six years and break the cycle of violence in America for good.

Tonight I propose a crime bill for the 21st Century to press our growing advantages against the criminals, so we can deploy the latest tools, technologies and tactics in the fight against crime.

This year, we will reach our goal of putting 100,000 community police officers on our streets -- under budget and a full year ahead of schedule. This budget will put even more police on the street ... ~~hire 2000 prosecutors~~ ... and give law enforcement the high technology tools they need to fight crime. Criminals have access to the best technology. Now the police will, too.

We must sever the deadly connection between crime and drugs. 80% of people in prison have a drug problem. Yet once they return to the streets, only 1 percent are ever drug tested, and as a result, most return to drugs -- and to crime -- and to prison. It is a destructive cycle -- a cycle we can break.

My balanced budget strengthens support for drug testing and treatment for prisoners, parolees and probationers. To prisoners in every state, we want to send a message: If you stay on drugs, you must stay behind bars. To probationers and parolees, we want to send a message: If you want to keep your freedom, you have to keep free of drugs.

Next, we should continue to take guns off our streets. Since the Brady Bill took effect, 250,000 felons, fugitives and stalkers have tried to buy guns have been turned away empty handed. That's enough guns to fill the floor of this chamber [shoulder high]. Who knows how many lives have been saved?

Now the requirement for a waiting period for buying a handgun has expired. I ask the Congress to keep in place a law that has worked, and make a mandatory waiting period for buying a handgun once again the law of the land.

We can do more to take guns out of the hands of criminals. We should close the loophole that lets criminals buy guns at gun shows. We should say: No background check, no guns, no exceptions. And we should follow South Carolina, Maryland and Virginia's lead and say: nobody needs to buy more than one handgun a month. Let's shut the gunrunners down.

### **Strong communities are livable communities.**

A century ago, President Theodore Roosevelt defined our nation's "great, central task" as "leaving this land even a better land for our descendants than it is for us." He set aside millions of acres of natural treasures shaped by the hand of God over hundreds of millions of years -- so they could not be sacrificed for short term gain.

This is the vision we are fulfilling today, protecting California's ancient redwoods, Florida's \_\_ Everglades, Utah's stunning red-rock canyons, and Yellowstone, America's very first National Park. The air we breathe is healthier, the water we drink cleaner. The American bald eagle, the symbol of our national strength, soars once again -- and this year, we will proudly take it off the endangered species list. But for America to soar high and free throughout the new century, there are new environmental challenges we must come together to meet.

The most profound environmental challenge of the 21st Century is the threat of global warming. A few weeks ago, scientists confirmed that 1998 was the warmest year on record. The ice storms, heat waves, and near-biblical floods of the past year are but hint of what future generations may endure. I say: We must act now.

Tonight, I pledge to work with Congress to enact a common-sense strategy: a clean air fund to help communities reduce both pollution and smog; new research and development for clean energy sources; tax cuts for energy-efficient cars, homes, and appliances; rewards for companies that take early, voluntary action to reduce their greenhouse pollution. And finally, we will continue our vigorous diplomatic efforts, because we must meet a global threat with a global response.

Another new environmental challenge is, quite literally, in our very neighborhoods. As so many are buying new homes and sharing in the American Dream, our communities are losing about 7,000 acres of open space every day. We must find new ways to keep our communities both growing and green.

So tonight, Vice President Gore and I propose a \$1 billion Lands Legacy initiative to preserve millions of places of natural beauty across the country -- farmlands, parklands, and open spaces within easy reach of every citizen. This would be the single largest investment in protecting America's lands since President Roosevelt set our nation on a path of conservation nearly a century ago. We must make this gift to the 21st Century.

### AmeriCorps

From our earliest days, the ethic of service -- the belief that all Americans have a duty to give something back to our communities and to each other -- has been the hallmark of American citizenship. For the better part of this century, from the Civilian Conservation Corps to the Peace Corps, young people-- always brimming with idealism and energy -- have been at the front lines of citizen service.

Six years ago, I fought to create AmeriCorps to tap that same vein in today's generation, to give them a new chance to serve America, earn money for college and work side by side with peers from all walks of life. I wanted to prove the pundits wrong -- that our young people had not become a generation of cynics and slackers, but a generation of patriots and doers.

In just four years, AmeriCorps members have touched the lives of millions of Americans. They have built thousands of low-income homes with Habitat for Humanity. They have helped churches in Dallas tutor children and raise reading scores by more than half. They have worked with the American Red Cross to comfort families hit hard by Hurricane Georges, setting up emergency shelters, clearing away trees and rebuilding homes.

Nothing in my time as President gives me greater pride than this: as of today, 100,000 young people now have served our nation through AmeriCorps -- more than served in the Peace Corps during its entire first two decades. Some of them are with us tonight, and we should thank them for their service.

I ask this Congress to thank these young people as only you can: by increasing support for AmeriCorps. And to all the young people in America, I want you to know that you can make a difference in your community. Whether through AmeriCorps, your church, or other community organization, you have the power to make this world a better place. I challenge you to use it.

## **Democracy**

As we work to strengthen our communities, we must work to renew our democracy. Our campaign finance system is broken -- our laws overwhelmed by an out of control fundraising arms race. Last year, a strong bipartisan majority in the House of Representatives passed strong campaign finance reform. But obstruction by a partisan minority blocked reform and preserved the status quo. I ask the House to pass reform quickly once again -- and I ask the Senate to say no to big money and yes to a strong democracy in the Year 2000.

[free TV]

[And we must recognize that far too few Americans vote. Americans will go around the world to fight for the right to vote -- but too often, we won't go across the street to exercise that right ourselves. [election reforms - to come]]

## **ONE AMERICA**

But the greatest opportunity facing our nation is also our oldest challenge: the challenge of building One America out of the most racially and ethnic diverse peoples on earth. What can we do to build one nation for the 21st Century?

For the past year and a half, our Initiative on Race has sought to bridge the divides between our people. What we discovered was that the will to bring our people together across all racial lines is strong in America. Thousands of ordinary citizens through their schools, their businesses, through the arts and media, are taking the lead, bringing people from all walks of life to talk and listen to each other, to learn together, to serve side-by-side in our communities. I challenge more communities to follow their example.

But we must also recognize that there is much we can do as a nation to close the opportunity gaps that continue deepen the divides between the races. We must continue to revitalize our most troubled schools, to press forward in our fight for safe streets and safe neighborhoods, to work to bring the American Dream to every corner of America.

For generations, that dream has represented a fundamental compact among our people. We believe that all citizens should have the chance to rise as far as their God-given talents will take them. What counts is energy and talent and heart. No arbitrary distinctions should bar the way. So when we deny opportunity because of ancestry or religion, race or gender,

disability or sexual orientation, we break the compact. It is wrong. And it should be illegal. I call upon Congress to honor our most cherished principles and make the Employment Non-Discrimination Act the law of the land.

America has always been lifted up by our struggle to live closer to our ideals of freedom and equality. But too often, in too many places across America, too many Americans become victims of ignorance and intolerance, hate and violence.

[With us tonight are Judy and Dennis Shepard of Casper, Wyoming. Dennis is an oil rig inspector. Judy [stayed at home and raised two fine sons]. This fall, they were proud when their elder son Matthew enrolled in his Dad's alma mater, the University of Wyoming. But barely a few months into his freshman year, Matthew was beaten, tied to a fence, and left for dead on a deserted country road. He was killed, police say, because he was gay. My fellow Americans, this should never have happened to the Shepards and their son -- and it should never happen to any family in America.]

The American family cannot survive when we harbor hate and foster violence against those who are different, when any one of us refuses to acknowledge that each and every one of us are children of God. So I call on Congress to speak with one voice and pass the Hate Crimes Prevention Act this year. We must declare unequivocally that America values every one of our people; that we will never ever tolerate acts of violence and intolerance in this great land of freedom and equality.

But we have much more to do. The face of America will change immeasurably in the next century. We are witnessing the largest wave of immigration since the turn of the last century. Today, one in ten people in America was born in another country. By the end of next year, California will have no majority race.

I believe our newest immigrants are good for America. They are revitalizing our cities, energizing our culture, building our new economy. They are strengthening our ties to the global economy, just as earlier waves of immigrants settled the frontier and powered the Industrial Revolution.

I know that the new accents and new faces have left some Americans feeling unsettled, fearful that the America they know and love is becoming a foreign land. That fear is understandable, but it is wrong. My fellow Americans, just look at our immigrants and you will see yourselves, your parents, your grandparents.

We must say to our newest immigrants: You are welcome here, to share and enlarge the bounty of America. But you, too, must take responsibility -- to obey our laws, to learn English, to strive to enter the mainstream of American life and to make America's heroes your own. That is why in my balanced budget, I am proud to boost our efforts to teach our immigrants English, our customs and our system of government.

We must help them and all Americans understand the most basic American lesson of all: Whether your ancestors came here on slave ships or on the Mayflower, whether they landed on Ellis Island or Los Angeles International Airport, whether they arrived yesterday or have been here thousands of years, if you believe in the Declaration of Independence and the Constitution, if you accept the responsibilities as well as the rights embedded in them, then you are an American.

## **PERORATION: THE MILLENNIUM**

This is the last state of the Union of this century -- and you are the last Congress of this century. Barely 300 days from now, dawn will break on a new century and a new millennium. This is a moment for clarity and contemplation, a moment to come together, a moment, as the First Lady has said, to honor the past and imagine the future.

I thank the Congress for its support of our efforts to restore the Star Spangled Banner and other national treasures that are known to every schoolchild. Last year, Hillary traveled across our country to inspire more communities to work together to Save America's Treasures. By preserving the places in which our forbears lived and worked, from Thomas Edison's laboratory to Louis Armstrong's house in Queens, we ensure that children today and in the next century can better understand who we are and where we came from. So I call on cities and towns to strive to become "Millennium Communities" -- working to mark the millennium through one shared endeavor, whether by restoring historic places, cleaning up a river or a park, recruiting a volunteers to help children.

I came to this office six years ago tomorrow in a time of doubt for America. Our economy was troubled; our deficit was high; many, even among our own people, wondered whether America's best days were behind us. But a year earlier, traveling across this country through a thousand cities and neighborhoods, in living rooms, churches, and community centers, I had seen, even in the pain and uncertainty of recession, the strength, the idealism, the bold, resilient character of America.

I had no doubt of what we together could do for our country.

Tonight, as I deliver the last State of the Union message of the 20th Century, that work goes on.

So I ask all of us who hold office to work as hard as the American people do, each and every day. Because they are right to demand it. And because we are working for them.

This is no ordinary time. We are in the final months of a century when generations of Americans answered the call to greatness, overcoming Depression, lifting up the dispossessed, bringing down barriers of racial prejudice, opening up opportunity and the most widely shared prosperity in human history, winning two world wars and "a long twilight struggle" against

the most vicious forms of tyranny ever known. Perhaps in the daily press of events, in the clash of controversy, we do not see our time for what it truly is – a new dawn for America.

A hundred years from tonight, another American President will stand in this place to report on the State of our Union. He – or she – will look back on a 21st Century shaped in its very first moments, even by the decisions we make here and now, before it begins.

Let it be said of us then that we were thinking not only of our time, but of their time; that we reached as high as our ideals; that we put aside our divisions and found a new hour of healing and hopefulness; that in these next two years, with pride in our purpose and the grace of our God, we joined together to serve and strengthen the country we love.

Let us lift our eyes, and from the mountaintop of the American century, look forward to the next one.

Let us go to work together for the American people.

And, in this high endeavor, may God watch over the United States of America.

REED EDITS

Draft 1/12/99 3:30pm

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**PRESIDENT WILLIAM J. CLINTON  
STATE OF THE UNION ADDRESS  
UNITED STATES CAPITOL  
January 19, 1999**

*Mr. Speaker, Mr. Vice President, Members of Congress, honored guests, my fellow Americans:*

Let me begin by saluting the new Speaker of the House. I look forward to working with you, as you said on the day you were sworn in, in a spirit of civility and bipartisanship. We should heed the words and honor the spirit of Thomas Jefferson, who in 1801 asked a divided Congress to restore "that harmony and affection without which liberty and even life itself are but dreary things." Beyond these walls, in schools, businesses and churches, across our nation, Americans of different backgrounds and beliefs are working together in harmony and affection to meet the challenges of our new, exciting time. They demand no less of us.

Tonight, I have the honor and responsibility of reporting to you on the State of our Union, and to call on our nation to rise to this moment, to meet the great challenges and seize the even greater opportunities of a bold new era.

I have the privilege to report that we have created the longest peacetime economic expansion in American history -- with wages rising at twice the rate of inflation and nearly 18 million new jobs.

I stand before you to report that more Americans are living in their own homes than at any time in our history -- that the welfare rolls are the smallest in <sup>30</sup>~~29~~ years -- and that the

peacetime unemployment rate is the lowest it has been since 1957.

I stand before you the first president in three decades to report not just that the budget is balanced, but that we have a \$76 billion surplus -- the highest in American history.

I stand before you to report that violent crime is at its lowest point in a quarter century.

I stand before you to report that the environment is the cleanest in a quarter century, and that in six years we have cut pollution from factories in half -- even as our economy has boomed.

I stand before you to report that America stands strong -- a force for peace in lands torn by ancient hatreds, helping to bring reconciliation to Northern Ireland, to Bosnia, to the Middle East.

In the last days of what has been called the American Century, months before the new century, an era of new American progress has begun.

In all this, we are renewing government so once again it is a progressive instrument of the common good. We have discarded the old debate that we must either seek to dam up the currents of economic change -- or tell our people to sink or swim on their own. Instead, we have built a government for the Information Age, one that lives within its means -- a flexible, creative government driven not by rigid ideology, but by ideas that work. A government that is devoted

to giving the American people the tools they need to solve their own problems. A 21st Century government for 21st Century America.

Perhaps most important of all, we have proved again to ourselves and the world that when America faces a challenge at home and abroad, we can meet it. This young nation, born in revolution and renewed in each generation, once again is building a new America for a new time. President Washington told the First Congress that succeeding generations must carry forward “the sacred fire of liberty” which is “finally staked on the experiment entrusted in the hands of the American people.” My fellow Americans, at the end of one American century and the dawn of another, that sacred fire still burns brightly. The State of our Union is strong.

What will we make of this moment? This new century will be a time of unimaginable progress for our nation--of vast new economic opportunities, stunning scientific discoveries, remarkable advances in the health and happiness of our people--advances we are already beginning to see. Already, we look forward and see a brilliant future: a time when cancer is a thing of the past; when new technologies make it possible for parents to work closer to their children; when our victories over crime and drugs turn into a rout.

At a time like this, it would be easy, and understandable, for a nation to sit back and savor its success. But we cannot allow the hum of prosperity to lull us into complacency. New times pose new perils even as they offer new promise. They demand new action.

Yes, America is working again. But we have not yet met the long-term challenges that face our people in the 21st Century.

Could be done quicker or dropped

We must honor our parents and renew the compact among generations by building an even stronger retirement system. We must meet our duty to our children by building strong schools for the 21st Century. We must spread opportunity to all people and places who have not yet reaped the benefits of our prosperity. We can conquer dread diseases, from cancer to Alzheimer. We must build strong families and communities for the 21st Century, giving parents health care and child care, safer streets and a cleaner environment. We must lead for peace, prosperity and security in a world of new threats. We must build, out of our brilliant diversity, One America -- a 21st Century America, stronger and safer, richer and fairer, more diverse and more united than ever.

There will never be a better time to meet these challenges than now -- now, with our budget surplus growing, now, with our economy expanding, and above all, now, with our confidence rising. Let's get to work.

