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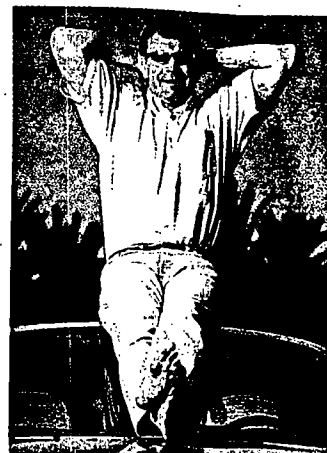
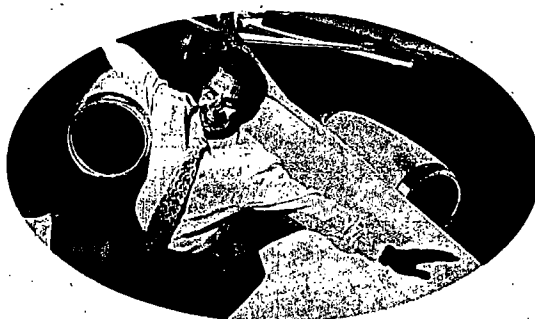
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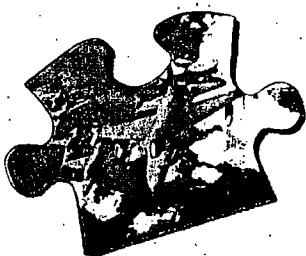
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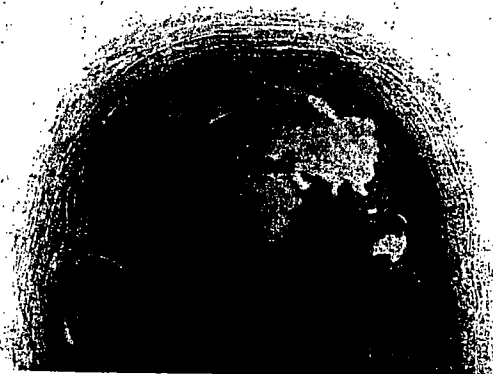
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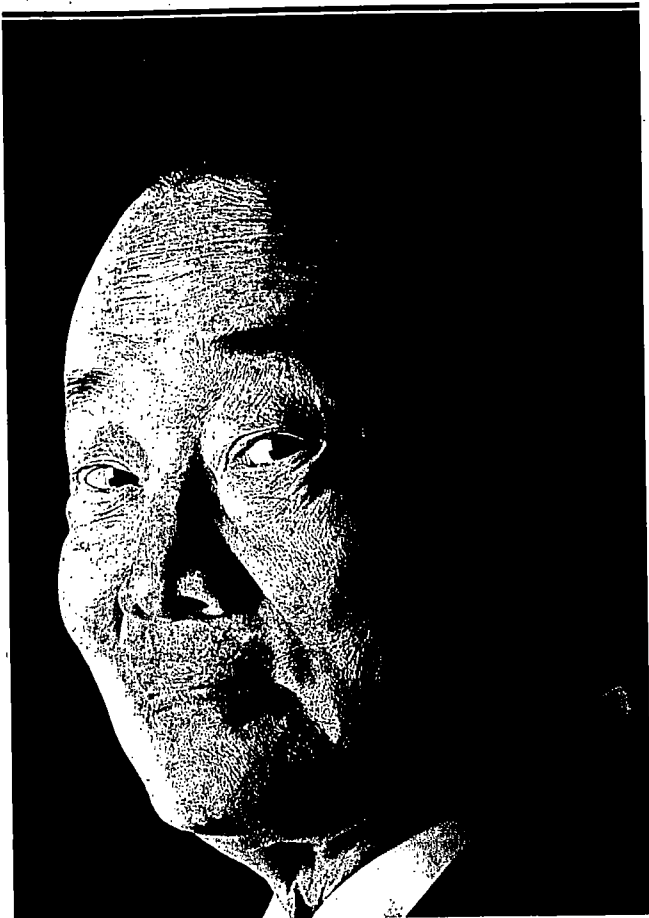
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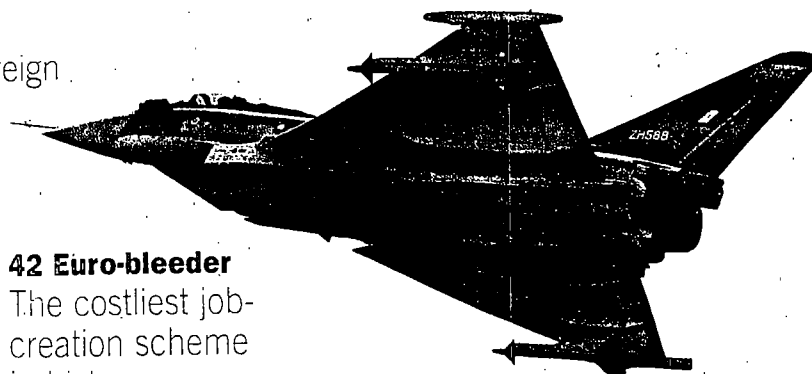
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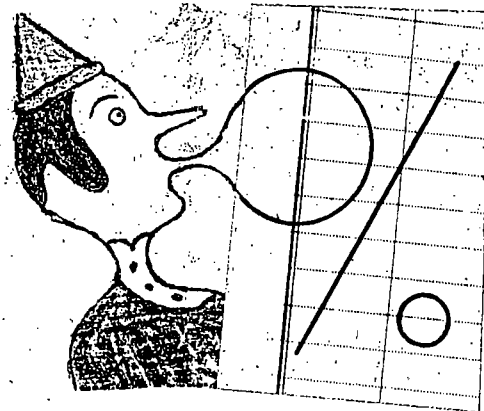
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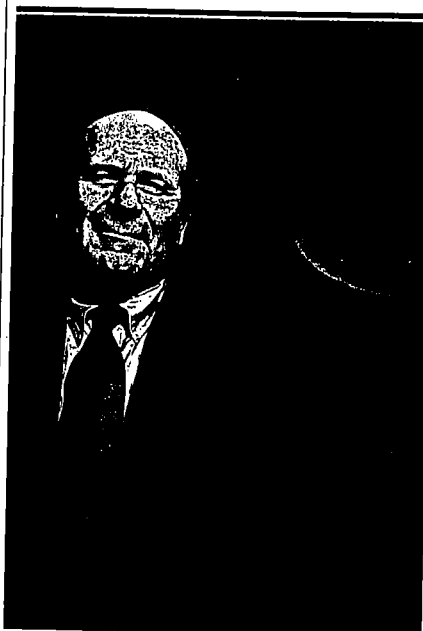
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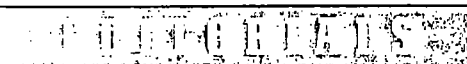
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N. Ireland's Sad March

The least worst outcome" is how a leaked British Northern Ireland Office document described its decision to allow a Protestant march on July 6 by the Orange Order down Garvaghy Road through the Catholic neighborhood of Portadown. But the outcome was disastrous, spinning the province into a week of serious disturbances, undermining Gerry Adams and other Sinn Féin leaders working to turn the republican movement away from paramilitary violence, and gravely damaging the reputation of Mo Mowlam, Tony Blair's new Northern Ireland secretary. Violent incidents continued as July 12—the most significant day on the unionist calendar—approached. Mowlam had raised hopes among Northern Ireland's Catholic population, involving herself in negotiations over the Garvaghy Road march and pledging to inform residents personally of developments. Instead, the neighborhood was abruptly occupied in a 3 A.M. deployment of troops and police.

For Americans it is easy to mistake the marching season controversy for a Nazis-in-Skokie debate over the Orange Order's right to symbolic speech. But news reports on the tension of the march and the Irish Republican Army's recent shootings of members of the Royal Ulster Constabulary fail to convey how these marches tie in with a broader crisis in civil liberties, and with the stalled peace process as a whole. To the constant incursions on the rights of Catholics add the fact that three years after the I.R.A. cease-fire, Northern Ireland is still policed by the 94 per cent Protestant R.U.C., and the significance of the Blair govern-

ment's decision to permit the Orange March becomes clearer.

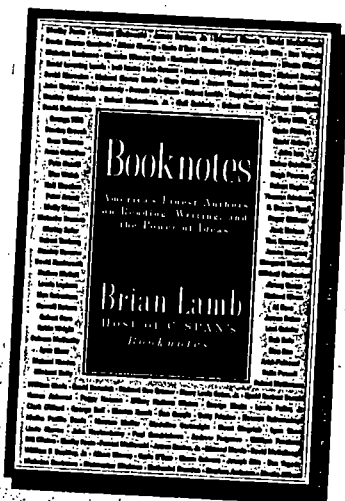
There's little doubt of damage to the peace process—though exclusive focus on the I.R.A. and marching season misreads the situation. Well before this season began, the head of the R.U.C. declared the members of the combined loyalist paramilitary command in violation of the cease-fire (though their political representatives, unlike Sinn Féin's, have been permitted to remain a part of the ongoing negotiations led by former Senator George Mitchell). In addition, smaller, more radical nationalist factions beyond the I.R.A.'s control have taken to the streets with guns.

It is crucial—especially for Washington, which still plays an important broker's role—to look past the tensions of marching season and keep eyes on the prize of a cease-fire, and from there to take the critical step of admitting Sinn Féin to the Mitchell talks. Before the violence escalated this spring, Sinn Féin made significant gains in parliamentary and municipal elections, a vindication for Gerry Adams, Martin McGuinness and others in the pro-politics, pro-cease-fire camp. The political calculus has also changed in the Republic of Ireland, where the new government led by Bertie Ahern is engaged in a more active alliance with nationalists in the North. And the Blair government's June 25 overture, which proposed simultaneous talks on disarmament and peace (so-called parallel decommissioning), represent an important movement away from the demand that the I.R.A. give up its arms as a precondition for talks. These key facts remain unchanged by marching season and could provide the foundation for meaningful negotiation. Although the chant of "No cease-fire! No cease-fire!" filled the air on Garvaghy Road, it was a cry of frustration; there is still time to keep it from being prophecy.