## **BUILDING A 21ST CENTURY ECONOMY**

### Fiscal discipline/Social Security

We begin by building an economy for the 21st Century. The qualities of the new

economy -- innovation, ambition, flexibility, teamwork -- are at the core of the American character. It is no accident that from biotech to aerospace, from autos to software, we have created an American economic renaissance.

When I took office, the budget deficit for this year was projected to be \$400 billion. Today, we have a \$70 billion surplus. Thanks to the pioneering leadership of Vice President Gore, we have reinvented our government, in partnership with federal workers, doing more with less. The federal government is the smallest since -- well, since John Glenn first orbited the Earth.

[low tax rate]

When a hard-working family has an unexpected financial windfall, it is tempting to splurge. But the right thing to do, the responsible thing to do, is to invest for the future -- especially when we know that retirement is ahead. So I will resist any tax cuts or spending programs, no matter how appealing, until we have set aside the funds we need to address America's long-term, pressing needs.

Our fiscal discipline gives us an unsurpassed opportunity to address perhaps our greatest new challenge: the aging of America.

Though our nation is young in spirit, our people are aging -- and thank goodness, life expectancy is rising. With the number of elderly Americans set to double by

2030, the Baby Boom will soon become a Senior Boom. This is a seismic demographic shift.

I believe there are four things we must do to prepare our nation.

First and before all else, we must save Social Security. Early in this century, to be old meant to be poor. When President Franklin Roosevelt created Social Security, thousands wrote to thank him for eliminating what one woman called the “stark terror of penniless, helpless old age.” Even now, without Social Security, half our nation’s elderly would plunge into poverty.

Today, Social Security is strong. But it will soon face a crisis. By 2032 it will be unable to pay out the full benefits older Americans depend upon to live.

Last year, from this podium, I said we should set aside the surplus until we save Social Security. Working together, we have done so. Tonight, let us resolve to finish the job -- and invest the surplus to save Social Security.

Tonight, I propose that we invest half the budget surplus for 15 years to save Social Security. We can get a higher return if we invest a portion in the private sector -- like any private or state government pension would, or, indeed, like any family would. If we take this step, we can save Social Security for 50 years. But we must do more. From the first days of this program, we have sought to assure that the system was on sound footing for at least 75 years. To do that, we will have to make difficult but achievable choices in a bipartisan

agreement. I am committed to that end; I ask you to commit to it, too.

[Let me be clear. The best way for Social Security to remain, for the long-term, a rock-solid guarantee of support, is to invest its resources more wisely -- not to make drastic cuts in benefits; not to raise payroll tax rates; and not to drain resources from Social Security in the name of saving it. I do not believe we should devote a single dollar of the payroll paid by every American tax to any new or untested account that puts basic Social Security benefits at risk.]

Second, after we save Social Security, we must fulfill our obligation to save Medicare. We have worked hard to strengthen Medicare. Already, we have extended the life of Medicare by 10 years -- but for the health care of our seniors to be on solid ground, it must be extended for at least another decade. So I propose that we put one out of every five dollars in the surplus toward saving Medicare. If we did this and no more, we would extend the life of Medicare for at least 12 years. But if we do more -- if we take strong steps and take seriously the work of the bipartisan panel chaired by Senator John Breaux and Rep. Bill Thomas that will report in March -- then we can also improve the quality of Medicare as well.

Third, we must do more to help all Americans, from their first day on the job, to save, to invest, to create wealth. As President Roosevelt made plain, Social Security was only one pillar of support for older Americans; private savings and pensions were the others. But today, tens of millions of people still retire with few savings and no pension. Even if we save Social Security, Americans living longer than ever simply must save more. That is why I am proposing a new

universal pension -- personal savings, invested as each worker sees fit, which would be bolstered by the national government. By doing so we would give more Americans a greater stake in our prosperity. . . a greater hand in the creation of wealth. . . a greater chance to retire in comfort, security, and dignity. I know we can agree: this is a future, a secure future, every hard-working American deserves.

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Fourth, to better prepare for the Senior Boom, we must help Americans provide long-term care for aging and ailing loved ones. Today, millions of working people are caring for elderly relatives and even neighbors, often at great cost to their families. Caring for parents in their old age is the cycle of life -- a vital and sacred compact among generations -- and one we should recognize and reward as a nation. That is why, in my balanced budget, I will propose a long-term care tax credit of \$1,000 for people with long-term care needs or for the families that shelter them. The care these families provide is invaluable; but we can show we value it very much indeed.

And we should help every elderly American who can do so to stay in their own home or with their own family, before going to a nursing home. A new initiative in my balanced budget plan will help [#] families with low-cost loans or support to install safety

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Preparing for the aging of America means investing this fraction of our budget and 85 percent of our budget surplus. If we do so, we will be making a wise investment. If we make good use of our good fortune, the retirement of the old need not be a burden on the young. If we

save Social Security. . . if we strengthen Medicare and long-term care. . . if we spur savings with a new universal pension. . . then we will have taken bold steps toward a better future. So we should take those steps now. This year. With no excuses.

Education

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Just as we meet our duty to older Americans, we must meet our duty to the young. Today, there are more children in our public school system than at any time in our nation's history, and that system must be transformed, to prepare all our children for a new economy that prizes knowledge, creativity and skills as never before.

The doors of college must be open wide--and we have opened them. With easier student loans, more Pell grants for deserving students, 1 million new work study jobs, education IRAs, and the HOPE scholarship tax cut that nearly 6 million Americans will receive this year, we can say today what we could not say six years ago: Every high school graduate in America, regardless of income, can afford to go to college.

We have also made progress in renewing our public schools with higher academic standards, more discipline, and a focus on results. Nearly every state has imposed tougher academic goals, and a national test is being developed to measure students' progress in meeting those goals. Thousands of schools have cracked down on drugs, gangs, and violence. We are teaching values and finding a proper place for religious faith in our public schools.

All these efforts and more have begun to bear fruit. SAT scores are up. Math scores have risen in nearly all grades nationwide. This is good news. But there is a perplexing problem: while our fourth graders outperform their peers in other developed countries in math and science achievement, our eighth graders are around average, and our twelfth graders rank near the bottom. Clearly, American students have the capacity to learn and start out strong, but the system fails them.

We can and must do better, by setting in motion a revolution of rising expectations. Three years ago, Chicago Mayor Richard Daley sparked such a revolution in his city's schools when he ended the practice of social promotion, in which students proceed to the next grade regardless of whether they have mastered the material in their current grade. Now, Chicago students who fail end-of-the-year tests are placed in summer school and after school programs and tutored until they do pass--and most do. Chicago's summer school program is now the sixth largest school district in America.

It is tough medicine, but it works. Citywide math and reading scores have gone up three years in a row in Chicago, with the biggest gains coming from some of the most disadvantaged students. One of those students is Darneisha Rogers, who lives in Chicago's tough Cabrini-Green public housing complex. Last spring, Darneisha got a letter saying she would have to repeat sixth grade unless she raised her test scores. Distraught at first, Darneisha buckled down, and in six weeks of summer school boosted her reading level by eight months and

her math by a year and five months. She passed her test, entered seventh grade with her friends, and now she's thinking about going to college. Darneisha is with us tonight, sitting with the First Lady.

Tonight, I ask you to join me in a drive to make every state and school district give every child in America what Chicago gave Darneisha--a reason to try harder, and help to do better. Each year the national government invests over \$13 billion in our public schools. I believe we should only invest in what works. I propose that every school in every community receiving federal help for their schools take the following steps.

First, all schools must end social promotion. Every spring, one in five public school students moves from grade to grade without having mastered the basics. And each year, hundreds of thousands of young people graduate from high school so ill-educated they cannot balance a checkbook or draft a letter explaining an error in a credit card bill. Social promotion must stop, and states and school districts that fail to stop it will not get a dime of federal money.

If we are going to hold students to high academic standards, we must give them the help they need to meet those standards. So my new balanced budget triples the funding for academically-enriched summer school and after school programs--but only for schools that end social promotion. We can keep one million students learning in the hours after regular school lets out, when parents work and juvenile crime soars. Our children should learn their lessons in

the school house, not on the streets.

Second, all states and school districts must identify their worst-performing schools, and take serious, even drastic steps, to turn them around. We will no longer tolerate schools that deny generation after generation of disadvantaged Americans the opportunity to learn their way out of poverty. That means, if need be, bringing in new principals, new curricula, and new, better-trained teachers, as Chicago has done with many of its worst-performing schools. If schools still fail to improve, they should be shut down and the students placed elsewhere, as has happens to 55 schools in three states, with good results for students. My balanced budget includes \$200 million to help turn around failing schools, but states and school districts that refuse to take responsibility for failing schools will get nothing.

Third, all states and school districts must be held responsible for the quality of the teachers they send into the classroom. Nearly a quarter of secondary school teachers do not have college majors--or even minors--in the subjects they teach, and the situation is worse in inner city schools. Our schools have many superb teachers, but many others who are burned out and otherwise ineffective. States and school districts should require tests of competency for incoming teachers, and swift but fair procedures for removing those who cannot do the job. A teacher who cannot teach has no business being in the classroom.

We as a nation must do more to get better trained teachers into our poorest

neighborhoods. We must recruit teachers for the inner city, for Indian reservations, and for communities where we must give our children every chance to learn their way out of poverty.

Fourth, we must empower parents by giving them better information about their schools. In most communities, it is easier to get information on the quality of local restaurants than the quality of local public schools. Schools issue report cards on students. I believe every school district should issue report cards on schools.

Empowering parents with better information will create tremendous competitive pressure on schools to improve. So will expanding the choices parents have by creating more innovative public charter schools. There was one such charter school in all of America when I became President. There are 900 today. By early in the next century, there should be 3000. We should also offer parents new public school choices tailored to the way families work and live today -- including new public schools located at workplaces, so that harried working parents can spend more time with their children and get more involved in their schools.

To bring more discipline, more attention, and more learning to every young child, we reached across party lines last fall and began to hire 100,000 new highly-trained teachers to reduce class size in the early grades. I ask this Congress to finish our mission of hiring 100,000 new teachers.

We must also give our children schools as modern as the world they live in. The average

school buildings begins to deteriorate after 40 years, and the average school building in America today is 42 years old. Too many of our schools are falling apart, with walls too old to be wired for the Internet. Many are so packed with the Baby Boom's nearly 53 million school children that trailers must be used to handle the overflow. Last fall, Congress missed an opportunity to create a tax break to modernize or build 5000 new schools. This year, for the sake of our children, Congress must not miss that opportunity again.

In 1996, the Vice President and I promised that every classroom and library in America would be connected to the Internet by the year 2000. We have made new investments in computers, training for teachers, and discounts to make logging on affordable. Since then, nine times as many classrooms have been hooked up. But another million classrooms have yet to be connected to the technology that will connect children to the future. This year, we will make \$2 billion available to link all our classrooms to the Internet. I ask every school in every community in America to make that vital connection.

I ask the Congress to fund a Digital Library that will put online state of the art math and science curriculum, the treasures of the Smithsonian, and up to 400,000 of the greatest books in human history. Imagine what our children can accomplish when they enter a library as vast as their imaginations. We can put that library within the reach of every child.

21st Century economy

By securing the retirement of the elderly and the education of the young, we will make huge strides to build lasting prosperity into the 21st Century. To widen the circle of opportunity in a modern economy, we must do more.

To spur the high tech industries that account for one third of our growth, my administration will propose a 30% increase in long-term computer research -- so that [tk].

To help families with the dizzying choices in the financial marketplace, my administration will propose a new "financial right to know" law to help consumers protect their investments, combat fraud, and make smart choices.

To make sure that competition and innovation thrive, my enforcement team will continue its prudent but aggressive record of enforcing our antitrust laws.

To make certain that we reap the rewards and minimize the disruptions of these new technologies, we are working around the clock to prepare for the so called 'millennium computer bug.' As you know, many computers and machines will have difficulty processing the year 2000. I believe that the national government will be ready. Every business, every city and county, every university in this country and around the world is at risk. But if we work hard and work together, the millennium bug can be the last headache of the 21st Century and not the first crisis of the 21st Century.

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But above all, it is plain that economic growth at home depends upon economic growth around the world. Because this is so vital to our nation, I want to take a moment to explain what the stakes are and what we have done.

Our nation benefits greatly from the free flow of goods and capital and the new lines of commerce and communication that link us to other nations. Until recently, a full one third of our economic growth came from trade. But over the past year and a half, financial turmoil that began in Asia and spilled across the world has put that growth at risk. Worldwide financial markets first flood a nation with funds, then just as suddenly withdraw those funds in a panic -- leaving social devastation in its wake. Today, much of the world is in recession. Too many of our trading partners can't buy our exports -- and can flood our market with inexpensive imports. And across Asia, an entire generation that worked its way into the middle class has been plunged into poverty.

In September, I said this was the most critical financial crisis in a half century. I set out a new strategy to spur global growth, to stabilize the global economy and keep the world trading system open, free, and fair. Together with other leading nations, the United States acted -- lowering interest rates, [other steps tk]. The turmoil is not over; and over the next year we may yet feel its full impact within our own borders. But because America led and America acted, the world economy is much more sound than it would have been. I thank lawmakers of both parties for your support.

Now we must put a human face on the global economy. An international market that does not honor the values and protect the interests of ordinary citizens will neither earn nor deserve their support.

[21st Century financial system & 21st Century trading system to come]

We must build a financial system for the 21st Century that tames the savage cycles of boom and bust in the world economy. This spring, I will meet with the leaders of the world's most important economies to lay plans for a world financial system as modern as the markets. We must insist that every nation open its books. We must strengthen bank regulations to reduce the risks posed by the ricocheting of money around the world. We must work together to build new ways to respond to these crises before they become calamities. We must make sure that the poorest citizens do not become the victims of financial turmoil.

And we must build a trading system for the 21st Century -- one that spurs growth, expands opportunity, and honors the values we fight for every day.

For too long, trade has divided Americans, across lines of party and philosophy and economic station. We must find a new approach to trade -- the common ground on which business and labor and government can stand.

We must do more to help American manufacturers whose exports have been hit hard by economic turmoil abroad -- and who face a flood of inexpensive imports from abroad. I ask the Congress to provide credit to help spur \$2 billion more manufacturing exports abroad. We would be very unwise to erect protectionist walls that could start a chain reaction and plunge the world into recession. But let me be clear: where imports are unfairly surging into our nation, we will act. I have made clear to the government of Japan that if they do not reduce their

inexplicable surge of cheap steel imports into our country, I am ready to launch trade proceedings against Japan.

Five times in the past half century, we have negotiated worldwide trade agreements that have opened markets and lifted our prosperity. Tonight I propose to launch new trade negotiations to open markets to our goods and services -- a new round of negotiations in the World Trade Organization to expand our exports of farm products, services and manufactures -- trade with Africa -- a Free Trade Area of the Americas -- trade with the Central American nations devastated by the recent hurricane.

In all these, we must press for trade that is more open and more free. But we must also press for trade that promotes the dignity of work and the rights of workers. We must insist that international trade organizations be open to the sunlight of public scrutiny. We must insist that trade rules never be used as a pretext to destroy environmental protections. We must never let vigorous international economic competition become a race to the bottom among nations.

This common approach must be the basis of legislation giving the President traditional trade authority.

[And we must act, once and for all, to end the most exploitative trade practices of all. I will sign a new international agreement to ban child labor everywhere in the world.]

And we must make certain that every American worker has the tools to succeed in the new economy. Today, there is not so much an income gap as a skills gap. At a time when skills matter more than ever, one out of four working people reads at less than a sixth grade level. This past year I was proud to sign bipartisan legislation to transform our worker training system. With a simple voucher, Americans can now choose the skills they need. My balanced budget will build on that momentum. We must mount a national campaign to improve adult literacy. And we must commit that every American who needs training gets training.

## **BUILDING STRONG FAMILIES FOR THE 21st CENTURY**

**In the 20th Century, the American family was transformed as we adapted to new workplaces and new ways. Now, we must strengthen the American family for the challenges of the 21st Century.** No government can raise or love a child. Mothers and fathers do. But government can empower parents with the tools they need to meet their most vital responsibilities.

### Tobacco

Strong families start with healthy children.

As is now well known, our children are the target of a massive media campaign to hook them on cigarettes – a product that will kill them. A secret tobacco industry document calls

young people "replacement smokers." They are not the future of the tobacco industry; they are the future of our nation. And we must act to protect them.

I ask this Congress to resist the awesome power of the tobacco lobby and pass ~~comprehensive~~ bipartisan legislation that will raise the price of cigarettes, protect <sup>tobacco</sup> farmers, and give us the tools to protect our children from tobacco.

The tobacco industry and its deceptions have imposed a cost not just on our families. Illness due to smoking -- from cancer to emphysema -- costs Medicare [X billion] a year. Taxpayers should not be left holding the bag. Already, state governments have recovered [x] billion dollars for taxpayers for state health care costs.

Tonight, I am directing the Department of Justice to prepare and bring a lawsuit against the tobacco companies for the costs to Medicare of smoking. Any funds we recover from these tobacco companies will help strengthen and reform Medicare. [And these funds could be used to extend health care, including a new Medicare prescription drug benefit.]

We know that tobacco is not the only product that can bring early death to our children. Each year, on too many dark roads, drunk drivers kill nearly 3000 children. I ask the Congress to write tough new blood alcohol standards into law to protect every American, on every roadway.

Child Care

**Strong families depend on strong parents.**

We must do more to help the millions of working American parents who give their all every day to succeed at home and at work.

I ask the Congress once again to enact a comprehensive plan to make quality child care more affordable, more accessible, and more enriching than ever. Our plan – with tax cuts for working families, child care subsidies for small business, high standards and training for child care providers – is fully paid for in our balanced budget. It will pay off in greater peace of mind for working parents, and better care for our children.

A child care plan that is in balance with our values will also help mothers who choose to stay at home with their children, giving up income while they do. Our child care plan includes a new tax credit to help those stay-at-home mothers. No job is more important than the job of raising our children.

I was proud that the Family Medical Leave Act was the first bill I signed into law. Since then, it has helped nearly [20 million] American workers to care for a new baby or an ailing relative without risking their jobs. We should build on that success, and guarantee Family Leave to 10 million more Americans who work for smaller companies.

Paid leave?

And parents who work to support their families should never, ever face discrimination in the workplace. I will send legislation to Congress that prohibits companies from refusing to hire or promote workers simply because they have children. We should not punish parents who fulfill their most important responsibility -- we should honor them.

[Next Fall], the First Lady and I will host a White House Conference to examine the changing relationship between the workplace and family life, and find new ways to balance work and family as we approach the new millennium. [*Reference to Mrs. Clinton*]

#### Health care

The United States has the world's most advanced medical care -- and we must continue our commitment to cutting edge research and pathbreaking innovation.

In just the past six years, medical researchers introduced the first effective drugs to treat HIV. They have begun testing the first drugs to prevent or reduce risk of cancer. They have discovered the process of aging itself -- raising the prospect of new treatments to prevent or delay the infirmities of old age, from Parkinsons to Alzheimers to arthritis.

My balanced budget will keep us on track to increase the budget for the National Institutes of Health by fifty percent. By voting to fund scientific research, this Congress will commit our nation to finding a cure for cancer and HIV early in the new century.

But as our sophisticated medicine races ahead, we cannot let our health care system lag behind.

Since 1990, the number of people in managed care plans has doubled. And as we all know, managed care has transformed medicine in America -- driving down costs, but threatening to drive down quality as well.

Here's a true story told to us by an emergency room physician from Dearborn, Michigan. A patient was rushed into the emergency room; he had died. The doctor managed to resuscitate the patient, and he recovered. But the man's health plan said they would not pay. Being dead, apparently, was not "an emergency"!

Our health care bill of rights says: Every American should have the right to the best care, not just the cheapest. The right to see a specialist. The right to continuity of care. The right to emergency care.

Within my power as President, I have acted, extending these rights to the 85 million Americans served by Medicare, Medicaid, and other federal health plans. But only Congress can extend this Patient's Bill of Rights to all Americans, and again I ask Congress to do so, on a bipartisan basis, early this year.

Step by step, we must also extend health insurance to more Americans. Today, more

Americans lack coverage than they did in 1993. Two years ago, we extended health insurance to up to 5 million children. Now, we should give people 55 to 65 -- the fastest growing group of the uninsured -- the chance to buy in to Medicare. We should make it easier for small businesses to offer health insurance to their employees. We should pass the bipartisan legislation, introduced by Senators Kennedy and Jeffords, to allow people with disabilities to buy Medicaid health insurance when they return to work. No American should have to make the choice between having health care and going to work.

And until we every American has health insurance, we must invest

And as more of our medical records are stored electronically, the threats to privacy increase. If Congress does not act this year, as provided by law, I will act -- issuing an executive order to protect the privacy of medical records online.

[And we must step up our efforts to treat and prevent an illness faced by tens of millions of Americans -- mental illness. Mrs. Gore has led our efforts to fight the stigmas faced by the millions of Americans with mental illnesses and to improve their treatment and care. This year, we will host a [first-ever] White House Conference on Mental Health. No American should ever be afraid to recognize and treat this disease. No American should face an ugly stigma. And every American should have equal opportunity to thrive.]

**Strong families are working families.**

Already, by expanding the Earned Income Tax Credit and raising the minimum wage, we have helped [x] million work their way up from poverty. But you can't raise a family on \$5.15 an hour. I believe that we should say to all parents: if you work hard and play by the rules, you can raise your children out of poverty. Let's agree to raise the minimum wage by \$1 over the next two years.

Welfare to work -- [to come]

### **A STRONG AMERICA IN A NEW WORLD**

We end this century as the world's indispensable nation. The power of our ideals, the strength of our economy, and the might of our military have given us a unique opportunity to shape a more democratic, peaceful and prosperous world. But we bear a responsibility, as well, to act when our interests are clear, our values are at stake and where we can make a difference. In the new century, new opportunities for peace and democracy must be seized. And new threats to our security and the world demand eternal vigilance.

**Over the next year, the United States must continue to bring the calm hand of reconciliation to lands torn by war and violence.**

At the center of Europe, where just a few years ago tens of thousands of people lost their lives to the bloodiest war since World War II, American leadership and NATO's

resolve have put Bosnia on the path to peace and prevented a humanitarian catastrophe in Kosovo. Over the next year, we will continue to make Bosnia's peace self-sustaining -- and continue to drawdown our forces. In Kosovo, we will work to sustain a fragile cease-fire and press for a settlement that gives its people the self-government they once enjoyed and so strongly deserve.

All Americans should be proud that we stood with Protestants and Catholics in Northern Ireland as they moved from the deep freeze of despair to the warm sunlight of peace. Through the Good Friday Accord, the people of Northern Ireland have put an end to 30 years of heartbreak and chosen a future of peace. Now, America will help them build it.

And in the Middle East -- birthplace of three great religions, source of so much instability in the world -- we have helped bring the parties closer to a lasting peace. Two months ago, in a long week of meetings on the Maryland shore, we helped put the peace process back on track. Last month, in Israel, we kept it moving forward. I was proud to address the Palestinian National Council on the day it renounced its call for the destruction of Israel. The road to ahead will be difficult. But we can see our way toward a just and secure peace that is good for Israelis, for Palestinians and for the world.

**As we seize the opportunities to make peace, we must also stand ready to meet the new threats to our nation and the security of the world.** With the end of the Cold War, there is no longer a single, existential threat to our survival. But today, outlaw nations and

bands of terrorists can disrupt the peace... acquire poison gas, biological weapons and even nuclear arms... and wreak havoc through fear. The battlefields of this conflict are the subways of Tokyo. The streets of the Middle East. Our embassies in Nairobi and Dar es Salaam. We will stand ready to defend our security wherever it is threatened.

We stand ready on the Korean Peninsula, where 37,000 American troops and our South Korean allies guard the last militarized fault line of the Cold War. We must continue to deter aggression and prevent North Korea from developing nuclear materials. Forty-five years after the end of the Korean War, it is time for a secure peace to come to Korea.

We stand ready to defend our nation against emerging threats here at home. My balanced budget includes a fifty percent increase in funding to protect from hackers and terrorists the computers that keep our armed forces, communications, transportation, electrical networks and financial markets running strong. It will help train and equip fire departments, police departments, hospitals and local communities to deal with chemical and biological emergencies. And it will support significant new research into vaccines, treatments and monitoring programs to keep our people healthy and secure from these new and deadly threats.

We stand ready to restrain the spread of nuclear weapons. To end all nuclear testing, to prevent a new arms race, and to make it harder for nations without nuclear weapons to develop them, I call on Congress to give its advice and consent to the Comprehensive Test Ban Treaty. In 1963, just two months elapsed between the time President Kennedy signed the

Limited Test Ban Treaty and its approval by the Senate. It's been more than two years since I became the first world leader to sign the CTBT. I ask the Senate to act -- without delay.

We must also help Russia, Ukraine, and the other nations of the former Soviet Union keep a tight grip on their nuclear arsenals as they continue to make the difficult transition to democracy and free markets. My balanced budget would help these countries prevent weapons of mass destruction from falling into the hands of terrorists and outlaw nations... use their remarkable scientific potential for peaceful purposes... implement sweeping arms control agreements... and accelerate the destruction of thousands of nuclear weapons and fissile material. For half a century, our nation spent trillions of dollars in the nuclear standoff with the Soviet Union. This would be one of the best investments for peace that we could make today.

And we stand ready -- and stand firm -- against the threat posed by Saddam Hussein. For nearly a decade, Iraq has defied its obligation to destroy its nuclear, chemical and biological weapons and the missiles to deliver them. Saddam has used such weapons before -- against soldiers and civilians against his neighbors and his own people. I have no doubt that, left unchecked, he would use them again. American resolve, leading the international community, has held Saddam in check -- with diplomacy and sanctions whenever possible, with force whenever necessary. And we will work for the day when Iraq has a government worthy of its people.

In all of these efforts, we rely on our Armed Forces to defend America's interests

in a dangerous world. We are proud of them because they are the best in the world. Every American should be proud of the men and women of our military who last month struck at the weapons of terror in Iraq. Our troops were superb; their weapons precise and powerful. Their mission was successful – so flawlessly executed that we risk taking for granted the bravery and skill they brought to the job. [x] flew [x] missions, destroying [x] that made [chemical weapons][or whatever]. He is here with us tonight. Let us all honor him and the 10,000 other men and women of Desert Fox.

When I took office, this Administration continued to streamline our military, to take advantage of the end of the Cold War and to make America stronger by putting our economic house in order. But as Commander-in-Chief, I have no higher obligation than to give our troops the tools, training and equipment they need to succeed. Four times over the past nine months, I asked Congress for a total of \$6 billion in emergency funds and reprogrammed money to keep our readiness razor-sharp. Each time, Congress said yes. The budget I will submit for next year asks you to approve an increase of over \$12 billion for defense readiness and modernization -- the start of a sustained, six-year real effort that will reverse a decline in defense spending that began in 1985. My budget will ensure that our Armed Forces remain ready to deploy rapidly in any crisis... that they remain the best equipped fighting force in the world... and that their service is not only rewarding, but well-rewarded, with a pay raise of 4.4 percent. [TK: BRAC insert?] Our men and women in uniform always deliver for America. We must deliver for them.

**As we enter the 21st Century, we must strengthen and extend our alliances and partnerships to preserve peace and security.**

For half a century, NATO has kept the peace and defended democracy in Europe. Now, we are modernizing NATO for the challenges of the 21st Century. This spring in Washington, we will mark NATO's 50th anniversary by welcoming Hungary, Poland and the Czech Republic as our first new allies from Central Europe. And we will continue to give NATO new capabilities to combat the more diverse, but no less dangerous threats of the future: ethnic, racial and religious conflict... the spread of weapons of mass destruction.

And we recognize that more than ever, America's future will not be secure if Asia's is in doubt. As President, I have worked hard to strengthen America's relationships with Japan and Korea, our allies and economic partners. And I am convinced that engaging with China -- home to one in five of the world's people -- is the best way to advance America's interests in this region and to deal directly with our differences. I told the Chinese people on TV this past summer that free markets, political pluralism, the rule of law, and respect for human rights are the best guarantees of national stability. The more we bring China into the world, the more the world will bring freedom to China.

**Finally, we must do more to foster the spread of freedom, democracy and human rights around the world.** From our founding, as Thomas Paine said, "The cause of America is the cause of mankind." The blossoming of democracy on every continent at

century's end was so sudden, and so widespread, that we risk taking it for granted. There is a danger that, in some countries, confidence in democracy and free markets will be undermined financial turmoil, and by the failure of new institutions to keep up with aspirations. We must help people deepen their democracies so that the historic choice they have made for freedom is never again in doubt.

Last spring, Hillary and I saw an African continent transformed by democracy and economic reform. But we also saw how violence and disease continue to plague the people of Africa and threaten their progress. We must intensify our efforts to strengthen democracy, end conflict, and promote good health. And -- because Africans and Americans can benefit from more trade and investment -- we must finally pass the Africa Growth and Opportunity Act.

And we must continue to strengthen our ties to our neighbors in the Americas, where now every government but one is freely chosen by the people. We must honor our commitment to put the victims of Hurricane Mitch back on the road to recovery. They are our neighbors, and when neighbors are in trouble, good neighbors help out. And we are determined that the people of Cuba, too, should know the blessings of freedom.

### **21st CENTURY COMMUNITIES**

In the 20<sup>th</sup> Century, the ties that bind us together too often have been frayed by the force of change. In the 21<sup>st</sup> Century, we have no choice but to restore those threads of community.

**Strong communities, first, are communities where hope and opportunity flourish.**

Already, new empowerment zones, community banks, and a surge in investment by private banks have brought [\$x] trillion into our inner cities and poor rural areas. Tonight I propose the next stage of our urban opportunity strategy. More capital into our inner cities. A new American Private Investment Corporation to make loan guarantees for investment in our untapped domestic markets. Tax credits for new investments. Already, over seven million Americans in the past six years have bought their first home. An initiative to give every American in every community the pride that comes with owning a home. 100,000 new vouchers to help poor people move out of public housing.

We must work to make sure that prosperity reaches rural America, where our values take root. Even in these good times, too many farmers are struggling. We must work together to improve the farm safety net.

**Strong communities are safe communities.**

Six years ago, our country was at peace, but too many of our communities were at war. Gangs and drug dealers controlled entire neighborhoods where even police officers weren't safe to walk the streets. Too many families lived in fear. And too many children did not believe they would live to see the age of 20.

Then, in our communities and our capitol, we fought back. Here's the strategy: More police on the beat. Fewer guns in the hands of criminals. Tougher punishment. Better prevention.

Today, crime has declined a record seven years in a row. But you and I know that crime is still a dangerous fact of life in too many neighborhoods. So we must build on our success of the past six years and break the cycle of violence in America for good.

Tonight I propose a crime bill for the 21st Century to press our growing advantages against the criminals, so we can deploy the latest tools, technologies and tactics in the fight against crime.