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Booknotes

By Brian Lamb
Host of C-SPAN's
Booknotes



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THE NEW YORKER

JULY 14, 1997

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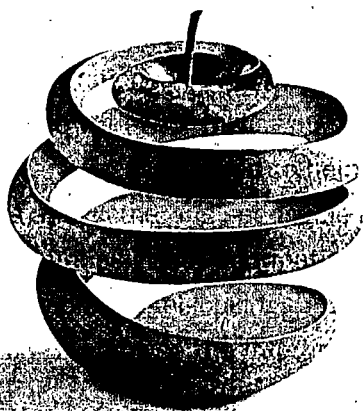


THE COVER: What turned Andrew Cunanan, a party boy with kinky tastes, into a serial killer? Inside his twisted world—and a look at the life, death and legacy of his most famous victim, Gianni Versace. **Page 20**



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MEDICINE

Too Poor to Treat

States are balking at paying for pricey AIDS drugs

BY DANIEL PEDERSEN AND
ERIC LARSON

NINETY-SIX-POINT-THREE is the frequency of Justus Upton's favorite radio station in Jackson, Miss. It's also, by macabre coincidence, exactly how low his body temperature fell in 1995 until he took a drug called Zovirax. Upton, 29 and HIV-positive, switched to 14 medications a day in January to beat back his dread disease. The good news: that so-called "cocktail" took the viral levels in his blood down to almost undetectable lows—like tens of thousands of other infected people who have suddenly dared to hope again. The bad news for Upton came from the state of Mississippi a few weeks ago. It told him, and 656 other low-income HIV sufferers, that the money from Washington had run out. They would no longer receive payments for many of the drugs in their cocktail treatments. "I'd spend everything. I have to keep him alive," frets Justus's mother, Frances. "I just don't have enough."

Neither, it seems, do many state governments. So far, only Mississippi has taken the draconian step of evicting HIV sufferers from the new, \$12,000-per-year treatment. But 35 of 52 state-administered AIDS programs (or ADAPs) have had to make some kind of emergency move or another in the past year—such as often curbing access to potent new drugs called protease inhibitors or limiting enrollment to a lucky few patients.

Such moves have AIDS workers asking: Are we all, in effect, Mississippi? Federal officials announced last week that, thanks to the new drug regimes, AIDS deaths had dropped by 19 percent in the United States in 1996. But declines for blacks (10 percent) and women (7 percent) reveal an uneven pattern of treatment. William E. Arnold, head of a Washington-based AIDS-advocacy group, thinks a dozen ADAPs may impose new limits soon, as more low-income people learn that the



Upton with Mom: 'I'd spend everything I have to keep him alive'

drugs seem to work. "It's ironic," he says. "All these problems are being caused by good news."

As some doctors start to see HIV as a chronic but manageable disease, the perceptions of politicians could become more important than ever. Will AIDS lose its celebrity and urgency as a cause if more influential and well-to-do white males begin to feel more secure? The death rate from AIDS continues to rise in poorer countries around the world. But what if you're poor in a rich country?

Kimberly Williams, of Biloxi, represents the changing face of HIV—in Mississippi and the nation. New cases in the United States are increasing most rapidly among women, especially minorities, and by heterosexual transmission. Williams, 26, learned she was infected when she was 17 and six months pregnant. Her son, Jeremy, was born with the virus and died of AIDS in March at the age of 8. (Jeremy's father, who infected Williams, died

last fall.) Williams has spoken at Mississippi schools about HIV prevention and in Washington about the lack of ADAP funding. "Many people say AIDS gets enough money," she notes. "I ask, 'If that's true, why is my kid dead?'"

That question didn't haunt Mississippi. Officials there booted Williams from the ADAP program last month. She, like most

others who were weeded out, is poor or disabled enough to qualify for Medicaid, which pays for up to five free drugs taken simultaneously. But five drugs may not be enough to keep Williams healthy: her viral load has tripled in the past six months. The prospect of seeing effective HIV treatment become the right of the rich hasn't squared well with many Mississippians. The state's biggest newspaper, the Clarion-Ledger, has been running almost daily articles on the crisis since May, and the Episcopal Church is leading a private collection drive. By juggling public accounts after the outcry, the state restored the drugs of 417 dismissed clients—not including Upton and Williams—until the end of the year. Gov. Kirk Fordice has refused appeals to call a special session of the legislature to find a more permanent solution. The governor, one of his aides insists, is driven by fiscal conservatism.

There's no doubt that treating the infected gets more expensive every year. There is

only one thing costlier in the short run: not treating them. "Work the moral issues out economically," argues Episcopal bishop A. C. Marble of Mississippi. "The costs of paying for someone in the last stages of life are astronomical." In Washington, a House subcommittee last week approved spending \$1.8 billion for AIDS treatment and prevention in 1998, up from \$1.6 billion this year. But 12 states* still don't see the logic of doing anything at all to save the uninsured—and, eventually, in the passed-on end, all of us—from the high cost of death by AIDS. Hospital stays for terminal AIDS victims average \$150,000, almost 13 times the annual price of the new cocktails. Cold-eyed accountants might project that death would be cheaper if the new courses of treatment run 13 years or more. Upton and Williams, of course, have more immediate worries.

* The other 11: Alaska, Arizona, Arkansas, Florida, Kansas, Montana, Nebraska, New Hampshire, South Dakota, Tennessee and Wyoming.

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OUTLOOK

DATeline

Living the lessons of civil rights

SELMA, ALA.—On a sweltering July afternoon, 11 black and 11 Jewish high school students walked across the Edmund Pettus Bridge, where state troopers once beat back 600 civil rights marchers. But unlike "Bloody Sunday," in March 1965, the teenagers' crossing was quiet—too quiet for the adults leading Operation Understanding D.C. It's a nonprofit group whose purpose is to battle racism, with programs starting in San Diego, Charleston, S.C., and Norfolk, Va. "They didn't get it," says Joanne Bland, a participant in the 1965 march, who met with the kids. "To them, the bridge was just another piece of concrete." She sat them down and gave them a firsthand account of the "screaming and bleeding." Then, the teens set out again, this time walking hand in hand, singing civil rights anthems.

Questioning assumptions. These days, the high school seniors aren't the only ones examining civil rights and racism. The FBI reopened its inquiry into the 1963 bombing of a Birmingham, Ala., church; authorities recently retested the rifle that James Earl Ray allegedly used to kill Martin Luther King Jr.; and last week the NAACP revisited its decades-old commitment to school desegregation (story, Page 32). Last month, President Clinton weighed in with his race initiative. Karen Kalish, 52, a D.C. media consultant, founded OUDC in 1995 to "re-energize" the alliance between blacks and Jews. The two groups worked closely during the 1950s and 1960s, but their more recent dealings have been contentious. "Even during the time when they were working shoulder to shoulder, they never sat down to get to know each other," Kalish says. "We're doing that."

The yearlong program begins with trips to churches, synagogues, and mosques, potluck soul food-Shabbat dinners, and talks by black and Jewish leaders. Selma is one stop in a 25-day summer history lesson that starts in New York's Harlem and the Lower East Side and then wends its way through the Deep South. This fall, the teenagers will train to lead diversity workshops in their communities.

The kids are chosen for their idealism and openmindedness. But even a group

dedicated to unity is not always harmonious. During their second bridge crossing, some of the kids discussed black nationalism, the subject of a talk they had heard that day. Few wholly accepted the argument for a separate state, but some supported separatist events like the Million Man March as effective ways for African-Americans to confront their community's problems. Others hated the idea. "If we



Crossing the Edmund Pettus Bridge

are going to divide along racial lines, then I see nothing in it for me," said Rebecca Stoil, 17, from suburban Virginia. Frustrated, she announced, "I want to move to Israel." The next day, the kids met with veterans of the 1955 Montgomery bus boycott, which forced the end of segregation on public buses. The adults argued that blacks and whites must work together to solve society's problems. So many different ideas left Gunella Fecadu, 17, an Anacostia High School student in D.C., feeling "confused." That's exactly what Karen Kalish wanted to hear. "Being in this state of confusion is the perfect place to be. The minute you make your mind up, you close yourself off." —Linda Kulman

Corporate welfare in the sky

Businesses are getting a free ride with corporate jets

BY JAMES K. GLASSMAN

With tongue squarely in cheek, Warren Buffett, America's second-richest man, calls his company's jet "The Indefensible," but most corporate executives earnestly justify their planes as prudent savers of time and money. "No Plane. No Gain." is the slogan of the National Business Aircraft Association. It touts a study by Arthur Andersen, the accounting firm, that found that "the sales of companies purchasing new airplanes grew, on average, at a higher rate than those of nonpurchasers." Of course, there's no proof that a shiny new Lear Jet 60 was the *cause* of any of those extra sales. The point is, the U.S. businesses that own a total of 5,148 jets aren't hurting.

So shouldn't corporate jets pay their fair share of the \$6 billion annual cost of keeping America's air routes safe? Private planes—about 40 percent of them business planes—use well over 20 percent of the capacity of the nation's rickety air-traffic-control system (ATC). But all these planes pay only about 3 percent of the expenses, via a tax on aviation fuel. The rest comes from airline passengers, through a 10 percent tax on tickets.

Looking elsewhere. Perhaps recreational fliers or small-business people with propeller planes deserve a break. But not firms with their own jets! Congress, however, ignores this hidden form of corporate welfare. Instead, it is embroiled in a debate over whether to make a small change in the way the ticket tax is collected, with big airlines like Delta fighting discounters like Southwest. Carriers are spending huge sums—running ads, mobilizing their employees and frequent fliers, and hiring extra lobbyists (including Linda Daschle, wife of the Senate minority leader, and Haley Barbour, ex-chair of the Republican National Committee). At issue is a proposal to collect the tax partly through a percentage of the ticket price and partly through a fee per flight. While politicians ponder this arcane matter, business jets get nearly a free ride.

Estimates by Richard Golaszewski, a respected analyst, indicate that a fee of \$225 per flight would cover business jets' use of the air traffic control system, generating \$300 million a year. The Reason Foundation, in a 1996 study by Robert W. Poole Jr. and Viggo Butler, calculated that such a fee would cost a company about \$67,500, assuming 300 landings. That sounds like a lot, but compare it with the total cost of operating a medium-size Falcon 50 jet: \$1.8 million annually.

This would be a good time to impose the fee—if only Congress had the courage to buck the interest groups that oppose it. Hitting a record in the first quarter, purchases of private planes went up 40 percent, reports *Flying* magazine. And the industry is buzzing over the introduction of the 19-passenger Gulfstream V, at about \$37 million a pop. On its maiden tour, the jet flew nonstop from Tokyo to New York at altitudes of up to 51,000 feet. Why shouldn't a jet like this, with the characteristics of a commercial airliner, pay its own way?