This year, we will reach our goal of putting 100,000 community police officers on our streets -- under budget and a full year ahead of schedule. Now we must put more police on the street ... hire 2000 prosecutors ... and give law enforcement the high technology tools they need to fight crime, modernizing the dragnet with the technology of the Internet.

We must sever the deadly connection between crime and drugs. 80% of people in prison have a drug problem. Yet once they return to the streets, only 1 percent are ever drug tested, and as a result, most return to drugs -- and to crime -- and to prison. It is a destructive cycle -- a cycle we can break.

My balanced budget strengthens support for drug testing and treatment for prisoners, parolees and probationers. To prisoners in every state, we want to send a message: If you stay on drugs, you must stay behind bars. To probationers and parolees, we want to send a message: If you want to keep your freedom, you have to keep free of drugs.

Next, we should continue to take guns off our streets. Since the Brady Bill took effect, 250,000 felons, fugitives and stalkers have tried to buy guns have been turned away empty handed. That's enough guns to fill the floor of this chamber [and reach shoulder high]. Who knows how many lives have been saved?

Now the requirement for a waiting period for buying a handgun has expired. I ask the Congress to keep in place a law that has worked, and make a mandatory waiting period for buying a handgun once again the law of the land.

We can do more to take guns out of the hands of criminals. We should close the loophole that lets criminals buy guns at gun shows. We should say: No background check, no guns, no exceptions. And we should say: nobody needs to buy more than one handgun a month. Let's shut the gunrunners down.

**Strong communities are livable communities.**

A century ago, President Theodore Roosevelt defined our nation's "great, central task"

as "leaving this land even a better land for our descendants than it is for us." He set aside millions of acres of natural treasures shaped by the hand of God over hundreds of millions of years -- so they could not be sacrificed for short term gain.

This is the vision we are fulfilling today, protecting California's ancient redwoods, Utah's stunning red-rock canyons, and Yellowstone, America's very first National Park. The air we breathe is healthier, the water we drink cleaner. The American bald eagle, the symbol of our national strength, soars once again -- and this year, we will proudly take it off the endangered species list. But for America to soar high and free throughout the new century, there are new environmental challenges we must come together to meet.

The most profound environmental challenge of the 21st Century is the threat of global warming. A few weeks ago, scientists confirmed that 1998 was the warmest year on record, topping the previous heat record, set just one year before. The crippling ice storms, deadly heat waves, and near-biblical floods of the past year are but hint of what future generations may endure. I say: We must act now.

Tonight, I pledge to work with Congress to enact a common-sense strategy: a clean air fund to help communities reduce both pollution and smog; new research and development for clean energy sources; tax cuts for energy-efficient cars, homes, and appliances; rewards for companies that take early, voluntary action to reduce their greenhouse pollution. And finally, we will continue our vigorous diplomatic efforts, because we must meet a global threat with a

global response.

Another new environmental challenge is, quite literally, in our very neighborhoods. When so many more citizens are buying new homes and sharing in the American Dream, our communities are losing about 7,000 acres of open space every day. We must find new ways to keep our communities both growing and green.

So tonight, Vice President Gore and I propose a Lands Legacy initiative to preserve millions of places of natural beauty across the country -- farmlands, parklands, and open spaces within easy reach of every citizen. This would be the single largest investment in protecting America's lands since President Roosevelt set our nation on a path of conservation nearly a century ago. We must make this gift to the 21st Century.

### AmeriCorps

From our earliest days, the ethic of service -- the belief that all Americans have a duty to give something back to our communities and to each other -- has been the hallmark of American citizenship. For the better part of this century, from the Civilian Conservation Corps to the Peace Corps, young people-- always brimming with idealism and energy -- have been at the front lines of citizen service.

Six years ago, I fought to create AmeriCorps to tap that same vein in today's generation, to give them a new chance to serve America, earn money for college and work side by side with peers from all walks of life. I wanted to prove the pundits wrong -- that our young people had not become a generation of cynics and slackers, but a generation of patriots and doers.

In just four years, AmeriCorps members have touched the lives of millions of Americans. They have built thousands of low-income homes with Habitat for Humanity. They have helped churches in Dallas tutor children and raise reading scores by more than half. They have worked with the American Red Cross to comfort families hit hard by Hurricane Georges, setting up emergency shelters, clearing away trees and rebuilding homes.

Nothing in my time as President gives me greater pride than this: as of today, 100,000 young people now have served our nation through AmeriCorps -- more than served in the Peace Corps during its entire first two decades. Some of them are with us tonight, and we should thank them for their service.

I ask this Congress to thank these young people as only you can: by increasing support for AmeriCorps. And to all the young people in America, I want you to know that you can make a difference in your community. Whether through AmeriCorps, your church, or other community organization, you have the power to make this world a better place. I challenge you to use it.

## **Democracy**

As we work to strengthen our communities, we must work to renew our democracy.

Our campaign finance system is broken -- our laws overwhelmed by an out of control fundraising arms race. We have a duty to make the Year 2000

Our elections, quite simply, cost too much. In the next election, if current trends continue, private interest will contribute [\$1 billion] to candidates and parties. Last year, a strong bipartisan majority in the House of Representatives passed strong campaign finance reform. But obstruction by a partisan minority blocked reform and preserved the status quo. I ask the House to pass reform quickly once again -- and I ask the Senate to say no to big money and yes to a strong democracy in the Year 2000.

[free TV]

[And we must recognize that far too few Americans vote. Americans will go around the world to fight for the right to vote -- but too often, we won't go across the street to exercise that right ourselves. [election reforms - to come]]

**ONE AMERICA**

But the greatest opportunity facing our nation is also our oldest challenge: the challenge of building One America out of the most racially and ethnic diverse peoples on earth. What can we do to build one nation for the 21st Century?

For the past year and a half, our Initiative on Race has sought to bridge the divides between our people. What we discovered was that the will to bring our people together across all racial lines is strong in America. Thousands of ordinary citizens through their schools, their businesses, through the arts and media, are taking the lead, bringing people from all walks of life to talk and listen to each other, to learn together, to serve side-by-side in our communities. I challenge more communities to follow their example.

But we must also recognize that there is much we can do as a nation to close the opportunity gaps that continue deepen the divides between the races. We must continue to revitalize our most troubled schools, to press forward in our fight for safe streets and safe neighborhoods, to work to bring the American Dream to every corner of America.

For generations, that dream has represented a fundamental compact among our people. We believe that all citizens should have the chance to rise as far as their God-given talents will take them. What counts is energy and talent and heart. No arbitrary distinctions should bar the way. So when we deny opportunity because of ancestry or religion, race or gender, disability or sexual orientation, we break the compact. It is wrong. And it should be illegal.

I call upon Congress to honor our most cherished principles and make the Employment Non-Discrimination Act the law of the land.

America has always been lifted up by our struggle to live closer to our ideals of freedom and equality. But too often, in too many places across America, too many Americans become victims of ignorance and intolerance, hate and violence.

[With us tonight are Judy and Dennis Shepard of Casper, Wyoming. Dennis is an oil rig inspector. Judy [stayed at home and raised two fine sons]. This fall, they were proud when their elder son Matthew enrolled in his Dad's alma mater, the University of Wyoming. But barely a few months into his freshman year, Matthew was beaten, tied to a fence, and left for dead on a deserted country road. He was killed, police say, because he was gay. My fellow Americans, this should never have happened to the Shepards and their son -- and it should never happen to any family in America.]

The American family cannot survive when we harbor hate and foster violence against those who are different, when any one of us refuses to acknowledge that each and every one of us are children of God. So I call on Congress to speak with one voice and pass the Hate Crimes Prevention Act this year. We must declare unequivocally that America values every one of our people; that we will never ever tolerate acts of violence and intolerance in this great land of freedom and equality.

But we have much more to do. The face of America will change immeasurably in the next century. We are witnessing the largest wave of immigration since the turn of the last century. Today, one in ten people in America was born in another country. By the end of next year, California will have no majority race.

I believe our newest immigrants are good for America. They are revitalizing our cities, energizing our culture, building our new economy. They are strengthening our ties to the global economy, just as earlier waves of immigrants settled the frontier and powered the Industrial Revolution.

I know that the new accents and new faces have left some Americans feeling unsettled, fearful that the America they know and love is becoming a foreign land. That fear is understandable, but it is wrong. My fellow Americans, just look at our immigrants and you will see yourselves, your parents, your grandparents.

We must say to our newest immigrants: You are welcome here, to share and enlarge the bounty of America. But you, too, must take responsibility -- to obey our laws, to learn English, to strive to enter the mainstream of American life and to make America's heroes your own. That is why in my balanced budget, I am proud to boost our efforts to teach our immigrants English, our customs and our system of government.

We must help them and all Americans understand the most basic American lesson of

all: Whether your ancestors came here on slave ships or on the Mayflower, whether they landed on Ellis Island or Los Angeles International Airport, whether they arrived yesterday or have been here thousands of years, if you believe in the Declaration of Independence and the Constitution, if you accept the responsibilities as well as the rights embedded in them, then you are an American.

### **PERORATION: THE MILLENNIUM**

This is the last state of the Union of this century -- and you are the last Congress of this century. Barely 300 days from now, dawn will break on a new century and a new millennium. This is a moment for clarity and contemplation. It urges us to come together, to honor the past and imagine the future. We are barely 300 days away from the dawn of a new century in a new millennium. The approach of a new millennium gives us yet another important opportunity to come together as one community to honor the past and imagine the future.

I thank the Congress for its support to restore the Star Spangled Banner and other national treasures that are known to every schoolchild. Last year, the First Lady traveled across our country to inspire more communities to work together to Save America's Treasures. By working to preserve the places in which our forbears lived and worked, from Thomas Edison's laboratory to Louis Armstrong's house in Queens, children today and in the next century can better understand who we are and where we came from. So I call on cities

and towns to strive to become "Millennium Communities" -- working to mark the millennium through one shared endeavor, whether by restoring historic places, cleaning up a river or a park, recruiting a volunteers to help children.

Peroration to come ...

## EDUCATION INSERT

We must take care not only of older Americans, but of our children. Today, there are more children in our public school system than at any time in our nation's history, and that system must be transformed, to prepare all our children for a new economy that prizes knowledge, creativity and skills as never before.

The doors of college must be open wide--and we have opened them. With easier student loans, more Pell grants for deserving students, 1 million new work study jobs, education IRAs, and the HOPE scholarship tax cut that nearly 6 million Americans will receive this year, we can say today what we could not say six years ago: Every high school graduate in America, regardless of income, can afford to go to college.

We have also made progress in renewing our public schools with higher academic standards, more discipline, and a focus on results. Nearly every state has imposed tougher academic goals, and a voluntary national test is being developed to measure students' progress in meeting those goals. Thousands of schools have cracked down on drugs, gangs, and violence. We are teaching values and finding a proper place for religious faith in our public schools.

All these efforts and more have begun to bear fruit. SAT scores are up. Math scores have risen in nearly all grades nationwide. This is good news. But there is a perplexing

Need a stand of list - have to do it lower the hand,  
but also - giving them incentives for wealth  
- bonuses + penalties

problem: while our fourth graders outperform their peers in other developed countries in math and science achievement, our eighth graders are around average, and our twelfth graders rank near the bottom. Clearly, American students have the capacity to learn and start out strong, but the system fails them.

We can and must do better, by setting in motion a revolution of rising expectations. Each year the national government invests over \$13 billion [ck] in our public schools. I believe we should invest more in education -- in our schools, our classrooms, our teachers. But I also believe we have a responsibility to invest in what works and insist on results when we do. Later this year, I will send Congress a plan that for the first time will hold states and school districts accountable for progress and reward them for results. I propose that every school in every community receiving federal help for their schools take the following steps, which we know work.

First, all schools must end social promotion. Too many students move from grade to grade without mastering the basics. This practice must stop. We need to give young people the help they need to meet high standards, and make sure they do. My new balanced budget triples the funding for academically-enriched summer school and after school programs, so schools can end social promotion and give extra help to the kids who need it. We can keep one million students learning in the hours after regular school lets out, when parents work and juvenile crime soars. Our children should learn their lessons in the school house, not on the streets.

Three years ago, Chicago Mayor Richard Daley sparked such a revolution in his city's schools when he ended social promotion and started giving students extra help during and after school to master the basics. If they still fall short at the end of the year, they go to summer school and get special tutoring until they do pass -- and most do.

It is tough medicine, but it works. Citywide math and reading scores have gone up three years in a row in Chicago, with the biggest gains coming from some of the most disadvantaged students. One of those students is Darneisha Rogers[being vetted], who lives in Chicago's tough Cabrini-Green public housing complex. Last spring, Darneisha got a letter saying she would have to repeat sixth grade unless she raised her test scores. Distraught at first, Darneisha buckled down, and in six weeks of summer school boosted her reading level by eight months and her math by a year and five months. She passed her test, entered seventh grade with her friends, and now she's thinking about going to college. Darneisha is with us tonight, sitting with the First Lady.

Every child in America can learn. We owe all of them the same chance as Darneisha to prove they can.

Second, all states and school districts must identify their worst-performing schools, and take serious, even drastic steps, to turn them around. We will no longer tolerate schools that deny generation after generation of disadvantaged Americans the opportunity to learn their way out of poverty. That means, if need be, bringing in new principals, new curricula, and

new, better-trained teachers. If schools still fail to improve, they should be shut down and the students placed elsewhere. That's what [19] states are already doing. My balanced budget includes \$200 million to help turn around failing schools.

Third, all states and school districts must be held responsible for the quality of the teachers they send into the classroom. None of us would be here tonight if it weren't for our teachers. We should lift them up, not tear them down. But in too many schools, teachers do not have college majors--or even minors--in the subjects they teach. We should require new teachers to pass skills tests, and all teachers to know the subject they're teaching.

And we need to attract our best and brightest to the teaching profession. My budget includes a five-fold increase in scholarships for people who agree to teach in our poorest schools.

We as a nation must do more to get better trained teachers into our poorest neighborhoods. We must recruit teachers for the inner city, for Indian reservations, and for communities where we must give our children every chance to learn their way out of poverty.

Fourth, we must empower parents by giving them better information about their schools. In most communities, it is easier to get information on the quality of local restaurants than the quality of local public schools. Schools issue report cards on students. I believe every school district should issue report cards on schools.

Empowering parents with better information will create tremendous competitive pressure on schools to improve. So will expanding the choices parents have by creating more innovative public charter schools. There was one such charter school in all of America when I became President. There are 900 today. By early in the next century, there should be 3000. We should also offer parents new public school choices tailored to the way families work and live today -- including new public schools located at workplaces, so that harried working parents can spend more time with their children and get more involved in their schools.

To bring more discipline, more attention, and more learning to every young child, we reached across party lines last fall and began to hire 100,000 new highly-trained teachers to reduce class size in the early grades. I ask this Congress to finish our mission of hiring 100,000 new teachers.

We must also give our children schools as modern as the world they live in. The average school buildings begins to deteriorate after 40 years, and the average school building in America today is 42 years old. Too many of our schools are falling apart, with walls too old to be wired for the Internet. Many are so packed with the Baby Boom's nearly 53 million school children that trailers must be used to handle the overflow. Last fall, Congress missed an opportunity to create a tax break to modernize or build 5000 new schools. This year, for the sake of our children, Congress must not miss that opportunity again.

In 1996, the Vice President and I promised that every classroom and library in America

would be connected to the Internet by the year 2000. We have made new investments in computers, training for teachers, and discounts to make logging on affordable. Since then, nine times as many classrooms have been hooked up. But another million classrooms have yet to be connected to the technology that will connect children to the future. This year, we will make \$2 billion available to link all our classrooms to the Internet. I ask every school in every community in America to make that vital connection.