By starting to allocate costs fairly, Congress would be moving on the path toward turning the antiquated ATC into a modern corporation. ATC could be run either by the government

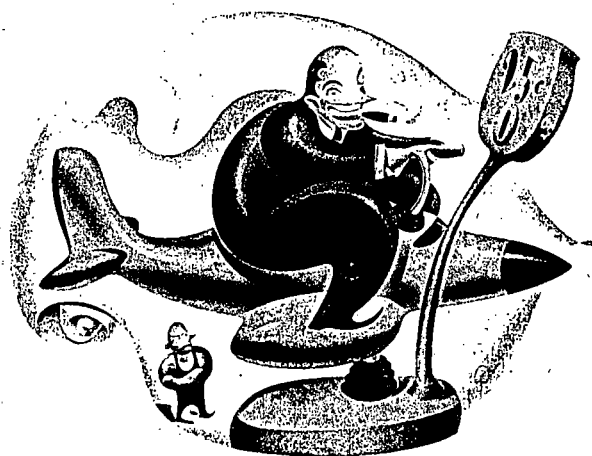
(as the Clinton administration proposed in 1995, in a plan later dropped) or, better yet, as a nonprofit cooperative, owned and managed by users of the skies, with safety oversight by the government.

Sixteen countries, including Britain and Germany, have adopted independent ATC systems along these lines. A recent success story took place in Canada, where the government sold existing air-traffic-control equipment to a consortium of commercial, recreational, and business users for \$1.1 billion.

The Reason Foundation study argues that the Canadian model could easily be applied in the United States. Poole and Butler figure that the U.S. Treasury could reap at least \$3 billion from selling the current ATC and that the new ATC co-op could raise many more billions in private financial markets to modernize obsolete equipment. The bonds could be serviced by user fees.

Unfortunately, there's resistance from groups like the General Aviation Manufacturers Association, which likes the system as it stands. And why not? The customers of the association's members are subsidized by commercial air travelers (many of them middle-income vacationers)—a very sweet deal indeed.

But there is hope. The National Civil Aviation Review Commission, set up by Congress and headed by former Democratic Rep. Norm Mineta, will issue a report in October on new ways to fund the FAA. Any intelligent proposal has to be based on across-the-board user fees. Why rush to impose a new five-year regime of ticket taxes on airline travelers, as Congress is now doing? Instead, Congress should revamp the entire ATC system—and let the people and companies that use it pay for an overhaul.



Shouldn't corporate jets pay their share of the \$6 billion annual cost of keeping air routes safe?

UNITED STATES

So, does America want them or not?

WASHINGTON, DC

IT IS part of America's folklore, inscribed on the Statue of Liberty, intrinsic to the nation's sense of itself, that it will happily take in the most wretched of immigrants. Yet these are often precisely the people America wants to keep out: and seldom more so than now.

By this autumn, when new immigration laws take effect, no American citizen or legal resident will be able to sponsor the immigration of a relative unless the sponsor can demonstrate an income at least 25% higher than the federal poverty line (instead of being merely "solvent"). Add to that the increased patrolling of the Mexican border and the paring back of welfare benefits, and the intent is obvious: America is no longer to be a magnet for the poor of Latin America and Asia, the sources now of two-thirds of the country's immigrants.

There are to be no more long links of "chain migration", by which immigrants legally bring in one relative after another (almost 460,000 in 1995). And there are to be higher barriers to illegal entry—now said to be running at 200,000-300,000 a year, compared with legal immigration of 700,000-800,000. Americans, say the polls, are fed up with the motley newcomers, Colombian maids, Vietnamese waiters, Ethiopian taxi-drivers, and so on, who scrape a living in the world's richest country.

But intent is one thing, achievement another. Janet Reno, the attorney-general, intervened last week to suspend a Justice De-

partment ruling that threatened deportation for almost 300,000 foreigners, most imminently some 40,000 Nicaraguans settled in Florida (see box on next page). Why the intervention? Miss Reno says that the immigrants—refugees from the civil wars in Central America—are being threatened retroactively, and so unfairly, by a change in the law that now makes permanent residence much harder to achieve. But the real point, say the anti-immigrant lobbyists, is that the administration is playing politics. Bill Clinton has promised his counterparts in Latin America that their compatriots in the United States will not face mass deportations; and, once the immigrants become citizens, his party would appreciate their votes.

The underlying truth, however, is that America's bouts of anti-immigration fervour tend to be ambivalent, hypocritical (rabid opponents of immigration in Los Angeles will happily employ illegal immigrants as maids) and futile. Look at the history. Until 1875 anyone from anywhere could freely settle in the United States. In subsequent years there have been regular attempts to limit entry on grounds of race or morality (no prostitutes, criminals or, from 1952, communists).

In 1882 the Chinese were excluded; in 1907 the Japanese were restricted. In 1924, in an effort to maintain ethnic proportions, quotas by national origin were set and the Border Patrol was established. In

1965 the quotas of origin were abandoned in favour of family reunification or occupational skills. In 1990, when the ban on communists was dropped, the idea of "diversity" visas was concocted to favour "under-represented" countries—which reversed the policy of most of this century and reserved for the Irish 40% of these visas for 1992-94. Now comes the 1996 Illegal Immigration Act, supposedly making it harder for illegal immigrants to use fraudulent documents and harder for the unscrupulous to employ them.

Yet throughout these years the immigration figures have responded not to legislative deterrent but to economic incentive and the logic of demand and supply. When times are bad, as in the two world wars or the depression of the 1930s, immigration falls; when America is prospering, as now, the figures rise. Perhaps that is why the legislative effort, however determined in tone, is so weak in practice. In the 1980s, for example, immigration was theoretically limited to 270,000 a year; but in fact, thanks to loopholes in the law, it averaged more than 700,000. Add to that the 2.7m illegal immigrants who have so far benefited from a 1986 amnesty, and it is no wonder the anti-immigrant lobbies tend to an exasperation that borders on bigotry.

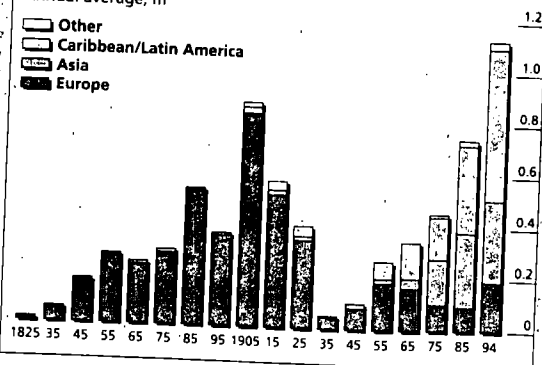
Dan Stein, executive director of the Federation for American Immigration Reform (FAIR), spots conspiracies at the very heart of American society. Wall Street and big

A rising tide

Number of legal immigrants

Annual average, m

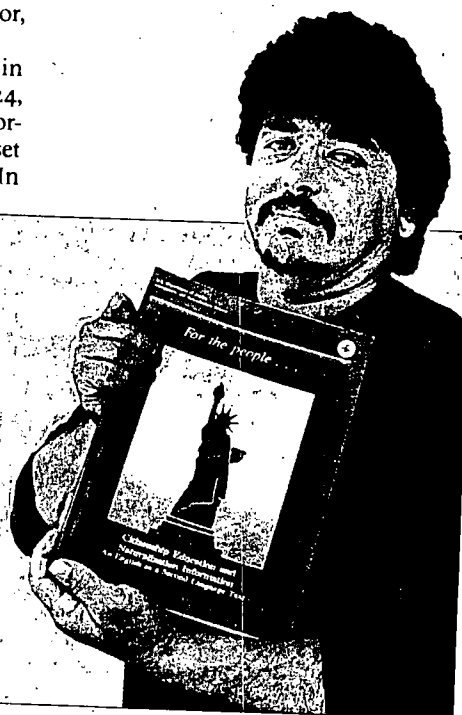
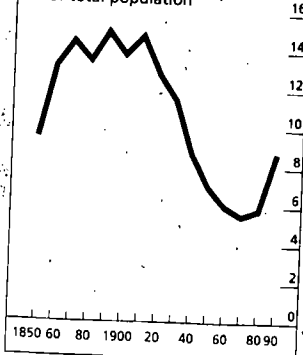
Other
Caribbean/Latin America
Asia
Europe



Source: National Academy of Sciences

Foreign-born residents

% of total population



business favour the immigration, legal or illegal, of poor Latinos and Asians because it depresses wages at the expense of native-born Americans; politicians are lax because they see immigrants, legal or otherwise, as potential voters.

Hence Mr Stein's prescriptions. He would like financial requirements for sponsorship raised to 200% of the poverty level (the new 125% level would mean an "absurdly low" annual income of less than \$10,000 for a single person or under \$20,000 for a family of four); a five-year freeze on most immigration categories

other than the spouses and minor children of American citizens; an annual limit of 50,000 (roughly half last year's number) for refugees; and a permanent reduction to 300,000 in the annual intake of migrants.

Mr Stein is surely railing against political and economic reality, but he will nonetheless find a sympathetic hearing from many Americans, especially in the six states—California, New York, New Jersey, Texas, Florida and Illinois—that are host to most of America's immigrants. In 1994 Californians voted three-to-two for Proposition 187, a Draconian effort to deny pub-

lic assistance to illegal immigrants and to deprive their children, entitled to citizenship if born in America, of public schooling. The proposition is now bogged down in the courts, but much of its flavour is reflected in last year's federal Personal Responsibility and Work Opportunity Reconciliation Act. This also blocks assistance to legal immigrants for their first five years.

Is there a counter-attack? Social liberals point out that America is by definition a land of immigrants, and that today's foreign-born population—around 8% of the total—is proportionately much less than

The fear in Little Managua

MIAMI

IN THE terse vocabulary of the courts, the suit is known as "the matter of N-J-B". It is the appeal of a class-action suit affecting as many as 40,000 Nicaraguans who arrived in Miami in the 1980s and have lived there ever since.

"N-J-B" is Norma J. Baldizon, a former teacher and mother who, since early this year, has lived in fear of a knock on the door and a command to pack her bags for a one-way flight to Nicaragua. Her story could be repeated countless times by tens of thousands of Nicaraguans who fled the country during the civil war between the contras, backed by the Reagan administration, and the left-wing Sandinista government. Many refugees sneaked illegally across the border into Texas from Mexico; others came as "tourists", but with no intention of going back. They sought political asylum and, even when denied that, decided to stay and make the best of it.

Most came to the Miami suburb of Sweetwater. There they got jobs, found wives and husbands, had children, started businesses and paid taxes. They joined the parent-teachers association at the local school and called their shopping district "Little Managua". A recent economic analysis credited the Nicaraguan community with contributing \$1 billion annually to the county's economy. Without them, one politician said in a court filing, "Sweetwater would cease to exist."

In short, the newcomers did everything but become American citizens: a goal that seemed frustratingly elusive. Unlike the more politically powerful Cuban refugees, the Nicaraguans for years lived in a limbo-like status: not given political asylum, yet regularly granted work permits and made to feel welcome. In mid-1995, the Clinton administration invited those Nicaraguans who had lived in Miami for seven years, could show they were of "good character" and had put down roots in the community, to apply

for permanent residence under a 40-year-old programme called "hardship relief". But last autumn Congress revised the welfare law, limiting the number of people who could get such relief to 4,000 a year.