I ask the Congress to fund a Digital Library that will put online state of the art math and science curriculum, the treasures of the Smithsonian, and up to 400,000 of the greatest books in human history. Imagine what our children can accomplish when they enter a library as vast as their imaginations. We can put that library within the reach of every child.

cc:

Maria  
Michael  
Staff Sec.  
Gene  
Bruce

January 8, 1999

Memorandum to the President

From: Al From

Subject: The State of the Union and Your Last Two Years

In this memorandum, I will outline the approach I think you ought to take in your State of the Union address, an approach that I hope will allow you to frame the debate for the next two years and solidify your legacy as a Third Way reformer.

I know this is an awful time for you, but I'm confident that, in the end, even this shall pass.

Despite all of the discomfort of the past year, I believe you have the opportunity to leave office on January 20, 2001, with an unbelievable record of achievement and a lasting positive legacy in place.

The Republicans can never take your accomplishments away from you, no matter how many investigations they pursue or partisan articles of impeachment they pass.

Your accomplishments in redefining the Democratic Party, changing the shape of American politics by defining a new center, and leading a new Third Way politics throughout the Western democracies are, if secured, a lasting legacy that will only grow as time passes.

I swell with pride every time I think about how far that effort we started together eight years ago has come – and largely because of what you've accomplished in office. It is more than a footnote; it is truly historic.

Our challenge now – and your challenge in the last two years of your Presidency – is to assert firm ownership of the politics that we created. We need to assure that the Third Way is clearly known as New Democrat and that smart Republicans, like George W. Bush, don't co-opt it or even worse steal it away from us. Meeting that challenge is not only essential to securing your legacy, but it is also critical to the political success of the Vice President and the Democratic Party in 2000 and beyond.

Continuing to own our politics will be much more difficult without you, for we will never see a political leader in our lifetime with your political skill. For that reason, I believe it is imperative that you do everything you can to secure ownership of the Third Way for the Democratic Party. My strategy for doing that starts with the State of the Union.

## *The State of the Union*

The tone of this State of the Union is unusually important. You need to be bold, visionary, and strong. When you finish, you want the political press to say, impeachment or not, you are in charge, setting the agenda with bold and innovative ideas, while your political opponents wallow in impeachment. You want to remind ordinary voters why you're such a good President and why they give you a 73 percent approval rating.

The way to do that is by offering a big and visionary theme and by backing it up with a few ideas that are bold enough and unexpected enough to turn heads.

The key is being big and bold. If you want a legacy grand enough to counter impeachment, it has to be as a Third Way reformer. You need to make it clear that you're not going to pull back or become timid because of impeachment. If anything, you're emboldened and more determined than ever to secure a place in history by completing the political revolution you started in Cleveland in 1991.

### 1) The Big Theme

In this speech you should declare an "era of new progress". In your 1996 State of the Union, you declared that the era of big government had ended. In the 1999 State of the Union, on the eve of a new century, you should declare the "era of new progress" has begun. Replacing the era of big government with the era of new progress should be the framework for your speech.

That framework offers a context for reminding people of your record – the progress we've already achieved. You can offer your litany of achievements – on the economy, the budget, welfare, crime, streamlining government, etc. In detailing your achievements, you can make the case that they were made possible, in large part, because you ended the era of big government in a progressive way. You replaced a big government with a smaller, more effective, empowering Third Way government that gives people and communities the tools they need to solve their own problems. A \$75 billion dollar surplus underscores your point – in terms of our reaping the benefits of a strong economy, fiscal restraint, and a streamlined more cost effective government.

That framework provides a perfect segue for moving to your new ideas – the next steps in the era of new progress.

### 2) The Ideas

Over the past several days, you've put forth a number of good ideas that will be part of your speech. But I think, in the end, whether this speech has any lasting or defining impact will depend on what you say on Social Security, Medicare, education reform, and a handful of other issues.

To really have impact, you need to raise the stakes on those issues with what is easily perceived as big, bold and innovative. Here are some suggestions, :

On Social Security: you could propose the grand bargain Will Marshall outlines in his piece in the next issue of the *New Democrat* (article attached). The essence of that bargain is as follows:

You reaffirm your commitment to preserving the system's social insurance for the disabled and survivors, for which there remains no plausible private alternative, and back reforms aimed at strengthening Social Security's basic guarantee against poverty, both by raising the minimum benefit all retirees get and changing the outdated formula the produces high poverty rates among elderly women, especially widows.

You could then support diverting a small percentage of payroll taxes into personal retirement accounts. By lifting the "floor" for everyone – and thereby guaranteeing that no low-wage worker would be made worse off by market-based reform – you would be able to challenge the premise of opponents of personal accounts that only by investing the money itself could government shield individuals from undue market risk. Government could provide further safeguards by emulating the Federal Thrift Savings Plan, which limits federal workers' choices to rule out investments that are overly conservative or too risky. That plan also offers a model for keeping overhead down: have Social Security continue to collect all payroll tax revenue and transfer some portion to individual accounts designated by workers.

Finally, you could challenge those on all sides of the Social Security reform issue to ensure the system's solvency while also financing the transition to a partially funded system. It makes sense to dedicate a healthy chunk of future surpluses to that purpose. In addition, Congress should embrace a gradual increase in the retirement age to 70 by 2030, in keeping with the advances in the average life span of older Americans. The best way for boomers to help solve the problems their retirement will create is to work longer, keeping the work force from shrinking as rapidly and boosting payroll tax revenues. Less dramatic but still important ways to close the funding gap include bringing state and local employees into the system and adjusting the Consumer Price Index downward.

The plan that comes closest to that "grand bargain" is the 21<sup>st</sup> Century Retirement Security Plan issued last summer by the National Commission on Retirement Policy, which was co-chaired by Senators Breaux and Gregg and Congressmen Stenholm and Kolbe. That plan has bi-partisan support and you could offer it as the starting point for considering Social Security reform this year. Breaux had a piece in the last *New Democrat* on the plan which I've already sent you, but is attached.

On Medicare: I think you should think hard about pledging to work with the proposal that comes out of the Breaux-Thomas Medicare Commission. I realize that is likely to be controversial, but the Medicare crisis is more immediate than Social Security and identifying with Breaux's proposal would be a bold and, I think, the right thing to do.

On education: The key here is to go back to your 1997 message of standards, testing, accountability, and choice and de-emphasize the 1998 message of more spending first. I have no quarrel with most of the new spending, but every bit of it ought to be tied tightly to performance and accountability.

Both accountability and spending are parts of education reform, but if you emphasize accountability you gain credibility as a reformer. If you emphasize spending without hammering on accountability, you make the Democratic interest groups happy but you lose a lot of the reform edge because you send the message that you are willing to feed a broken system.

I think you took a major step this week with your emphasis on ending social promotion. That sends the message that you're unwilling to stand for business as usual.

My ideas on education are very simple, and probably controversial with the educational establishment, but it would leave no doubt that you're really serious about improving public schools. And, if you pursued it, I think it would give you freedom to propose more money for schools.

Simply, to establish some requirements that states have to meet to get federal aid for education.

For example, you could say that no state would receive aid which didn't impose standards and testing by a certain year. You could have a formula for descending amounts of aid for non-compliant states so they would not be cut off entirely.

You could deny aid to states that didn't, in effect, make every school a charter school by developing a performance contract with specific goals.

Or you could limit aid to states in which schools spent more than a particular percent of their education funding on administration and not in the classroom.

You get the point. The idea is to leverage the federal aid to force accountability in the education system. I think that's the clearest, most direct signal you can send that you want to see the quality of education improve.

On National Service: I think this is the time to call for an expansion of Americorps. No program expresses the New Democrat ethic of mutual responsibility better than Americorps. I've spoken to John Podesta and Bruce Reed about using an expanded service corps to provide home care

for elderly people who might be able to live at home instead of in a care facility if they had someone who could visit them every day, make sure they can get medicine, groceries, and to doctor's appointments, etc.

On trade: I think you need to be very clear that despite the growing protectionism at both ends of the political spectrum, you remain firmly committed to expanded trade and to opening markets for American goods.

I believe you should offer a new bargain on trade.

One part of that bargain is making it clear that the United States stands for expanding, not restricting trade, by coming back with a fast track proposal and any other trade initiatives that are necessary to keep the economy growing.

The other side of that bargain should be a new commitment to an investment package to expand the winners' circle, so that every American will have the chance to share in the benefits of the new economy and expanded trade.

In the most recent edition of the DLC's new journal, *Blueprint*, Bob Litan has a piece (attached) on expanding the winners' circle in which he discusses a number of ideas. But two that I think are especially noteworthy are:

- \* an idea Rob Shapiro has promoted to make on-the-job training more accessible to all workers, not just the top echelon workers in companies. It is to add a "non-discrimination" clause to the tax deduction firms now get for training expenses for employees – so that they would only get that deduction if training is offered to a broad spectrum of workers, not just the top employees. A similar "non-discrimination" clause for deductions for health care and pensions.

- \* a new idea for funding training and continuing education that we call LEAP (Lifelong Education Advancement Pursuit) loans, modeled on the college loan program. Through LEAP loans, people with household incomes below a certain threshold (such as the \$100,000 for education tax credits) would be eligible for a certain amount of financing (such as \$40,000) over their lifetime. The loans would be provided at subsidized interest rates, carry long maturities, and defer repayment for a fixed period (say four years). Such a program need not be that expensive. If, say, two million workers borrowed an average of \$5,000 a year with an annual interest subsidy (counting the delayed payment benefit) of 10 percent, the government's cost would be 10 percent, or one-sixth of the annual cost of the recently enacted education tax credits. An added twist would be to base repayments on the borrower's income so workers would not find themselves overburdened with loan payments if their incomes do not rise initially.

On welfare and poverty: Come back with your day care proposals to ease the transition from welfare to work. And, I'm in favor of whatever ideas Andrew Cuomo has for increasing home ownership among poor people. I would make that idea - achieving the American dream of owning a home possible among disadvantaged Americans - a spotlighted part of the speech.

On corporate welfare: Far and away the best way to pay for any initiatives – as you've already indicated – is to cut corporate welfare.

The rationale for that course is absolutely consistent with the first principle of the New Democrat movement and the animating principle of the Democratic Party since the days of Andrew Jackson: equal opportunity for all, special privilege for none.

You ought to make it clear that federal dollars should be spent on investments that help the whole economy grow and create opportunities for all Americans, not on subsidies that give advantage to powerful industries or interests.

The best way to get at corporate welfare without getting your head chopped off is still the original Rob Shapiro idea of creating a Base-Closing like commission that recommends, for an up or down vote, each year which subsidies should be eliminated or trimmed. You should propose creation of that commission with a target of eliminating \$50 billion in corporate subsidies a year, each year for the next five years. Sen. John Kerry has sponsored a bill to implement the Shapiro plan. And, it is an idea that should get support from all parts of the Democratic Party and that puts the Republicans, eager to cut spending for social programs, on the spot.

Those are my ideas for the State of the Union.

### Follow Up

Since this memorandum is longer than I expected already, I won't add a detailed plan for following up the State of the Union with a plan to make sure we continue to own the politics we created after you leave office.

But it is important that we think about that. In Stephen Skowronik's 1996 piece on Third Way Presidents, which I've shared with you before, he makes the point that no Third Way President in this century has seen his politics continue after he leaves office. You will be the first – and we are committed to making it happen.

That's why we're making a major effort to train several hundred up and coming state and local leaders around the country on how to practice your politics in their day to day activities. I'm actually writing this memo at a hotel room in Phoenix where we're training legislative and local leaders today.

We need to launch a real education effort over the next 18 months both to educate the American people on the Third Way and to create a real identity for the New Democrat brand. As Tony Blair said at the meeting we had at Chequers, we need to brand our politics so we can occupy the territory.

I think branding our politics, building the New Democrat brand so voters understand what it means, should be your last campaign. You should use that campaign, after the impeachment trial ends, to help ensure that your legacy is what it should be. I'm ready to do whatever's necessary to make sure that happens. And, I've got some thoughts about how we do it that we can discuss whenever you're ready.

Good luck.

# Expanding the Winners' Circle:

by Robert E. Litan

THE SOLUTION

## A GUIDE FOR INCREASING UPWARD MOBILITY

Economic policy, it is often said, is about expanding the size of the pie and ensuring that its slices are not handed out too unevenly. By this criterion, the American economy was highly successful in its "golden age" from after World War II until 1973. Incomes for Americans in all parts of the income distribution increased faster than 2 percent a year — the pie was growing smartly while the ever larger slices were handed out fairly evenly. Since then, the economic pie has grown far more slowly, at little more than 1 percent annually, while the slices have grown far more unequal, bigger for those at the top income levels and actually smaller for those at the bottom.

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But the pie metaphor doesn't distinguish who gets the slices of the pie — the young or the old, for example — but instead simply measures how slices are divided among those who happen to be in different parts of the income distribution at any given time. In the real world, however, the economy is constantly in flux, with people moving in and out of the workforce and up and down the income scale.

The dynamic nature of the economy suggests that an escalator is a more useful metaphor. The distance between the various steps measures how unequal society may be. But a defining ethic of America has long been that, no matter which step you first land on or how great the distance to the higher steps, you have a good shot at moving up if, as President Clinton has frequently said, "you work hard and play by the rules."

The ethic, of course, is part myth. Children of privileged parents get on the escalator at much higher places than do those from broken homes and rough neighborhoods. But Americans see enough success stories — the immigrants who come to this country with literally nothing and whose kids soon are excelling at school and getting good jobs — to remain committed to the ethic, as they should be.

As we enter the 21st century, policymakers' central challenge will be to keep the opportunities that undergird the ethic strong. The stable workplace of the golden age, when many could count on a job with one company throughout their working lives, has long since vanished. Americans know that they must rely on their own wits and drive to constantly upgrade their skills so that they can survive and prosper in today's high-tech, global economy. Otherwise, they may well fall down the economic escalator — taking a lower-paying job after months of traumatic unemployment — if they become victims of the next downsizing, re-engineering, or merger. America must find a way to help more people avoid this fate. If it does not, the gap in Americans' lifetime incomes will grow ever wider in the years ahead, as Daniel McMurrer and Isabel Sawhill warn in their excellent new book, *Getting Ahead*.

McMurrer and Sawhill point to the growing inequality in wages over the past 25 years (with the modest interruption since 1993 discussed shortly).

In the long run, equal opportunity on the economic escalator is best assured by improving K-12 education for all American children, a subject to be tackled in a future issue of *Blueprint*. In this article, I outline four ways to broaden opportunities for all those already in the workforce:

- run a "high pressure" economy;
- make on-the-job training more widely available;
- create the Leap Loan program for lifetime learning;
- create a system of wage insurance.

#### **Run a "High Pressure" Economy**

In the early 1970's the late Arthur Okun, who was chief economist during the latter years of the Johnson Administration and is widely regarded as one of the great economists of the post-war era, demonstrated the virtues of keeping the economy operating at or near "full employment" as a way of sustaining faith in the American ideal of equal opportunity. Okun found that a "high pressure" economy not only keeps the escalator moving at its "potential" rate of speed, but it also improves upward mobility — not just for new entrants who often come in on the bottom steps (in terms of pay level) and learn what it means to hold a job, but for many currently employed workers who find it easier to advance within their own companies.

What was true nearly 30 years ago is true today. According to the 1998 *Economic Report of the President*, after falling for over a decade, real earnings for households in the bottom quintile of the income distribution actually rose faster between 1993 and 1996 than in all other households (reversing a trend of the 1980's). Similarly, after remaining virtually flat from 1973 to 1993, median family earnings increased by 5 percent over the same period. A major reason for this welcome turnabout is that workers throughout the economy have been finding it easier to move up — thanks to

prudent fiscal policy that has brought down interest rates to their lowest levels in a generation and to extraordinary monetary policy that has allowed the current expansion to eat away at the nation's unemployment rate without igniting inflation.