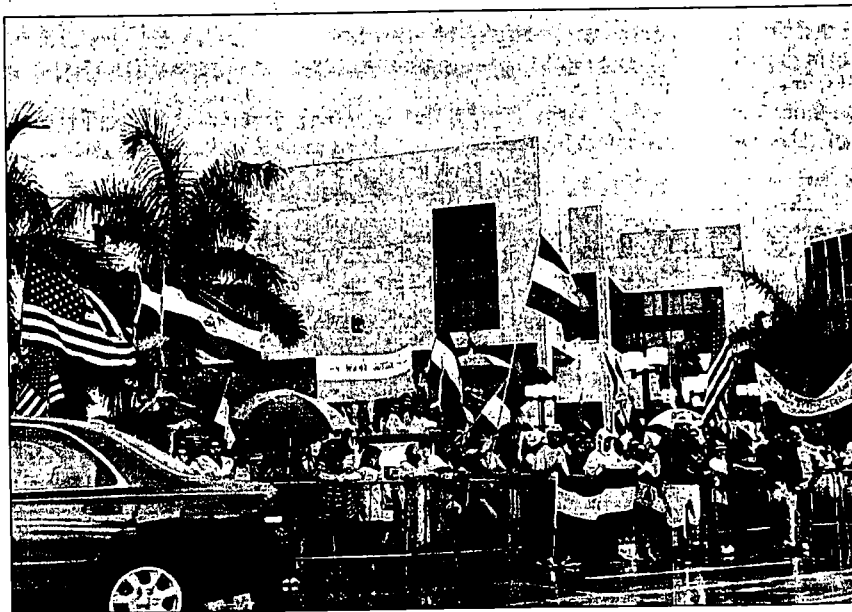
The Immigration and Naturalisation Service (INS) also seized on a provision that made it impossible for most Nicaraguans (as well as many Salvadorans and Guatemalans) to meet the seven-year residence test. As a result, the agency sent deportation letters to thousands who, like Mrs Baldizon, had already failed to obtain political asylum and now could not gain relief. The instructions were blunt: report to the INS with bags packed, ready to return to Nicaragua.

Panic swept many Miami districts. Entire families began a nomadic existence, living with friends in "safe houses" for short periods, then moving elsewhere to evade the letters. Carla Sanabria, 28, the mother of a three-year-old son and wife of

an American-born man, made the mistake of taking her letter to an INS office. She was led into a room, held for several hours, directed to relinquish custody of her child to her husband, put on an aircraft and returned to Managua with \$20 in her wallet—all within ten hours.

In early June, in response to a lawsuit filed by Mrs Baldizon and others, a federal district judge ordered a stop to the deportations. The INS policy was "irrational", he said. The arguments raised by the refugees for staying were "dramatic, heart-rending and powerfully persuasive". His order is on appeal, but for the time being it has lifted the cloud that covered Little Managua.

Last week Janet Reno, the attorney-general (who has authority over the INS) stepped in, saying that Nicaraguans could not be deported without having the opportunity to apply for the hardship relief that had been promised in 1995. Since the government had played a role in uprooting these people once before, agreeing not to uproot them again seemed the least it could do.



Clamouring for hardship relief

the 15% reached in 1910. Economic liberals say immigrants refresh the labour force, boost competitiveness and help provide the taxes to sustain middle-class entitlements. Both kinds of liberals cite a recent report from the National Academy of Sciences which calculates that immigrants add a net benefit of up to \$10 billion a year to the economy.

But Mr Stein cites the report too: the net benefit is "nugatory" in an economy of \$7 trillion; pressure from immigrants has lowered the wages of unskilled, native-born Americans (especially blacks) by some 5% over the past 15 years; and, for all the net contribution to the country of an immigrant over his lifetime, there is a net disadvantage for those states with most immigrants (an annual "penalty" of more than \$1,000 for each non-immigrant household in California, for example).

So is the glass half-full or half-empty? In the spirit of *e pluribus unum*, Mr Clinton puts an optimistic gloss on the prediction that "half a century from now... there will be no majority race in America." People like Mr Stein are appalled. Meanwhile, tensions rise and innocents suffer. Last May, Esequiel Hernandez, an 18-year-old American of Mexican ancestry, was tending his family's goats when he was shot dead (the exact circumstances are in dispute) by American marines on an anti-drugs patrol along the Texas-Mexico border. Hispanic Americans draw a simple lesson: if there were less anti-immigration rhetoric, the border patrols would still be civilian only—and young Hernandez might still be alive.

Florida agriculture

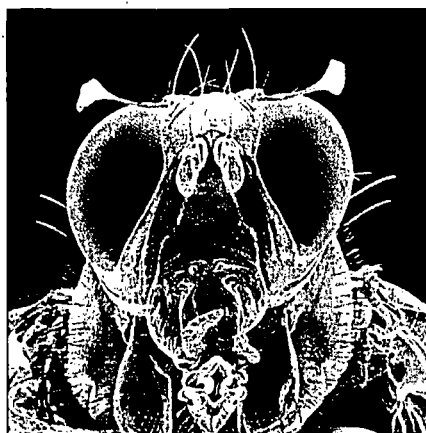
A fly in the ointment

MIAMI

ON MAY 28th, in the back garden of a neat suburban house near Tampa, on Florida's Gulf coast, a state inspector found something nasty in a kumquat tree. There, caught in a tiny tent-shaped trap, was what every Florida farmer dreads as keenly as a winter freeze: *Ceratitis capitata*, the Mediterranean fruit fly, which destroys fruit and vegetables as comprehensively as any biblical plague of locusts.

Agronomists hoped the insect was a solitary "hitch-hiker", which might have floated into Florida on a fluke wind or in a smuggled fruit. No such luck: by mid-July the search had turned up 692 others in a steadily widening circle from Tampa to Orlando, in the middle of the Florida peninsula. It was the worst infestation of so-called medflies in the state in 35 years.

The fly, which is slightly smaller than a



Destroyer of orchards

house fly, attacks more than 200 types of fruits and vegetables, including citrus, mangoes, avocados and tomatoes—all of which grow throughout central and southern Florida. A single female can lay up to 800 eggs, usually after burrowing through the soft skin of the fruit or vegetable. The eggs hatch into larvae that drop to the ground and become cocoons. After eight days, they emerge as adult flies, ready to repeat the cycle. The fruit, meanwhile, rots and drops to the ground. An infestation can spread so quickly that the federal government spends \$15m each year just to hang fly traps in areas known to be attractive to medflies. It was in such a trap that the first culprit appeared.

Since early June, state and federal agencies have been deploying all they have against this pest. Specially modified second-world-war bombers and helicopters last seen in Vietnam have bombarded infested areas with pesticide (typically Malathion), and the ground has been sprayed by hand. This effort itself has brought controversy. Many of the affected areas include rich and sprawling suburbs east of Tampa Bay, where residents do not like to see their playgrounds, lakes and even their children doused with spray in the wake of low-flying aircraft. Although government regulators insist that Malathion is relatively benign to humans and pets, environmental regulators have measured its presence in swimming lakes and rivers at many times the level officially considered safe.

The bombardiers have made some concessions. They have agreed to stop aerial spraying within 300 yards of lakes, bays and rivers, where more precise hand-spraying is now the rule. But government agencies are not backing away from the war against the flies. The first medfly infestation in the United States, in 1929, occurred in grapefruit groves near Orlando; it spread to 20 counties throughout the state and took nearly two years and several million dollars to bring under control. Other outbreaks in 1956 and 1962 in Miami and the counties to its north were nearly as difficult

to contain and even more costly.

This time, Florida quickly slapped a quarantine on all fruit and vegetables being prepared for shipment from the area between Tampa and Orlando. Fortunately for the state's most important industry, citrus, the infestation is occurring before the fruit is ripe and being prepared for shipping to distant markets. Other vegetables, however, must be inspected by the state before they can be sold. The state's fruit and vegetable growers are co-operating with officials despite the losses they are likely to incur. As one grower told a reporter, few things could do more harm to the state's citrus industry (not to mention people's breakfasts) than to have a consumer cut into a Florida orange one morning and find maggots.

Meanwhile, the medfly-fighters are trying a new tactic, borrowed from a previous outbreak some years ago in California. From July 25th, they will stop bombarding the insects with Malathion and will bombard them with sex instead. The plan is to release as many as 300m sterile male medflies into the affected region each week. The sterile flies (raised in special laboratories in Guatemala and rendered sterile with gamma rays) are expected to mate with females which, of course, will be unable to reproduce. In time, they will mate themselves out of a Florida existence; until, that is, the next hitch-hiker arrives.

Education in California

After preferences

SAN FRANCISCO

IS IT possible to help students from minority groups without racial preferences? The regents of the University of California hoped so. In July 1995, they voted to end the long-standing programme of giving preferences to blacks and other minorities (and to women) who wished to enrol in the state's sprawling university system, which covers nine campuses. The result is that minority enrolment for the coming academic year is down sharply on several campuses, especially in the professional schools that are attached to them.

At the law school of the University of California at Berkeley, where 20 blacks applied as freshmen a year ago out of a total of 270 students, only one applied this year, and he may not attend. In both the Los Angeles law school and the San Francisco medical school, enrolment of blacks and Latinos has fallen appreciably. A similar drop has been reported at the law school of the University of Texas, which removed its preferences at about the same time. So far, only three black and 20 Latino students, out of a total of 500 students entering in the

Inflation? Where?



BAROMETER

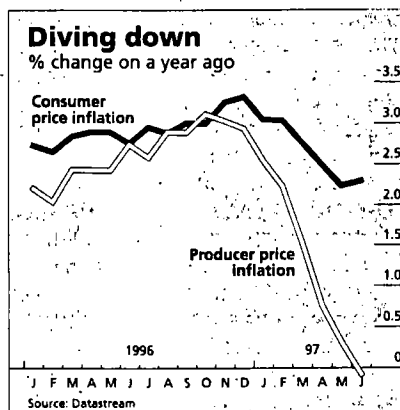
AMERICA'S dwindling ranks of inflation-hawks are being made to eat their words again. On July 11th, the Labour Department announced that America's producer prices fell by 0.1% in June, the sixth consecutive monthly decline. On July 16th, it announced that consumer prices rose by only 0.1% in June, and by an annualised 1.4% during the first six months of the year, the lowest rate since 1986. Only six months ago, many forecasters were predicting 3%. Despite tight labour markets and strong growth earlier in the year, inflationary pressure seems nowhere in sight.