A clear lesson is that the nation reaps great benefits when the economy is allowed to run flat-out. A fast-moving escalator not only takes millions of Americans along for the ride, but makes it easier for workers in the bottom of the income distribution to climb to higher steps on their own.

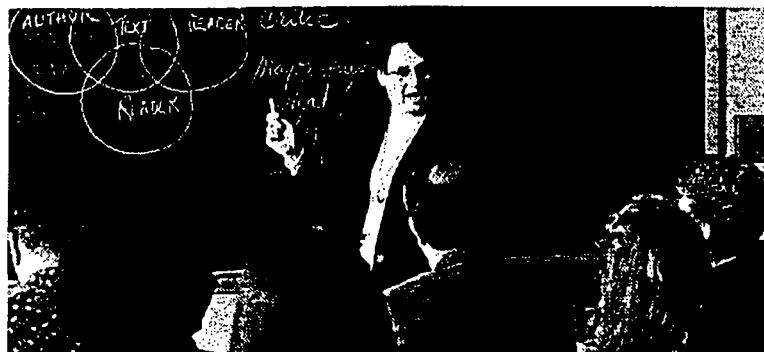
But policymakers should not rely solely on sound macroeconomic policy management to assure continued upward mobility. Society has an obligation to explore all reasonable microeconomic policies for making it easier for people to climb up the escalator, however rapidly it may be moving, or to climb back on with minimum wage erosion if they lose their jobs. One of the fundamental differences between the old economy and the New Economy is that fast-paced changes in technology require most workers in the New Economy to continually upgrade their skills. And yet, until very recently, the government has provided relatively little help once people leave the cocoon of their formal education.

At the Administration's suggestion, Congress recently enacted tax legislation that provides modest incentives for many Americans already in the workforce to upgrade their skills. Americans with earnings under \$100,000 can take a 20 percent tax credit on the first \$5,000 — and, after 2002, on the first \$10,000 — of expenses for post-high school education undertaken at any point in their lives. While this is a major step forward, the tax credit can only be taken if the individual is in school at least half-time and thus may be of limited use to many workers, who may not have the time to take that heavy a course-load given their current jobs. Moreover, the tax credit does not address a key problem facing many individuals in the workforce who want to attend school: providing *financing* to cover the tuition (which the availability of the tax credits may cause to increase somewhat).

The federal and state governments have paid more attention to the plight of displaced workers, providing them with unemployment insurance payments for 26 weeks or longer and offering a variety of training programs. Nonetheless, while unemployment insurance is important, it is too much "safety net" and not enough "trampoline." Neither the regular unemployment insurance program nor the extended version for workers displaced by trade (under the Trade Adjustment Assistance program) encourages workers to return quickly to work because workers continue to collect as long as they stay home (although they may be in a training program). Moreover, neither unemployment insurance nor trade adjustment assistance directly helps many workers who are forced to take a cut in pay when returning to work. This is perhaps the most severe long-term impact of unemployment: having to re-enter the economic escalator on a much lower step.

The hodgepodge of federal government training programs also has had its flaws. Some improvements are likely now that Congress has enacted the Workforce Investment Act (WIA) of 1998, after several years of prodding by the Administration. Among other things, the WIA consolidates multiple training programs, devolves responsibility and money for training to the states in "one-stop" offices for delivering counseling and training services to unemployed workers of all types, and encourages the states to give workers vouchers so that they can choose the training they believe best suits them. Still, the WIA will take time to have an effect, and even under the best of circumstances it should be viewed only as a good first step toward helping temporarily displaced workers.

While the government's current efforts deserve applause, the conditions of the New Economy require that we expand the winner's circle — or watch the gap between the well-to-do and the working class grow to unacceptable levels. Three ideas for expanding the circle follow.



### Make On-The-Job Training More Widely Available

Most private sector companies have incentives to train their employees because that training will help workers be more productive and deliver better products. According to the American Society for Training and Development, American business spent \$55 billion on training in 1995.

But company-provided training primarily benefits a relatively small portion of the American workforce. For one thing, larger companies spend relatively more on training employees than do small and medium-size companies, which often do not have the resources or time to train their workers. Moreover, workers for these smaller companies tend to earn less and receive less generous benefits packages than do their counterparts at major corporations. Even within large companies, training is disproportionately provided to professionals and higher-salaried employees. And understandably, companies do not usually train workers for new careers, the option that for many people offers the best chance of moving up the escalator.

Robert Shapiro, former vice president of the Progressive Policy Institute and current Under Secretary of Commerce, has suggested an innovative way to encourage firms to spread around the training wealth more evenly. He notes that currently firms may count any training expenditures as a tax deduction — even those for junkets by top managers who attend a few courses in the morning at some resort but then frolic at the beach or on the links for the rest of each day. Accordingly, Shapiro suggests that much as the tax law now permits companies to deduct health care and pension costs only if they meet a “non-discrimination” test, firms should be able to deduct expenses for training only if it has been offered to a broad spectrum of the workforce.

Admittedly, writing workable, easy-to-apply non-discrimination rules is not simple. Current pension rules are a lawyers’ and accountants’ relief act. In addition, training expenses — some of which may consist of on-the-job instruction by full-time supervisors — are inherently more difficult to verify than health care and pension costs, which are almost always paid out to third parties. Nonetheless, the perfect should not be the enemy of the good. It should be possible to write a workable “safe harbor” such that firms could be deemed to satisfy the training non-discrimination test if, for example, they demonstrated that their training expenses constituted some portion (say 1 percent) of the salaries paid to the employees in the bottom 25 percent or half of their pay scale.

The non-discrimination test will not solve all problems with employer-provided training. Because training is like any other investment that firms consider making — it pays only if workers stay around long enough to apply the lessons they learn to help the firm make more money — companies may still be reluctant to help upgrade their workers’ skills. Nonetheless, because many workers do stay with their companies and so investing in their skills promises payoffs for firms, a non-discrimination test for tax deductibility of training expenses should at least help ensure that those at the bottom of the pay scale will not be left behind as companies design their training programs.

### Create the LEAP Loan Program for Lifetime Learning

Changing the tax law to ensure that training is made more widely available within companies, however, is not likely to help most Americans who work for smaller companies or workers who want to develop skills for new careers. Nor, for reasons already given, will the new lifetime tax credit help many of these

workers. Instead, these workers need *financing*, especially those in the bottom half of the income distribution who generally have very little liquid savings (outside of retirement accounts) to pay for further education.

The obvious solution to this problem is to provide LEAP (Lifelong Education Advancement Pursuit) loans, modeled on the program that has helped finance the educations of tens of millions of American college students, most of whom are still in the workplace. Through LEAP loans, people with household incomes below a certain threshold (such as the \$100,000 limit for the education tax credits) would be eligible for a certain amount of financing (such as \$40,000) over their lifetime. The loans would be provided at subsidized interest rates, carry long maturities, and defer repayment for a fixed period (say four years). Such a program need not be that expensive. If, say, two million workers borrowed an average of \$5,000 a year with an annual interest subsidy (counting the delayed payment benefit) of 10 percent, the government's total cost would be \$1 billion, or 1/6 of the annual cost of the recently enacted education tax credits. An added twist would be to base repayments on the borrower's income so that workers would not find themselves overburdened with loan payments if their incomes do not rise initially.

### Create a Wage Insurance Program

The other component of any upward mobility program must be a better trampoline for those who temporarily fall off the escalator because of involuntary unemployment. The new idea here is to provide wage or earnings insurance to supplement — and, as a practical matter, partially supplant — unemployment insurance.

For many workers, the most significant loss they suffer when getting laid off is not the temporary loss of income while they look for a new job, but instead the immediate and often long-lasting erosion in their earnings when they do land new employment. Workers develop what economists call “firm-specific” capital in the jobs they currently hold: a set of skills

and relationships that often makes them more valuable to their existing employers than to their new ones, especially ones in a different industry. That loss of firm-specific capital is the reason many displaced workers have to return to the escalator on a lower step.

Wage or earnings insurance would help compensate workers for this painful adjustment, while providing strong incentives to returning to the escalator as quickly as possible. For example, under the version of the idea outlined in *Globaphobia* (a recent Brookings-PPI-Twentieth Century book I co-authored with Gary Burtless, Robert Lawrence and Robert Shapiro), displaced workers would be provided — for some period of time — a portion, say 50%, of their wage loss suffered in taking a new job. The total compensation would be capped at \$10,000 to ensure that upper income individuals were not disproportionately compensated. Payments would be made through the states, as with current unemployment insurance. To provide a concrete example: A worker who made \$40,000 at her old job who takes a new job paying \$30,000 would collect the equivalent of \$5,000 a year (50 percent of the \$10,000 income loss) until the eligibility period expired.

Of key importance: Workers would not begin collecting wage insurance payments until they found a new job, and would collect only for a set time period that would be counted from the time they were laid off (say, two years). This feature would provide a very strong incentive for workers to find new employment, even if it meant taking a pay cut, which can be viewed as either the loss of firm-specific capital or the amount the firm must reinvest in training the new employee — or both. Indeed, wage insurance can be seen as a subsidy for the kind of training that has proved to work the best: on-the-job rather than in a classroom, where job placement prospects always will be uncertain.

As a government program, wage insurance could take various forms. In its most limited version, it could be viewed as a supplement or even replacement for Trade Adjustment Assistance, aimed at workers displaced either by trade generally or by new trade agreements.

In that event, it is unlikely that the program would cost more than \$1 billion annually, and conceivably could cost much less.

The logic of wage insurance, however, argues for a more expansive application to the workforce. Trade, after all, is only one — and indeed a relatively minor — source of displacement. But a general program could be considerably more expensive. A variation of an economy-wide program would be to provide a refundable income tax credit to workers who suffer a loss in income exceeding some threshold percentage.

It might even be unnecessary to run wage insurance as a government program. Instead, government could work with private sector insurers to develop a product that these insurers could provide either directly to workers or through employers as a fringe benefit. Indeed, an increasing number of firms already are offering severance benefits as a fringe benefit to entice new workers, who understandably are worried that they could one day become the next victims of downsizings or mergers.

Private insurers can be expected to figure out how to structure insurance so as to minimize the familiar problems of “moral hazard” (insureds taking greater risks because of the insurance) and “adverse selection” (only the riskiest insureds signing up for the program). One possibility is to offer the insurance only for workers who have been with a firm for some minimum period of time (say, one year), to avoid churning.

There is one impediment that insurers would need some government help overcoming, however. Insurers now do not offer unemployment insurance primarily because of the risk that a large increase in the statewide or national unemployment rate could require them to compensate many of their insureds at one time. For similar reasons, insurers are reluctant to write insurance against large natural disasters, which can cause widespread damage to many insureds simultaneously.

The government can address this risk, however, by selling reinsurance to private insurers to cover their costs when the statewide or national unemployment rates exceeds a certain threshold. Indeed, Congress has been considering during the past year a similar system for reinsuring property-casualty insurers against large disaster-related risks.

### **Where Will The Money Come From?**

An effective program for expanding the winners' circle in the New Economy need not be prohibitively expensive. Adding training non-discrimination provisions to the tax code probably wouldn't cost anything and, indeed, might gain the Treasury some revenues if it increased productivity. As already noted, a lifetime skills upgrading loan program could be structured to cost in the \$1 billion range. A carefully targeted wage insurance program might have a cost that is at least similar and, arguably, much less if run as a reinsurance program for private insurers (which, if properly priced, need not cost the government anything).

Whatever the modest costs, they should be kept in perspective. With new education tax incentives in place, the federal government now spends directly and through the tax system over \$13 billion annually assisting college students with their education. Counting the lifetime learning credit, the government spends only about \$8 billion on training all the rest of the workforce combined. A modest increment for those already working is a small price to pay to assist Americans to climb higher on the economic escalator.

It should be a matter of principle and pragmatism that all Americans get a chance to share in the opportunities presented by the changes that are shaping our world. If America is to succeed in the New Economy, then *Americans* must succeed — and the circle of opportunity must be expanded so that no one is left out. ♦

# RISING TO THE CHALLENGE

*Democrats Must Redefine Social Security and Themselves for the 21st Century*

BY JOHN BREAUX

Congress will soon begin the formidable task of re-vamping Social Security, the cornerstone of American social policy in this century. As the proud heirs of Social Security's creators, Democrats have both an opportunity and a responsibility to define ourselves for the next century through our approach to reform. If we accept this invitation to re-examine ourselves and our policies, we can solidly establish ourselves in the public mind as the party with a sound, innovative, and mainstream agenda. But if we decline, we will invite Republicans to write their signature on Social Security and steal our inheritance.

As Major Garrett and Timothy Penny note in the preceding article, politicians often describe Social Security as an irrevocable social contract. But even Franklin D. Roosevelt recognized that this country demands "bold, persistent experimentation." He challenged future generations to continue improving Social Security.

Social Security is a "development towards [a] goal, rather than a finished product," Roosevelt observed. "[W]e should be constantly seeking to perfect and strengthen it in the light of our accumulating experience and growing appreciation of social needs." After 63 years of accumulated experience with Social Security, every Democrat must ask him or herself: Is this the best way to provide elderly Americans with economic security?

Republicans are still in the majority in Congress, but under new leadership in the House and sharply divided over their agenda. Under such circumstances, Democrats may be tempted to sit back and watch the discord on the other side of the aisle while defending the status quo on Social Security and other issues during the run-up to the 2000 elections.

That would be a serious error. As Roosevelt counseled, Democrats must constantly move forward, seeking new territory and new thinking. Our policy on retirement security must evolve from maintaining consumption and income to facilitating the economic development of all Americans. If we structure Social Security reform around that principle and seize the initiative, we will prevail.

## The Political Tide Is Shifting

Poll after poll shows that Americans strongly support Social Security and are willing to pay their fair share to finance it (*see related item, page 17*). Mindful of such surveys, many Democrats oppose anything more than mar-

ginal changes to Social Security for fear of alienating voters, particularly the elderly. But a remarkable shift in the political tide will occur as the Social Security debate begins next year.

Most young and working Americans know Social Security only as the system that helps to support their grandparents or parents. But as reform becomes daily headline news, these younger Americans will begin viewing Social Security from a new perspective — as future beneficiaries. As the debate intensifies and efforts to educate the public increase, these Americans will learn the truth about Social Security, both the good and the bad.

For the first time, members of Congress will become accountable on this issue to the new generation of constituents. Mail and calls about Social Security will begin pouring in from college students and baby boomers. Young and working Americans will soon begin asking themselves: Is Social Security in its present form the best we can do? Democrats must be ready with an answer.

While Americans appreciate that universal social insurance contributes to a sound economy, many believe they would be better off investing for their retirement themselves. Today's generation is markedly independent and entrepreneurial. At best, many of its members feel disconnected from Social Security. At worst, many believe they won't see a dime from their investment in Social Security when they retire.

If young and working Americans look Social Security squarely in the eye and don't like what they see, they may turn their backs on the program and join the call for dismantlement and total privatization. Social Security's universality — the fact that Americans from all walks of life contribute to and benefit from it — has been the one feature sustaining it all these decades. Democrats should recognize that erosion of universality, and with it, popular support, are the real dangers to Social Security.

Our party must not sit back, hide behind the excuse that Social Security is the third rail of politics, and dare anyone to touch it. It is just too risky. We may lose.