Part of the good news comes from the benign behaviour of often-volatile food and energy prices. In the producer-price index, energy prices fell for the four months from February to June 1997. Although they rose in June, this was more than offset by a bigger-than-expected drop in food prices. But, even excluding food and energy, the core producer price index rose by a mere 0.1% in June.

Consumer prices, too, were helped by lower fuel costs: Petrol prices fell by 0.9% in June, after tumbling by 4.1% in May. But here, too, overall price pressures are

weak. Core consumer price inflation—once energy and food are excluded—rose by a 2.4% seasonally adjusted annual rate in the first half of 1997, the slowest pace since January-June 1965.

The numbers are unlikely to stay so well-behaved during the rest of the year. For one thing, seasonal adjustment factors—designed to smooth out the impact of seasonal differences on prices—may provide less of a fillip over the next few months, particularly in energy and food. Inflation hawks, of course, also expect tight labour markets eventually to sharpen inflationary pressure. But, as yet, the good news just keeps coming.



next academic year, have put down deposits; last autumn, the entering class included 31 blacks and 42 Latinos. The number of Asians enrolled in both places has risen, however.

Opponents of preferences, who include many faculty members at the University of California, say this proves to what degree the system was skewed to allow blacks and Latinos to enter. Pro-preference people say it proves how much discrimination is still around. Joseph Jaramillo, a lawyer for the Mexican American Legal Defence and Education Fund, claims that students who have attended black universities before going to law or medical school get less credit for their undergraduate studies than those who have attended mostly white colleges such as Harvard or Yale. He demands nothing less than a return to full "affirmative action".

The federal government appears to agree. On July 15th, the office of civil rights in the Department of Education advised Richard Atkinson, the president of the University of California, that it was investigating the effect of the regents' ban on preferences in the university's nine campuses. If the ban was found to have violated the civil rights of minority students, as they are com-

plaining, the university might lose millions of dollars in federal funds.

By coincidence, this inquiry was announced just as the regents were to receive a report, 18 months in the making, proposing ways to help minorities in higher education without recourse to preferences. The report, by 36 businessmen and academics,



Help has to start at this stage

suggests a dramatic re-shaping of elementary and high-school education to help minority students.

University campuses would be "partners" with local school districts in an organised, state-wide effort. The campuses would be expected to work with nearby schools to improve elementary teaching, "enrich classroom experience", bring tutors and mentors to the classrooms, educate parents on the importance of higher education, and "market" the benefits of university to the whole community.

What leaves minorities behind in college is chiefly neither race nor poverty, according to the report. It is the fact that they start to lag behind in elementary school and high school; and few people seem to notice, or to pick up their problems quickly enough. The university, if it showed an active interest, could change this. But it would cost, the report reckons, some \$60m a year even to start to have an effect.

However good its intentions, the report will now be overshadowed by the federal government's intervention. Is that intervention justified? Ward Connerly, himself a university regent and champion of the anti-preference league, calls it "sabre-rattling" and "an attempt to thwart the will of the people"; California voters, after all, also approved a ballot measure in 1995 that outlawed racial preferences at all levels of government throughout the state.

Others point out that registration figures for the University of California as a whole, despite the ban on preferences, show 50 more black freshmen this year than last, and 68 more Latinos. But if it comes to a choice between an expensive and nebulous new "partnership" between ghetto schools and universities, and a simple restoration of the preferences that prevailed in the past, past practice (no matter how misguided) is likely to emerge the victor.

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The New Black Power

by Roy S. Johnson

For years black power meant clout at the polls. Today many African Americans are taking their places in the executive suite. Yes, there are still problems. But these well-educated, highly motivated leaders are seizing real power in the business world.

Let's face it: For many people, the phrase "black power" evokes grainy, black-and-white images of an impassioned Stokely Carmichael stirring crowds at the peak of the civil-rights movement in the 1960s. In time the term evolved to become synonymous with black political muscle. Buoyed by new laws granted under the Civil Rights Act of 1964—among its provisions, the bill banned the Southern tradition of applying different voter registration standards to blacks and whites—African Americans flocked to the polls around the nation, propelling scores of black politicians into local, regional, and national offices. Black mayors were elected in nearly every major city, black Congressmen were no longer an anomaly, and the black vote became a critical factor in elections reaching all the way to the White House.

The children of this generation of politically focused African Americans had something else in mind: economic power. The kind achieved not merely by accumulating wealth, but by seizing power in the business world. Now their time has come. These well-educated, highly motivated, and strong-willed business leaders have raised the glass ceiling beyond any level their parents dared imagine. They're sharp and unapologetic. They're influencing hiring and promotions at their companies. They're gaining access to capital and creating unprecedented partnerships with large companies. In short, they're obliterating the myth that African Americans can't prosper at the highest levels of industry. Stokely Carmichael might even smile at that.

The executives in these pages have lived most of their adult lives—in some cases,

nearly their entire lives—in the aftermath of the 1960s. The Civil Rights Act was their launching pad: Besides its voting provisions, the bill outlawed racial discrimination in all public facilities—an order that expunged the ugliest signs of the times, WHITES ONLY and NEGROES ONLY—and banned racial bias by employers, unions, and educational institutions. Over the next three decades these men and women deftly avoided the political and

cultural land mines that remained in the workplace, though they were often an army of one—the only African American at their level. They are keenly aware of the debt they owe to the predecessors who eliminated barriers that stood in the way. "I am thankful for the act because it really got me my start," says General Motors vice president Roy Roberts. Reflecting on his first job, at Lear-Siegler, he says, "They were getting a lot of government business, so they had to comply with the law. It caused a lot of companies to hire blacks not out of love for us or our abilities, but simply to keep business. Out of that action grew strong relationships; whites had the opportunity to

see that blacks had talent, and that we deserved to be at the table where the decisions were being made." Today, as head of the GMC-Pontiac division at GM, Roberts, 58, runs a \$20 billion business.

The recollections of Brenda Lauderback—as group president of \$1.7 billion Nine West, the highest-ranking black woman in the footwear industry—are more

typical of this generation. She was only 14 years old when her family gathered around the television set in their Philadelphia home to watch President Lyndon B. John-

Auto Pilot

As head of GM's GMC-Pontiac division, Roberts runs a \$20 billion business: "[Blacks] deserve to be at the table where decisions are made."



CARL POSEY

Dealmaker

Relationships are the bedrock of today's business alliances, says BET CEO Bob Johnson. Heading to a recent media moguls bash, he said, "You can't put a value on rafting with Bill Gates."

bers. Is this trend sweeping the land? No. Are there still problems? Yes. But there's no question that the group of black leaders in business is larger than ever."

One of the more intriguing traits of this group is that most of them have kept a low profile. Many of the executives contacted by FORTUNE, in fact, respectfully declined to participate

for fear of appearing boastful or, in the biting response of one prominent executive at a large company, "uppity." Another trait: A lot of the subjects featured in this issue play golf and belong to a prestigious country club—or two. Don't get the idea, though, that they've let professional aspirations repress their culture. They didn't act "white" in order to reach their lofty status. In casual conversation, many discussed the duality of their lives—spending much of their day surrounded by white co-workers, but filling social time with black friends and neighbors.

In this package, we show you the face of this new power in various guises—Wall Street's new black entrepreneurs; three companies managed by ground-breaking African American executives; a Q&A with National Urban League President Hugh Price; and an enlightening photographic gallery of business leaders and the mentors who inspired them. So read on, and meet a

new group of power brokers who mean business in America. ■

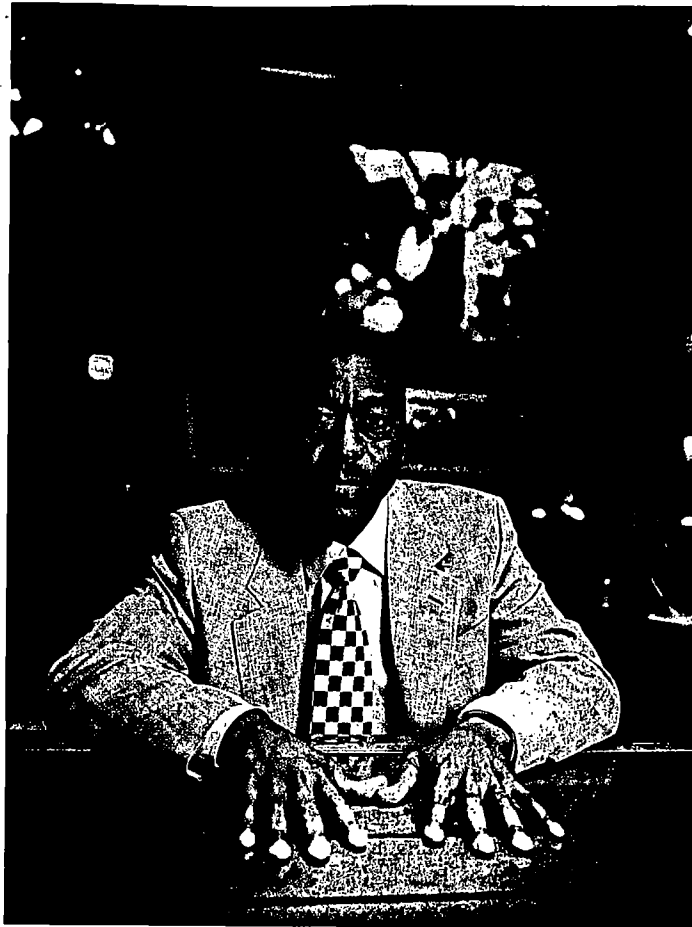
Well Heeled

Brenda Lauderback, group president at Nine West, has a response for those who misjudge her skills: "I've always overcome obstacles with excellence," she says.

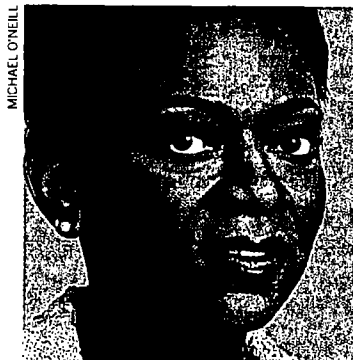
son, in a live White House ceremony, sign the 1964 bill into law. "We didn't understand what our parents were saying about the significance of the events," Lauderback says, "but as time progressed it all became crystal clear."

Before we get carried away, let's be frank: White men are in no danger of losing their seats on the corporate jet. With the \$115 million racial discrimination settlement against Texaco still fresh in our minds, and others certain to follow, it's evident that people of color still confront huge obstacles in the workplace. Only a few blacks are knocking at the CEO's door at the biggest corporations, most notably American Express President Kenneth Chenault and Maytag President Lloyd Ward. As media moguls gathered in July for Herbert Allen's annual salon in Sun Valley, Idaho, only one African American was among them: Robert L. Johnson, chairman and CEO of Black Entertainment Television. Additionally, truth be told, black-owned business isn't really, really big business. Earlier this year, *Black Enterprise* reported that the 100 largest black-owned companies, which the magazine has tracked for a quarter-century, together generated revenues of \$14.1 billion in 1996. That means a hypothetical Black Business Inc. would rank only 83rd on the FORTUNE 500—ahead of American Home Products, and pocket change behind Sprint.

But the tale isn't in the absolute numbers. It's in the direction the statistics are heading: According to the U.S. Census, the number of black-owned businesses rose 46% between 1987 and 1992 (424,200 to 620,000), compared with a 26% increase in U.S. businesses overall; and when *Black Enterprise* compiled its first 100 list in 1973, the revenue total was just \$473,400. The tale is also in the numerous individual success stories that are too often masked by dry data. "Progress is being made," says Richard Parsons, president of Time Warner (parent of FORTUNE's publisher) and one of the nation's most powerful black executives. "People of color are achieving corporate positions that their parents could have never dreamed of reaching, and in unprecedented num-



LYLE ASHTON HARRIS



MICHAEL O'NEILL

Taking It to The Street

by David Whitford

JOHN UTENDAHL was a corporate bond trader at Merrill Lynch when he first observed that the world was changing in a way that might make him rich. The '80s were over, the '90s were still new, and Wall Street was downsizing. That meant there were fewer bodies on the sales desk to move the bonds that Utendahl was trading. "I still had product that had to go out the door," says Utendahl. "It didn't really matter who it went to." Increasingly, he realized, it was going instead to the dealer desk, Merrill's link to other brokers and investment boutiques. Utendahl could remember when there had been just one person on the dealer desk; now there were five. Somewhere out there beyond the busy dealer desks, Utendahl surmised, was "an environment in which boutiques specializing in niche products could do very well—if they had talented individuals and the right capital and focus."

Today, Utendahl Capital Partners—owned 80% by Utendahl and his partners, 20% by Merrill Lynch—is the largest black-owned investment bank in the U.S. Founded in 1992, it has since had a hand in structuring, placing, or underwriting securities worth more than \$250 billion. Through an affiliated company, Utendahl Capital Management, it manages more than \$500 million for institutional clients, including Texaco, Borden, American Express, and Time Warner (parent of FORTUNE's publisher).

Utendahl's new venture got a boost early on from the Resolution Trust Corp., which dumped \$20 billion worth of mortgage-backed securities on Wall Street beginning in 1991—15% of it set aside for minority-owned firms. But long before that business dried up in 1995, Utendahl Capital was already assuming more and more of the characteristics of a full-service investment bank, trading in equities as well as fixed-income securities; taking on advisory assignments; and plunging into asset management, which quickly became the fastest-growing segment of its business. All of which is leading, Utendahl hopes, to the kind of deep, diversified revenue stream that sustains a much bigger firm like Lazard Frères—which, Utendahl will tell you (without blushing), is the model for the firm he'd like to create. Utendahl is thinking big, and he doesn't care who scoffs at him. That's the inside joke behind the framed two-dollar bill on the wall behind his desk. It looks phony, but Utendahl and his 34 employees know it's not.

Utendahl, 41, is the leading example of a new generation of

There's a new generation of African Americans breaking ground on Wall Street. They're plugged into power and money. They've got their hands in all kinds of businesses. And they're ambitious on a scale their predecessors never dared to indulge.

black entrepreneurs on Wall Street. Educated at elite schools, trained at top firms, and temperamentally endowed with a passion for the Street, Utendahl's cohort differs from its predecessor in several key respects. It has far better access to capital; a much broader range of business interests and investment activities; and ambition on a scale no previous generation of minority entrepreneurs, perhaps mindful of reality, dared indulge.

Ron Blaylock, 37, is part of the new generation too. Unlike his former teammate at Georgetown, Patrick Ewing, Blaylock never made it to the NBA. Like Ewing, however, Blaylock found a fiercely competitive arena in which he could excel, have fun, and make a lot of money. Blaylock was a top trader at Paine Webber in 1992 when he quit to join his friend Utendahl (who played his college ball at Long Island University) as a founding partner of Utendahl Capital. Eighteen months later, feeling the need for "more playing time," Blaylock sold his 25% stake back to Utendahl and set up his own firm with partial backing from Bear Stearns. Blaylock & Partners in 1996 became the first minority-owned firm to lead-manage a corporate bond underwriting, supervising a \$150 million issue on behalf of the Tennessee Valley Authority.

James Francis, 35, was at Oppenheimer in 1989 when Bernard Beal of M.R. Beal—a prominent, minority-owned munici-

Utendahl's multifaceted investment banking firm leads the parade among black-owned Wall Street companies.



PHOTOGRAPHS BY DARRYL ESTRINE

pal bond underwriter—persuaded him that together they should start a money management firm. Paradigm Asset Management started fast, attracting \$200 million in public and corporate pension assets its first year. When growth stalled in 1994, Francis bought out Paradigm and simultaneously sold 30% to a large mutual fund holding company. Today Paradigm has almost \$2 billion in assets under management and consistently ranks among the top 20 institutional money managers, according to Nelson's rating service.

Fred Terrell, 42, is a former Coro Foundation Fellow and deputy to Los Angeles city council president John Ferraro. He came to Wall Street in the early '80s after earning his master's in public and private management at Yale. He was drawn to the energy on the Street; the competition among smart, ambitious people; the buzz. "I thought it made me smarter," he says. "I thought it challenged me. I thought it was, like, fast," and he snaps his fingers. Last fall, after 14 years at First Boston, he left to start his own firm, Provender Capital, which makes direct investments in specialty finance companies and multi-unit franchise operations.

Before we get carried away, it's worth noting that the new generation, for all its promise, still amounts to barely a blip on a trader's Bloomberg. According to Securities Data, Blaylock ranked 54th in deals done by Wall Street underwriters for the first six months of 1997; Utendahl was 69th. "The problem is, you can take all the capital of all the [black-owned] firms—throw in the woman-owned firms too—and we don't equal one branch of a major firm," says Muriel Siebert, the first woman to buy a seat (in 1967) on the New York Stock Exchange. "I wish it were otherwise, but it isn't."

Still, while the new firms may be small now, they're growing fast. They're plugged into power and money on the Street as no minority-owned firms have ever been before. They've got their hands in all kinds



Blaylock's was the first black-owned firm to lead-underwrite a corporate bond offering.

of businesses. And, lucky for them, they're in a position to learn from the disappointments and failures of the previous generation.

Nearly all the black-owned firms that achieved prominence in the '80s—including Pryor McClendon Counts, Grigsby Brandford, W.R. Lazard, and M.R. Beal—specialized in municipal bond underwriting. Their growth paralleled the growth of black political power in cities, as financial doors traditionally closed to all but the politically connected swung open for the first time to admit women and minorities. By the mid-'90s, however, the muni business had lost much of its appeal to black- and woman-owned firms. Government spending on capital projects was down, a backlash against minority set-asides was gaining momentum, and several high-profile firms were under investigation for corrupt practices. Negotiated deals gave way

increasingly to competitive auctions, which raised capital requirements and squeezed margins. Volume fell off sharply. In 1996, firms owned by minorities and women participated in muni deals worth \$60 billion, down from \$103 billion in 1993. Says Harold Doley of Doley Securities: "It's a whisper of what it was." Many undercapitalized firms went under. Others took severe hits and are still floundering. Says Siebert, whose firm recently absorbed the remnants of Grigsby Brandford's municipal finance division: "The story is pretty bad."

While the new generation defies categorization (that's part of what sets it apart), most of its members have at least two traits in common. The first is a healthy disdain for municipal finance. These are guys who spent the early part of their careers scrambling to avoid getting stuck in that swamp. Utendahl, coming out of Columbia with his MBA in 1982, was lucky enough to avoid it altogether; he started right in as a corporate bond trader at Salomon Brothers before moving on to Merrill Lynch. Terrell, however, while still working on his

MBA at Yale, began his career at First Boston as a summer associate in municipal finance. "I didn't like it almost from the time I got into

After 14 years at First Boston, Terrell left to start his own firm, which invests in specialty finance companies and franchises.

it," he says. "I thought it was too much about relationships. I thought the barriers to entry were not high enough." Even in 1984, it looked to him like a short road to a career dead end. "I could see that my colleagues [in municipal finance] were not players in my firm."

Terrell worked his way out in stages, delving into swaps, caps, hedges, and other financial esoterica, and applying what he'd learned in novel ways to municipal securities. He was the first investment banker to devise a municipal interest-rate swap (if you don't know what that is, don't ask) and the first to structure a taxable product for the municipal market, which, until then, comprised only tax-free deals. Because nobody else understood exactly what he was doing, Terrell's value to the firm rose. In time he transferred out of municipals and into mortgages; developed a national reputation in the arcane field of asset securitization (bundling pools of hard assets, like mortgages and car loans, into tradable paper); climbed all the way up the ladder at CS First Boston to managing director; and finally quit last fall, near the top of his field, to start his own company. Proven Capital will leverage Terrell's expertise by investing in industries where asset securitization has the most potential to firm up sagging balance sheets. The idea, Terrell says, is "to create value in situations where others may not see the same value."

THE NEW BLACK POWER WALL STREET

Had Terrell not had the foresight and cunning to avoid getting mired in municipals, it's doubtful he'd be in the position he is today, and the same goes for the other members of the new generation. But that's only the first important trait they share. Another is a willingness to accept capital and backing from powerful Wall Street firms—in many cases, the same firms that had been their employers. Utendahl's deal with Merrill Lynch broke new ground that others since have cultivated eagerly. Blaylock's limited partner, Bear Stearns, owns 18% of the firm (down from 25% at launch). Terrell started Provender with a lucrative consulting contract—plus a commitment to invest in his private-placement

a conspiracy orchestrated by the white establishment to divert business rightfully intended—by law or corporate fiat—for truly independent minority firms. The most vocal critic is Doley, who founded one of the pioneering black investment firms back in 1975. "If you look at the capital structure," he says, "it is clear to Ray Charles what is going on." What Doley's talking about is Utendahl Capital's liability to Merrill Lynch: more than \$12 million in subordinated debt drawn down as of Dec. 31, 1996—all of it provided, on favorable terms, by Merrill or its subsidiary Broadcort Capital, which clears the majority of Utendahl Capital's transactions. That represents substantially all the capital available to the firm.

Sure. Merrill may be using Utendahl to reel in the business of companies that want minority participation in their deals. But Utendahl is also using Merrill Lynch to become a player on the Street. And there it would end, under normal circumstances—what is the Street about

"Money is power. Ten years from now, I want people to say that Fred Terrell and Provender played a vital role in capital formation for the U.S.—but more important, for African Americans."

fund—from CS First Boston. Francis' partner is Affiliated Managers Group of Boston.