Social Security is *our* legacy. It is *our* responsibility to protect that legacy. We must prevent any erosion in Social Security's universal appeal by setting forth bold new policies. If we fail in this duty, rest assured that the Social Security program for the 21st century will be crafted entirely by the Republicans and supporters of total privatization.

Nearly all knowledgeable observers agree that, for

economic and political reasons, comprehensive reform can happen only in 1999. Next year will present a limited window of opportunity. There is no time for partisan bickering, heated rhetoric, or demagoguery. We must immediately move to build a reform consensus on realistic, centrist solutions.

## The Four Pillars of Reform

Social Security reform should rest on four pillars: individual accounts; increased progressivity; a strengthened disability program; and fiscal responsibility. These are ideas that Democrats, Republicans, and the American people can all agree on. Democrats should embrace these ideas quickly and brand them as their own.

### *Individual Accounts*

If we are not careful, the coming debate will become hopelessly mired in a fight between advocates of individual accounts on one side and of collective investment on the other. But we can avoid this bog if we recognize that the advocates are posing a false choice.

Creating a measure of opportunity for equity investment through individual accounts, *if done properly*, is the perfect 21st century message for Democrats. Our job now is to define the individual account on our terms.

Democrats must state clearly that Social Security should not be fully or even mostly privatized. Reform should not force ill-prepared people into the stock market to hunt for the best investments. Individual accounts should not be the sole answer to reform, but rather a core component.

We should make individual accounts a small portion of Social Security, leaving the defined-benefit foundation intact. For example, Sen. Judd Gregg (R-N.H.), Reps. Jim Kolbe (R-Ariz.) and Charles W. Stenholm (D-Texas), and I have developed a bipartisan proposal (*see box, right*) to reduce the payroll tax by 2 percentage points and shift those funds into retirement accounts owned and managed by individuals — an asset they can pass on to heirs.

The new individual accounts should be administered in a way that shields beneficiaries from fraud. Many account advocates look to the Federal Thrift Savings Plan — a heavily regulated and limited system — as a model. Under the bipartisan plan that I have helped develop, workers would be given a limited menu of fund options selected and overseen by an outside board set up by the Social Security Administration. The funds would have varying degrees of risk. Our plan also would let individuals make limited voluntary pre-tax contributions to their accounts. This would create an easy way to save for many Americans, especially those who do not have pensions and find the maze of IRAs too confusing.

Democrats must stop perpetuating the myth that equity investment and the stock market are gambles only the rich can afford. We must stop circulating horror stories about predatory investment advisers and market

crashes. Doing so is misleading, counterproductive, and paternalistic.

Yes, the stock market is risky. But experts agree that equity investment has a proper role in a long-term, prudent retirement strategy for individuals at every income level. Equity investment and the magic of compound interest should be available to every American. Without them, the poor and near-poor will be pushed further to the fringe of the economy.

Yes, it's true that many Americans know little about stocks, bonds, annuities, and mutual funds. Individual accounts won't work without an extensive public education campaign about investment strategies. Frankly, such a campaign is long overdue.

The goal of Social Security is to provide economic security to all Americans, especially those most in need. In 1935, an era of severe economic hardship, we chose to provide security through a system that redistributes wealth. We must maintain this foundation of social insurance. However, we also must prepare Social Security for the postindustrial global economy. Democrats should heed Roosevelt's advice to treat Social Security as a work in progress rather than a finished product. Shouldn't Social Security do more than simply sustain those on the fringe of the economy? Shouldn't Democrats do more to help bring these Americans into the economic mainstream?

Some Democrats favor a plan that would permit the government, but not individuals, to invest some portion of Social Security reserves in equities. If we adopt this

## The 21st Century Retirement Security Plan

Last summer, the National Commission on Retirement Policy issued its "21st Century Retirement Security Plan" for remaking the retirement system in advance of the upcoming retirement of the baby boomers. The plan would:

- ◆ Rein in the system's costs by gradually increasing the retirement age. It would raise the early retirement age to 65 by 2017 and the normal retirement age to 70 by 2029.
- ◆ Bring all state and local government employees hired after 1999 into Social Security.
- ◆ Create a new guaranteed minimum benefit. If you worked 20 years, you would be guaranteed a payout equal to 60 percent of the poverty line. If you worked 40 years, you would get 100 percent.
- ◆ Direct 2 percent of the current payroll tax into individual savings accounts modeled on the Federal Thrift Savings Plan for government employees.
- ◆ Make private pensions portable by creating a single, universal salary reduction requirement for 401(k) pension plans. ◆

approach, we will have missed an opportunity to help Social Security and our party evolve. Adding individual accounts to Social Security builds upon social insurance by providing individuals with a direct stake in their economic advancement.

This is the policy Democrats must champion to restore Americans' faith in Social Security — and to advance our party's political fortunes. If we fear the dismantling of Social Security, we must rebuild it ourselves.

#### *Increased Progressivity*

Individual accounts should not lessen Social Security's progressivity. Our bipartisan reform proposal would increase progressivity through a minimum benefit provision that would ensure that no individual who spent a lifetime working would retire in poverty. This is more security than the current system provides. A low-income worker's individual account would be a bonus beyond his or her traditional benefit.

Progressivity can be expanded in several other ways. The government, for example, could lend a hand to lower- and middle-income workers by providing for matching funds or minimum amounts within an individual account.

#### *A Strengthened Disability Program*

One-third of Social Security beneficiaries are not retirees but disabled Americans. The disability program is essential to the safety net, and it is in the worst financial shape of all the programs that Social Security encompasses. Democrats must ensure that it does not get left behind in the debate over Social Security reform.

It is impossible to give the disability program the full treatment it deserves within the confines of this article. The program is part of a complex web of federal and state agencies. Disability issues spill over into Medicare, Medicaid, Supplemental Security Income, and vocational rehabilitation, all of which require thoughtful examination. Democrats should take the lead and establish a forum to discuss disability issues.

#### *Fiscal Responsibility*

Democrats must not depend on projected federal budget surpluses to fund "no pain" solutions to Social Security's problems. Let's be clear: Projected surpluses are an unrealized victory. A recession could cut them by half or more.

The public could well think that the slogan "save the surplus for Social Security" means "the surpluses will save Social Security." Worse yet, some policymakers may start to believe this. No one can predict the condition of the economy in years to come. Democrats must prepare Social Security to withstand even the gloomiest economic scenario.

Social Security reform requires tough choices. Sending any other message to the public is wrong. If we spend one dime of an unrealized surplus to avoid making a po-

litically tough but necessary choice — such as raising the retirement age or adjusting the Consumer Price Index — we will be guilty of lying to the American people.

Democrats should not advocate an increase in the payroll tax. To do so would expose us to the old "tax and spend" label. Worse yet, to do so would be bad economic policy. More than 80 percent of families already pay more in payroll taxes than in income taxes. For middle- and low-income Americans, increasing regressive payroll taxes would be the most painful solution of all.

Democrats must look beyond the problem of Social Security's solvency. Even if its books were balanced, an unreformed program would absorb nearly 18 percent of income subject to payroll taxes, up from 12.4 percent now. Social Security's unfunded liabilities are approaching \$3 trillion, and they will have to be paid with taxes not yet collected. We must protect future generations and tomorrow's economy from this daunting tax burden.

Finally, we must not forget other Democratic priorities. Continued economic growth depends upon increased productivity. Increased productivity, in turn, depends upon a growing labor force and greater worker output. But labor force growth has slowed dramatically, with little chance of reversal. Thus, America's future economic growth, by necessity, will depend far more heavily on the quality of our work force.

Increasing the productivity of American workers means investing in training, education, health, and nutrition. It also means investing in new technologies and infrastructure. These investments will become even more critical as America's work force becomes more racially and ethnically diverse, because minorities historically have had less access to health, education, and training.

We will soon face a momentous collision of financial pressures. Entitlement spending is bearing down on the federal budget and constraining our ability to invest in the quality of our work force. Democrats must prepare for this collision by balancing all Democratic priorities, not by simply increasing revenues to entitlement programs.

#### **Living the Legacy**

Democrats have rightfully laid claim to the legacy of Social Security. We must not squander this rare opportunity to live that legacy. With a Republican majority in Congress and an impending need for reform, Democrats must save Social Security both politically and financially. We must save it not by throwing roadblocks at reform but by leading reform. We must define Social Security for the 21st century. Let's rise to the challenge and honor Roosevelt's bold experiment. ♦

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*Sen. John Breaux (D-La.), a former chairman of the Democratic Leadership Council, was co-chairman of the National Commission on Retirement Policy and heads the National Bipartisan Commission on the Future of Medicare.*

# NOW FOR THE HARD PART

**T**he 1998 midterm elections confirmed a basic New Democrat premise: Centrist Democrats who focus on problem-solving tend to beat conservative Republicans who focus on partisanship and divisive social issues. In a year when everything seemed to break the GOP's way — a pro-incumbency environment, a huge Republican financial advantage, a supposedly crippled Democratic president, and anticipated low turnout — Democrats lost no net Senate seats or governorships and had a net gain of five House seats and four state legislative chambers. For the second straight election, the GOP lost ground in the House and the state legislatures. Combined with the GOP's thumping in the 1996 presidential elections, it's abundantly clear that the Republican tide of 1994 has crested.

The formula for Democratic success in 1998 was the one New Democrats have preached for years: If the party stands for fiscally restrained, values oriented, non-bureaucratic public activism that transcends the old polarized arguments over the role of government, it will win the allegiance of the middle class and solidify its traditional base. By neutralizing their vulnerabilities on issues such as crime, welfare, and the balanced budget, Democrats in 1998, like President Clinton in 1996, made the elections turn on issues favorable to their party: education, the environment, health care, and Social Security. Even liberal Democrats learned they could fend off Republican attacks by repositioning themselves in the center. GOP efforts to tar all Democrats as liberals failed because the entire party is rapidly internalizing the Clinton-Gore Democratic message.

It's important to understand why voters in the fast-growing political center find that message so appealing. The reason is that the President backed up his New Democrat rhetoric with New Democrat action that had real consequences. Democrats weren't vulnerable on fiscal responsibility during this election because the President secured a balanced budget. Democrats weren't vulnera-

ble on crime because the President insisted on deploying 100,000 new police officers. Democrats weren't vulnerable on welfare because the President shaped and signed a welfare reform bill that has transformed millions of former aid recipients into productive workers. Democrats became the party of economic growth and optimism because a Democratic administration has presided over one of the longest periods of low-inflation, low-unemployment growth in history. Results matter.

To secure their party's gains in this election, Democrats must continue to back centrist rhetoric with public

policies that solve major problems. It's fine to say you're "for" public education, environmental protection, health care, and Social Security. But sooner or later you have to produce results.

On the biggest challenge of all, Social Security, the time has come to replace talk with action. The President's brilliant "save Social Security first" strategy united traditional liberal Democrats who want to preserve the system as it is with New Democrats who want major reforms. The President's own timetable demands that Congress begin work on Social Security in 1999. Republican efforts to finance a big federal tax cut with projected federal budget surpluses will gain momentum if

Democrats tarry on Social Security.

This issue of *The New Democrat* offers several perspectives on Social Security reform. As the debate unfolds, here are some principles to keep in mind:

- ♦ *This is no time for "hands off" talk about Social Security.* Democrats occasionally scored big political points in the past by opposing Republican efforts to change Social Security (such as GOP proposals to delay or decrease automatic cost-of-living adjustments for beneficiaries). A few Democratic candidates took a similar approach this year, blasting ill-conceived total privatization schemes endorsed by Republican candidates.

The situation is different now. Democrats, including a Democratic president, are calling for action on Social Security. Polls show that Americans are abundantly



aware that Social Security will face insolvency once the baby boom generation begins to retire. They are also more open to structural change than are many of the politicians representing them. Younger voters in particular are willing to embrace radical reform. Saying "hands off!" means consciously and deliberately deciding to divert an ever-higher percentage of national wealth into the current Social Security system.

♦ *Unless we restrain Social Security expenditures, we risk starving other key public investments.* More than a few Democrats oppose every conceivable structural reform in Social Security benefits. Given the program's ballooning cost, they should drop the motto "Social Security First" and start using "Social Security Only" — it more accurately reflects their position's logical endpoint. Democrats must ask themselves whether every other issue they care about — inner-city poverty, public schools, the environment, job training, universal access to health care — should be sacrificed or starved to maintain Social Security. If raising payroll taxes is part of the solution, exactly how much of a burden in regressive taxes on low-to-middle-income Americans are Democrats willing to tolerate?

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**Social Security reform will be tough, divisive, and complex work. It will require a great deal of flexibility and an enormous commitment to free debate and public education.**

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♦ *Conservative total privatization schemes ignore Social Security's social insurance function.* Some conservative intellectuals and politicians seem to think reform is easy: Simply return payroll taxes to workers for investment in private retirement accounts and declare victory. As Sen. John Breaux (D-La.) says on page 19, "Democrats must state clearly that Social Security should not be fully or even mostly privatized."

The total privatization approach appears to assume that Social Security's only function is to force savings for personal retirement. But Social Security has a critical second function: It is social insurance against certain types of economic catastrophe, including the death of a working spouse or physical disability. Payroll taxes in part represent an insurance premium to cope with misfortune. The Social Security safety net is not a luxury that can be sacrificed. Total privatization would gut Social Security's social insurance function.

♦ *Social Security reform should not be addressed in a vacuum.* While Social Security is the largest potential fiscal problem associated with the aging U.S. population,

Medicare is the most immediate. Dwarfing even Medicare is the looming crisis in long-term care: the enormous expense of caring for people who need constant medical attention, which Medicare covers only briefly, and which Medicaid covers only for those who impoverish themselves to qualify. How we choose to modernize Medicare for the retirement of the baby boom generation, and what steps we take to develop and promote private long-term care insurance, will have a huge impact on Americans' retirement security and thus on the relative adequacy of Social Security. It is an issue we hope to revisit in future editions of *The New Democrat*.

Social Security reform must also address the question of equity among generations. Today millions of retirees, without regard to their need, reap windfalls from Social Security beyond the interest-adjusted value of their tax contributions into the system. Millions of baby boomers, meanwhile, have paid steep payroll taxes for two decades and are struggling with their parents' retirement needs even as they worry about their own. And millions of younger workers are so skeptical about Social Security that they would favor any reform that either reduced the payroll-tax burden or guaranteed them some control over their pensions.

Social Security reform will be tough, divisive, and complex work. It will require a great deal of flexibility, an enormous commitment to free debate and public education, and a renewed social compact to the New Deal promise of retirement security among several generations of Americans with different needs and perceptions. As Democrats savor their surprise victory of 1998, they should soberly reflect on their responsibility to truly save Social Security — not just by championing it but by making it work for future generations.

It is time to meet President Clinton's challenge to "save Social Security." The midterm elections demonstrated that Americans trust Democrats more than Republicans with the hard task of making government work in the national interest. Let's earn that trust.

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## Definitely Not Ready for Prime Time

### *The GOP's Rapid Meltdown*

**W**hen we published our last issue ("The GOP: Not Ready for Prime Time," *TND*, September/October 1998) we honestly did not expect that our prediction of an impending Republican meltdown would be confirmed so swiftly and surely.

Republican ideological disarray manifested itself in the congressional GOP's surrender to President Clinton on multiple issues in the session-ending budget negotiations. Lack of consensus, not resolve, was the key GOP weakness in the budget endgame. If you don't believe it, reflect on the fact that the Republicans couldn't agree on a congressional budget resolution for fiscal year 1999 —

a resolution that the President could not veto and that Republicans could have passed under rules preventing Democratic filibusters.