Strategic alliances between competing firms are as old as capitalism, but rarely before—on Wall Street, at least—have so many spanned the racial divide. Connections between black firms and their big white brethren are controversial in some circles, of course. Utendahl and Blaylock have been blasted by some minorities who regard them as at best pawns and at worst parties to

if not using every available edge in order to make a buck?

But it doesn't end there for these entrepreneurs, just as it doesn't for any successful African American. Unlike their peers on the Street, these guys can't simply treat their ventures as a money game. And they don't. "Money is power," says Terrell. "Ten years from now, I want people to say that Fred Terrell and Provender played a role in capital formation in the U.S.—but more important, played that role for African Americans, too." ■



"There is Opportunity and there is Action"

A conversation with Hugh Price of the National Urban League

IN MARCH, Hugh Price, president of the National Urban League, approached FORTUNE with the idea of publishing one or more stories about African Americans in business to coincide with the 87-year-old organization's annual convention, which begins on August 4 in Washington, D.C. The theme of this year's gathering is 'Economic Power: The Next Civil Rights Frontier. "It's an important time for our country," Price said. "Just as the nation is implementing rollbacks to the efforts designed to create equal opportunities for all Americans, the generation of African Americans who benefited most from those programs is beginning to take its place at the table of economic success." A few weeks later, Price—a descendant of a former slave who fought in the American Revolution—spoke with editor-at-large Roy S. Johnson about the renewed emphasis on economics among blacks, the chances for genuine diversity in the workplace, and how companies are trying to avoid becoming the next Texaco.

FORTUNE: What are the common traits you see among African-American business leaders who grew up in the aftermath of the civil rights movement?

HUGH PRICE: I don't want to call them survivors. They are more than survivors. They are people who are extraordinarily talented and have learned the art of the deal. They've attended some of the nation's most prestigious schools, learned how to navigate the highest reaches of the systems, and they have thrived.

FORTUNE: But many corporate executives still say they are all fighting over the same small cadre of talented people of color.

HUGH PRICE: I think corporations simply haven't expended enough energy to recruit and groom senior managerial talent. They haven't been inventive enough. Not that they don't want to be. I just came from lunch today with someone from the FORTUNE 500 who is very worried about the complexion of their senior management ranks. The corporations, I think, know the demographics of the country and realize that over the next 20 or 30 years, they will increasingly have to look to a talent pool largely comprising minorities and women for their senior and middle managers. I tell them that if they took a hard look at the résumés of their current managers, they would see that their levels of education and the caliber of schools they attended aren't quite up to those of a lot of today's African-American graduates. Yet these kids are having difficulties getting comfortable in your culture. Slowly, companies are becoming sensitive to this.

FORTUNE: Given the natural cycle of opinions, are you working against a closing window of opportunity? How long will CEOs be truly interested in the inclusion of blacks and Hispanics among senior management?

HUGH PRICE: I don't have an easy answer to that except that there is opportunity and there is action—right now. We have faith that (1) American companies are so bottom-line oriented that they will eventually recruit talent where they can find it; (2) the evolving demographic profile of the country will cause consumer-oriented com-

On bias:

"Cases [like Texaco's] are percolating all over corporate America."



THE NEW BLACK POWER

panies to become even more sensitive to minority concerns; and (3) the competition for market share is so ferocious that if you're not out there recruiting the best talent, then someone who is will eat your lunch. In time, companies won't ask a lot of questions about gender and complexion. Shareholders don't ask any questions about that.

FORTUNE: Many of today's black-owned businesses are finding success by partnering with large corporations. How important is this trend to the next generation of African-American entrepreneurs?

HUGH PRICE: It's huge. Those trying to break into mainstream markets have to be as canny, cunning, and creative as possible to ensure their success, even though they're bringing assets to the table that other parties might not have. Let's take the case of Magic Johnson's partnership with Sony. I suspect he couldn't have moved ahead on his own, nor could Sony have effectively gone into [urban] communities by itself. Yet together, they're discovering extraordinarily profitable possibilities.

FORTUNE: Some blacks have been criticized for striking these types of deals, often from other blacks who allege that these partnerships are merely "fronts" for white companies looking to take a slice of the business generated by or meant for African Americans.

HUGH PRICE: I hope we've gotten past that kind of immature perspective. It's sort of like saying Bill Cosby isn't an African-American comedian because he's got a crossover audience. Well, because he's got a crossover audience, Cosby was able to give, what, \$50 million to Spelman College. And as a result of that [donation], Spelman is one of the great black institutions. The real question isn't how you aggregate wealth, but what you do with the wealth that's generated.

Those African Americans who are business-oriented who have gone into major corporations will hopefully, over time, discover that there's a product or a service they can provide more efficiently than the market can provide itself. So they should do what is traditionally done: Get an idea, learn the ropes, and build your own thing. The larger challenge is going to be keeping up the pressure on those who control access to mainstream markets to keep them open.

FORTUNE: Let's talk about the recent cutbacks in affirmative-action programs. Can we assume that those programs are dead?

HUGH PRICE: No, but I think they have to assume that the legal foundation for the old tool is probably dead. It's becoming harder

to make the case for a two-tier bidding system. In this post-set-aside environment, the question then becomes, Can our firms bid on an competitive basis against larger firms, and can we use tools such as inner-city hiring priorities to help tilt [some decisions our way]?

It will be interesting to see how the mayors of our cities can produce the kinds of results Mayor Maynard Jackson produced in Atlanta when they don't have the same tools. Can you build in any kind of consideration to make sure that it isn't business as usual? Some of this is going to turn on the kinds of conversations that occurred out at the Cleveland Economic Development Summit, where the Marriott hotel chain sat down with a number of us and said, "We really do want more minority-owned and minority-partnered hotels in this chain." But [African Americans] need to gear up for this kind of opportunity. If we let the surge in economic activity in cities pass us by, then a pox on our house, because it's right there, right now.

FORTUNE: What was your reaction when the Texaco tapes were released, revealing intimate discussions about racially discriminatory tactics among some of the company's executives?

HUGH PRICE: You mean, corporate America's Fuhrman tapes? There wasn't a celebration, but there was a sigh of relief. We said, "Aha, I told you so!" It gave us a hammer. No question about it.

FORTUNE: What has been the ripple effect of Texaco's \$115 million settlement of the suit?

HUGH PRICE: The way CEO Peter Bijur responded to the allegations was beyond most expectations. They didn't deny the problem. He didn't muddle through a solution. Instead, he took a great leap forward and looked at the company's employment practices, and created a plan that provides business opportunities for black-owned firms. The proof will be in the delivery, but in the meantime other companies have sat up and taken notice. Other similar cases are percolating throughout corporate America.

FORTUNE: This area is a little off track, but talk about how the tremendous earning power of black athletes and entertainers has perhaps distorted the definition of "success." Should this type of achievement be downplayed?

HUGH PRICE: Well, it creates an extraordinary opportunity, and it creates a crushing obligation. African Americans in these industries are playing a huge role in defining popular culture, which is then captured by industry and exploited to its benefit—and profit. Leveraging that power becomes the challenge. What can we do to own the goods and services that are the byproducts of this popular culture we are helping to define? I am thrilled that athletes and entertainers are doing quite well. It creates the basis for wealth that enables an Isaiah Thomas to try to

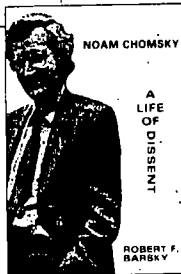


On clout:
"Economic power [is] about the aggregation of wealth and influence."

purchase the Toronto Raptors. The question is, What do you do with what you aggregate? Do you build additional institutions, job opportunities? Do you also have a charitable impulse that loops back to the community? But you can't even begin to have those conversations until you aggregate some wealth. [Yes, our young people do need to learn more] about folks in business, folks in teaching, folks who work with public agencies. They need to understand what the possibilities are for self-sufficiency and nobility in everyday life.

FORTUNE: Are you personally more buoyed by the progress you've seen or fatigued by the need for continued efforts?

HUGH PRICE: I become exasperated, but I try not to allow myself to become frustrated, because frustration freezes you in your tracks. We have no choice but to press forward and prepare to send even more waves of extraordinarily talented people at the problem. **F**



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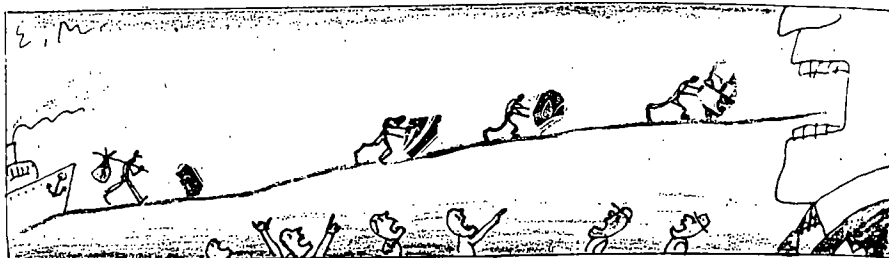
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DEPT. OF DISPUTATION

THE MELTING-POT MYTH

Immigration made America. Could it unmake it, too?

BY JOHN CASSIDY



WHEN people talk about immigration, the conversation quickly becomes overheated—and no wonder. The topic taps into political agendas that have nothing to do with the practical policy question of how America's borders ought to be controlled. Among mainstream conservatives, being pro-immigration is an easy way to establish one's free-market credentials, but it also provides ample opportunities for making invidious comparisons between allegedly industrious immigrants and allegedly lazy African-Americans. Social conservatives like Pat Buchanan use the anti-immigration card to attack multiculturalism, inflame nativist prejudice, and win over Reagan Democrats. For most liberals, supporting an open immigration policy is a way to celebrate the image of America as a gorgeous mosaic, but some radicals see immigration as a fiendish plot that facilitates sweatshops, wage cuts, and assorted other evils of multinational capitalism. The immigration debate has become a surrogate for arguments about everything from eugenics to welfare reform to economic growth.

The one thing the debate has been short on is facts, but that is no longer the case. A few weeks ago, the National Academy of Sciences, a nonprofit organization of distinguished scholars, published a four-hundred-page report, which concluded that "immigration benefits the U.S. economy overall and has little negative effect on the income and job opportunities of most native-born Americans." The press reported these findings prominently, and Jim

Smith, a Rand-corporation economist who chaired the panel of academics that produced the report, said in a statement, "Immigrants may be adding as much as ten billion dollars to the economy each year." If the report's conclusions are accepted at face value, the only remaining question is whether the United States should admit even more immigrants than the eight hundred thousand or so who are arriving each year, and when I spoke to Smith recently he suggested as much. "If you want ten times bigger gains, let in ten times as many immigrants," he said.