The dead weight of the cultural right on the GOP was richly documented on Election Day. Former Christian Coalition Executive Director Ralph Reed, who began 1998 as the hottest consultant in American politics, wound up with one of the worst records of any consultant in either party. The casualty list of Republican social conservatives goes on and on: David Beasley, Fay Boozman, Tom Bordanaro, Lauch Faircloth, Fob James, Jim Lightfoot, Dan Lungren, Guy Millner, Mark Neumann, Linda Smith, Vince Snowbarger, Gex Williams, and Brian Winters, to name some. Most lost in supposedly favorable territory against supposedly weak competitors.

Republicans paid an even higher price on Election Day for making the publication of the Starr report and the opening of impeachment proceedings against the President the legacy of the 105th Congress. To hear GOP leaders today, you'd think those decisions were the result of a cerebral virus that ruined deposed House Speaker Newt Gingrich's ability to interpret polls and focus group reports. In fact, numerous Republicans supported the Lewinsky referendum strategy. They spent much of 1998 predicting it would prompt huge numbers of religious conservatives to snake dance to the polls to oust the Arkansas Infidel from the White House. The GOP's final bad decision was to squander its huge financial advantage over Democrats on television ads — run mainly in culturally conservative districts late in the campaign — that sought to remind voters of the scandal they so desperately wanted to forget. This last desperate act was the logical consequence of the basic Republican miscalculation about the electoral value of the cultural right.

Republicans seem determined to wish away the most obvious explanation for their recent setback, namely, that voters dislike the GOP's anti-government, socially intolerant ideology and like the Democratic Party's New Democrat course.

The recent House Republican leadership purge illustrates how desperately the GOP wants to deny its fundamental problems. Gingrich's departure, while dramatic, was predictable: House Republicans nearly ousted him last year on grounds that he had become an erratic manager and a public relations millstone around his party's neck. Gingrich was erratic; he issued one legislative agenda after another early this year, each one pointing his party in a different direction. But that's because he was frantically trying to serially placate the GOP's myriad warring constituencies. On the other hand, his status as a political pariah reflected genuine public fears about his party's motives.

The installation of a new leadership team does not automatically resolve these problems. The election of Appropriations Committee Chairman Bob Livingston of Louisiana as House Speaker (which was widely expected as we went to press) offers no immediate solution to

Republican ideological divisions. Majority Whip Tom DeLay of Texas (who was expected to retain his post) is a prime exponent of the brand of mean-spirited Republican partisanship that Gingrich was so often blamed for. Adding Reps. Jennifer Dunn of Washington or J.C. Watts of Oklahoma to the leadership mix might improve the GOP's diversity image, but it's no substitute for public policies that actually appeal to a diverse electorate.

The Republicans' denial even extends into their interpretation of their one positive Election Night story: the striking success of so many incumbent Republican governors and gubernatorial challengers. Again, they missed the obvious interpretation: Most GOP governors benefited enormously from the strong national economy, had a positive governing agenda, and shamelessly ran to the center as "lite" New Democrats. Most Republicans reflecting on this electoral bright spot have treated their

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## The dead weight of the cultural right on the GOP was richly documented on Election Day.

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governors — especially Texas Gov. George W. Bush and his brother, Florida Gov.-elect Jeb Bush — as successful marketers of the same conservative anti-government ideology cherished by their less-charismatic congressional brethren. In particular, George W. Bush, who is solidifying his position as front-runner for the 2000 GOP presidential nomination, is being touted as a velvet glove of geniality towards minorities cloaking an iron fist of systematic conservatism.

Like the Democrats of the 1980s, Republicans of the 1990s are searching for simple reasons for their failures: bad leadership, bad tactics, bad polling, bad sound bites, bad faces on the "Sunday shows" — anything but bad ideology. Despite their nasty surprise on Nov. 3, Republicans certainly remain in a strong position going into 2000. Maybe Livingston's superior management and pork-peddling abilities, backed by DeLay's incessant pressure on business constituencies to toe the line, will transform the House GOP into a lean, mean, message machine. Perhaps Republicans can learn how to placate religious conservatives with symbolic issues. And who knows, perhaps conservative Republicans will take a blind plunge on a George W. Bush presidential candidacy, taking the risk that moderates in a Bush White House will betray them just as they did during Bush's father's term in office.

But the best bet is that the Republicans are still not ready for prime time, precisely because they think better makeup, lighting, and casting are the keys to a successful show. They should instead take a long look at their script. ♦

# A GRAND BARGAIN ON SOCIAL SECURITY

*Renegotiating the Social Compact With America's Senior Citizens and Workers*

BY WILL MARSHALL

One of the chief casualties of the Republican drive to impeach President Clinton may be any hope of "saving Social Security" in 1999. It's difficult to see who other than Clinton can broker an agreement between the two main camps in the debate: traditionalists and modernizers.

The traditionalist camp includes organized labor, minority and liberal interest groups, and many if not most congressional Democrats. While acknowledging that the system faces a big funding shortfall as the baby boom generation retires, traditionalists are determined to preserve Franklin D. Roosevelt's 1935 handiwork more or less intact. They say government can insure Americans against unforeseeable economic risks and guarantee everyone a decent retirement only by maintaining the original structure of intergenerational transfers and "defined benefits."

Modernizers, who span the spectrum from center-left to center-right, hold that Social Security's problems can't be fixed with the usual tucks and tweaks. Most favor some version of the "two-tiered" approach that would divert a small portion (usually 2 percentage points) of payroll taxes into personal retirement accounts for every worker. This group includes prominent Democratic senators such as Daniel Patrick Moynihan of New York, Bob Kerrey of Nebraska, and John Breaux of Louisiana; most moderate Republicans; small-business groups; and young people worried that without basic changes, the system will either impose crushing tax burdens on them or go belly up before they reach retirement.

A third group lies farther to the right. It consists of the libertarian Cato Institute, Wall Street financiers, and GOP presidential aspirant Steve Forbes, and it demands complete privatization now. The group has found few takers in Congress, whose members are reluctant to hurl themselves on Social Security's "third rail." However, the program's liberal guardians suspect that many modernizers are closet privatizers who seek to establish a beachhead they can expand tomorrow.

In any case, full privatization will be off the table in 1999. Passing a major Social Security overhaul this year will require a political deal that can satisfy the core concerns of modernizers and traditionalists. Can President Clinton define a "third way" on Social Security that breaks the left-right deadlock, just as he has on welfare reform, public education, reinventing government, and other issues?

## The Golden Age Is Over

It's possible, but "saving Social Security" is different in one key respect from the President's previous New Democrat innovations. While most Americans think our welfare and education systems are broken and need basic repair, few believe Social Security has failed. On the contrary, the system has unquestionably succeeded in its basic mission of reducing poverty in old age and insuring Americans against losses stemming from disabling accidents or the death of a working spouse or parent.

No "reform" that threatens to undo these historic achievements will get very far. Yet opinion polls also register growing public doubt about the program's ability to honor its future commitments. Most Americans realize that changing demographics dictate that things cannot go on as they have.

Put simply, the growth in the number of elderly people in the population will far outstrip the growth of the work force whose taxes support them. By 2030, one in every five Americans will be old, while the ratio of workers to retirees will fall to an all-time low of 2-to-1 by 2030. In the past we've compensated by bringing more occupations into the system, but today more than 90 percent of working Americans are covered by Social Security.

Nor can we rely on the usual quick fix of jacking up the payroll tax. Just 6 percent in 1960, that tax was raised seven times in the 1980s alone and today, at 12.4 percent, takes a bigger bite out of most workers' paychecks than the federal income tax. Thus, the conditions that since 1940 have allowed each generation of retirees to draw much more from Social Security than they put in — a fast-growing work force and public willingness to accept higher payroll taxes — no longer exist. Further straining the system are advances in health and longevity that mean that today's workers can expect to spend nearly a quarter of their adult lives in retirement. Congressional Budget Office Director Rudolph Penner put the matter succinctly at a White House conference in December: "The golden age of Social Security is over."

## Who Invests?

To renew Social Security's promise for the 21st century, we have to find a new way to finance the system. By 2032, the program's trust fund will be exhausted and

tax revenues will only cover 75 percent of promised benefits. Where will the money come from to pay for the retirement of 77 million boomers who on average will live from five to seven years longer than their 1940 counterparts?

Almost everyone is looking to the market. The reason is simple: By tapping financial markets' high rates of return, lawmakers can avoid or at least mitigate such politically unpalatable steps as slashing benefits, hiking payroll taxes, or borrowing more and returning to large government deficits.

By law, Social Security must invest its reserves (totaling about \$760 billion) in safe but low-yielding government securities. If some portion of current reserves and future revenues were instead invested in stocks and corporate bonds, returns over time would be far higher. Over the last 40 years, for example, real (after-inflation) returns on stocks have averaged 8.2 percent annually. That looks a lot better than returns on Social Security, which are projected at about 1 percent per year over the next 35 years.

Even many traditionalists lately have warmed to the notion of moving to a "funded" system, that is, one financed at least partially by market earnings rather than simple tax transfers. Where they differ from modernizers, however, is on the question of who does the investing. Traditionalists want the government to invest and control the money; modernizers want individuals to manage and own their own retirement accounts. While endorsing market-based reform, President Clinton thus far has refrained from taking sides on the question of means, leaving himself free to act as an honest broker.

The dispute centers mainly on risk. Traditionalists note that while average returns on equity investments are high, by definition lots of people must fall below the average. They fear that people with spotty work histories who make bad investments could do worse in a two-tiered system than in the current one. Moreover, because markets fluctuate, returns will vary no matter how wisely people invest. Two people who invest the same amount of money in the same stock index fund could get drastically different returns if one retired in a falling market and the other retired during an upturn.

For these reasons, economists Henry Aaron and Robert Reischauer of the Brookings Institution propose that government invest some portion of Social Security's reserves, thereby spreading market risks among the whole population. In this way, everyone would be guaranteed a secure and decent fixed benefit, albeit one that for many might be less than if they had invested the money themselves.

Critics of "collective investment" charge that it would create enormous political risks by making government a major stockholder in America's largest companies. Aaron and Reischauer maintain that a Social Security version of the Federal Reserve Board could be set up to insulate investment decisions from politics.

But modernizers raise a more fundamental objection: In the name of protecting individuals from market risks, collective investment would deny them the opportunity to build personal wealth and take greater responsibility for managing their retirement security. This runs counter to important trends in the rest of society — a shift from employer-sponsored "defined benefit" to employee-controlled "defined contribution" pension plans in the private sector and an unprecedented surge in mutual fund investments. Thanks to these developments, nearly half of the public now has some investment in the stock market. By diverting even a small portion of the payroll tax into personal retirement accounts, we could make stock ownership a near-universal experience. This would give millions of low-income workers the same chance affluent families have to harness the power of compound interest over the course of their careers.

Personal accounts would refashion Social Security from a system of wealth transfer into one that also promotes individual wealth creation and broader ownership. Workers would own their accounts and could pass on any assets they didn't use to their heirs. This approach would address a prime source of economic inequality in old age: relatively low savings among poor minority families. According to Rand Corporation economist Jim Smith, the median black or Hispanic older household has no financial wealth at all, making those households utterly dependent on Social Security. Indeed, most economists believe that Social Security's progressive benefit structure dampens low-income workers' incentive to save.

In addition to market risk, traditionalists marshal other arguments against partial privatization. The most convincing is that the costs of administering millions of small accounts would be much greater than for one mammoth fund invested by the government. Least convincing is the liberal claim that low-income Americans simply aren't competent to manage such accounts and must therefore delegate that task to a wise and paternal government.

In a recent speech to the Democratic Leadership Council, Kerrey pointed out that such paternalism is at odds with his party's Jeffersonian faith in the capacities of ordinary people. "There is a particular irony to me that this view comes from quarters that are described as representing the traditional Democratic point of view," the senator said. "I am a Democrat because I believe in the dignity, not the density, of every American."

## Elements of the "Grand Bargain"

Despite his impeachment ordeal, President Clinton still can make a vital contribution to breaking the impasse on Social Security. As the centerpiece of his 1999 State of the Union Address, he could offer a "grand bargain" that addresses the traditionalists' legitimate qualms about market risk and overhead costs and the modernizers'

equally valid desire to empower workers.

In such a bargain, the President could reaffirm his commitment to preserving the system's social insurance for the disabled and survivors, for which there remains no plausible private alternative; and challenge the modernizers to back reforms aimed at strengthening Social Security's basic guarantee against poverty, both by raising the minimum benefit all retirees get and changing outdated formulas that produce high poverty rates among elderly women, especially widows.

By lifting the "floor" for everyone — and thereby guaranteeing that no low-wage worker would be made worse off by market-based reform — the President would stand on solid ground in challenging the traditionalists' premise that only by investing the money itself could government shield individuals from undue market risk. Washington can provide further safeguards by emulating the Federal Thrift Savings Plan, which limits federal workers' choices to rule out investments that are overly conservative or too risky. The plan also offers a model for keeping overhead down: Have Social Security continue to collect all payroll tax revenue and transfer some portion to individual accounts designated by workers.

Finally, the President should challenge both sides to ensure the system's solvency while also financing the transition to a partially funded system. It makes sense to dedicate a healthy chunk of future fiscal surpluses to this purpose. In addition, Congress should embrace a gradual increase in the retirement age to 70 by 2030, in keeping with advances in the average life span of older Americans. The best way for boomers to help solve the problems their retirement will create is to work longer,

keeping the work force from shrinking as rapidly and boosting payroll tax revenues. Less dramatic but still important ways to close the funding gap include bringing state and local employees into the system and adjusting the Consumer Price Index downward.

Among the welter of reform proposals crafted in recent years, the one that comes closest to embodying such a "grand bargain" is the 21st Century Retirement Security Plan issued last summer by the National Commission on Retirement Policy. The plan also has the crucial virtue of being bipartisan — the commission's congressional co-chairs were Democrats Breaux and Rep. Charles Stenholm (Texas), and Republicans Sen. Judd Greg (N.H.) and Rep. Jim Kolbe (Ariz.).

### Renegotiating the Social Compact

The grand bargain sketched here would renegotiate, not abandon, the social compact implicit in Social Security. It would offer working Americans new opportunities to build personal wealth while asking them to take greater responsibility for their retirement security. It would convert Social Security from an entitlement based on the false promise that everyone can consume more than they produce to a system that promotes savings, investment, and greater economic self-reliance. And it would embody a new approach to governing based on a key New Democrat insight: That in the Information Age, government's role is not to take care of us, but to give us the tools we need to take care of ourselves and each other. ♦

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## BETTER LUCK NEXT TIME

### *Moving Beyond Partisan Posturing Over Patients' Rights*

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BY DAVID B. KENDALL

**D**espite an alleged tidal wave of public anger toward managed care health plans, the 105th Congress adjourned in late December without enacting a "patients' bill of rights." While attempts to reconcile competing Democratic and Republican versions of the bill fell victim to election-year posturing, backers of managed care regulation vowed to revisit the issue in 1999.

While it didn't solve any problems, the partisan jousting helped each side hone themes for the fall campaign. To protect patients from "bean counters" who overrule doctors' judgments and deny care, Democrats pressed for federal regulations to guarantee patients' access to specialty care and expand a patient's right to sue a

health plan. In turn, Republicans charged that Democrats would empower federal bureaucrats and enrich trial lawyers at the expense of patients — even though the GOP's bills contain many of the same types of regulations proposed by Democrats.

Embedded in each side's proposals, however, are several sensible steps that would empower consumers to demand high quality, affordable health care while avoiding excessive regulation and litigation. For example, the Democrats' proposal requires health plans to issue "report cards" so consumers could pick plans based on their performance. House Republicans have proposed "health marts," health insurance supermarkets where