Things might not be quite that simple, though. "Over all, the National Academy report is not as favorable as the press made it out to be," George Borjas, a Harvard economist who was one of its authors, told me. "I'm sort of stunned by the way it was spun. The big news, which was not a headline in the *New York Times*, was that there is a growing consensus among economists that the gains from immigration are small." Borjas is not the only panel member who thinks that the media missed the real news. "For roughly twenty to twenty-five years, immigrants are a net fiscal drain on our society," Richard Freeman, another Harvard professor, said. "That finding came as a total shock to me. Immigrants come in. They have kids. The kids use our schools, they use our medical system, and that's expensive."

Smith denied that any attempt had been made to "spin" the report's findings, but the Harvard professors have a point. Immigration is a growth area in

onomics, and the new research suggests that native residents gain far less from immigration than was once thought, and that some natives—particularly unskilled workers and taxpayers in high-immigration areas—pay a high price for the arrival of so many foreigners. Moreover, immigration may be affecting internal-migration patterns in ways that undermine the notion of a melting pot and could leave the country as two separate stews: one young, bubbly, and multicultural; the other older, whiter, and more resentful. To this immigrant, at least, these are worrisome findings.

THE basic facts are not in doubt. In 1996, there were more than twenty-four million legal immigrants in the United States (nobody really knows how many illegal immigrants there are), and they made up 9.3 per cent of the population. If current trends persist, some forty-five million more immigrants will have arrived by 2050, and post-1970 immigrants and their descendants will then make up about a third of the population.

Immigration policy is regulated by the Immigration and Nationality Act of 1965. This legislation replaced the old quota system, which was biased toward immigrants from European countries, with a system favoring family members of people already in the United States, and it had dramatic (and largely unintended) effects. In the nineteen-fifties, of the two hundred and fifty thousand legal immigrants who entered the United States each year, their top three countries of origin were Germany, Canada, and the United Kingdom. Today, of the roughly eight hundred thousand legal immigrants entering the country each year, more than half come from seven developing countries: Mexico, the Philippines, Vietnam, the Dominican Republic, mainland China and Taiwan, Korea, and India. This shift is already altering the country's racial makeup. In 1995, the American population was seventy-four per cent white, twelve per cent black, ten per cent Hispanic, and three per cent Asian. In 2050, according to the Academy's study, it will be fifty-one per cent white, fourteen per cent black, twenty-six per cent Hispanic, and eight per cent Asian.

As the number of immigrants has risen, their skill levels, relative to native

workers', have fallen sharply. In 1970, immigrants and natives had comparable high-school dropout rates; today, male natives are two and a half times as likely to have finished high school as immigrants are. (Of course, some immigrants are highly educated. Ten per cent of them have advanced degrees, compared with only seven per cent of natives.)

It seems intuitively obvious that the arrival of so many people looking for work would put downward pressure on wages—at least, in high-immigration areas—but this doesn't seem to be the case on the local level. In one renowned study David Card, a former Princeton economist, tracked the impact of the 1980 Mariel boatlift, during which a hundred and twenty-five thousand Cubans, most of them unskilled, landed in Miami. This influx raised Miami's labor force by seven per cent, but Card found that it had virtually no impact on the wages or the employment rates of the city's native unskilled workers relative to those of residents of other cities. "There may be some downward pressure on wages, but it's very difficult to see it at a local level," he told me not long ago.

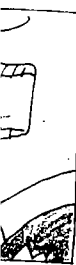
Card's findings implied that the economic costs of immigration are minimal, but this conclusion has recently been challenged, most notably by Borjas, Freeman, and Larry Katz, a third Harvard economist. They argue that studying the impact of immigration at the local level is misleading, because native workers respond to immigration either by moving out of high-immigration areas or by not moving into them. If this is so, immigration affects the labor supply throughout the country and that is the level at which the issue should be studied.

William Frey, a demographer at the University of Michigan, has provided the strongest evidence in favor of this hypothesis. A few years ago, while Frey was studying data from the 1990 census he noticed an anomaly. "I looked at domestic migration"—movement between states—"and said, 'Boy, this is really strange stuff. You've got out-migration rates among people with a high-school education or less that are greater than the rate for college graduates,'" he recalled recently. Internal migration can usually be characterized as the circulation of élites—management consultants

tend to move around more than firefighters—but Frey discovered that in areas with a high number of unskilled immigrants this was no longer true. In California between 1990 and 1994, 7.2 per cent of high-school graduates left the state, compared with just three per cent of college graduates. "It's not just California and New York, although those are two big cases. It's Texas, Miami, Chicago, even Washington, D.C.," Frey went on. "I can't say that all of it is displacement, but I do know that it's associated with immigration."

Frey's findings suggest that when Mexican dressmakers arrive in San Diego they may indirectly affect the wages of seamstresses in Denver and Seattle. Borjas, Freeman, and Katz came up with a way to measure this nationwide impact, and their findings are detailed in a paper soon to be published by the Brookings Institution. They found that immigration doesn't much affect native workers who have completed at least a high-school education—a category that includes six out of seven Americans—because the number of well-educated immigrants is still small relative to the number of well-educated natives. However, immigration does have a major impact on some twenty million native high-school dropouts who are competing with unskilled immigrants. Between 1979 and 1995, the average hourly wage of American males who hadn't finished high school fell from \$12.22 to \$8.92 (in constant 1995 dollars)—an unprecedented slide of almost thirty per cent. High-school graduates also saw their earnings slip in this period, but the wage cuts endured by high-school dropouts were much larger, and Borjas, Freeman, and Katz have calculated that between forty-four per cent and sixty per cent of this drop in relative earnings can be attributed to immigration. "Low-paid workers are the big losers," Freeman told me.

WHEN David Card moved to San Francisco recently, he noticed some changes from his life style in Princeton. "In California, a professor has at least a gardener and maybe two, someone who cleans his house, and two or three day-care workers," he said. Most such domestic workers are immigrants. In the six states where immigration is highest



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(California, New York, Texas, New Jersey, Florida, and Illinois), seventy-eight per cent of the male cooks and sixty-two per cent of the female housekeepers are immigrants. These numbers suggest that the natives who benefit most from immigration are the ones who purchase the services of cooks, housekeepers, and gardeners on a regular basis, which is to say the rich. This conclusion was confirmed by the Academy's experts. "Benefits from lower prices are higher for households with very high levels of wealth and education," the report noted.

The fact that immigration hurts the poor and benefits the rich doesn't necessarily make it a bad thing. To decide whether this is a worthwhile trade-off, we need to know how significant the net benefits from immigration are, and a number of other recent studies have tried to answer that question. Most of them estimate the net gains to native households from immigration at between one billion and ten billion dollars a year. (These figures are calculated by adding up the total benefits to consumers and employers from lower prices and subtracting the total losses to workers from lower wages.) The difference between one billion dollars and ten billion dollars may seem like a lot, but relative to the size of the economy—the gross domestic product is about to pass eight trillion dollars—it isn't. From an economic perspective, the important thing about both of these numbers is that they are relatively small; for example, the annual budget of New York City is \$33.4 billion, and the annual interest on the national debt is almost two hundred and fifty billion dollars.

PERHAPS the most controversial issue in the immigration debate is whether the provision of government services to immigrants should be limited. This is what happened in California after the passage of Proposition 187, in 1994, and is now happening throughout the country following last year's welfare-reform bill. In two immensely valuable chapters, the Academy's report details the fiscal impact that immigrants have at the local, state, and national levels over the short term and the long term.

The first message to emerge from these chapters is that Californians may be selfish but they are not stupid. According to the report, a typical native-Californian household pays \$1,178 more in state and local taxes than it receives in state and locally funded government services, and this money is used to finance a net transfer to immigrants of \$3,463 per immigrant household. (When federal taxes and spending are included, the net contribution from native households falls, but by only four dollars.)

On the national level, the figures are less dramatic, but they go in the same direction. A typical immigrant family receives net transfers from the government worth between \$1,613 and \$2,206. When the fiscal burden of providing these sums to nine million immigrant households is divided equally among eighty-nine million native households, the annual cost comes out to between \$166 and \$226 for each native household. These aren't huge numbers, but they are substantially bigger than the economic "gains" from immigration which the newspapers reported. Divide ten billion dollars equally among eighty-nine million native households, and the financial gain per household comes out at \$112.36. Subtract from this the annual fiscal deficit of between \$166 and \$226, and the typical native household is at least fifty dollars in the red.

There are three reasons that immigrant families tend to be a burden on the state: they have more children than native families (and the children of immigrants almost always use public schools); they receive more government benefits; and they pay less in taxes (because they are poorer). Two key issues are how long immigrants remain a fiscal burden and whether they eventually pay back the government benefits they receive in the years immediately following their arrival. To answer these questions, Ronald Lee, a Berkeley economist, examined the finances of thousands of immigrants and their descendants, and he found that in the long run immigrants are a good deal for the country. By the time a typical immigrant with a family dies, he and his children will have paid eighty thousand dollars more in taxes than they

have received in government benefits. However, that is not the end of the story. If the children's tax contributions are not figured in, most immigrants never pay back all that they receive in government services, and even if their children's payments are included most immigrants are a fiscal burden for at least twenty-two years. "You are asking the American public to be patient, and twenty-two years is not a trivial period," Jim Smith told me.

Lee's figures also show how the age and education level of immigrants affect their economic input. An immigrant who arrives here at the age of twenty-five and has had more than a high-school education will, typically, pay about three hundred thousand dollars more in taxes than he receives in government benefits before he dies. But a high-school dropout who arrives at the same age will be a slight burden during his entire life, and if he doesn't get here until the age of forty he will cost native taxpayers about a hundred and fifty thousand dollars.

There is one more worrisome aspect of Lee's analysis. His finding that immigrants pay their way after twenty-two years in this country depends on an assumption that the federal government will raise taxes sharply on everybody, including immigrants, around the year 2016, as the baby boomers start to retire. This may be a reasonable guess, but if we assume instead that taxes remain roughly at their present level the typical immigrant will never pay back all that he has received in government benefits, even if his children's tax payments are included. Indeed, he will cost native taxpayers fifteen thousand dollars.

ONE important question that most economic studies don't address is what effect the present-day immigration patterns will have on the social and political geography of the country. The optimistic answer is that they won't have any—or, at least, won't have much. The economic dynamism and the political openness of the American system will allow the new arrivals to assimilate, just as the Irish, the Jews, and the Poles did before them. The keys to repeating this success are capitalism, which tends to blur racial distinctions in the pursuit of profit, and geographical proximity,



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which inevitably leads to procreation. There is nothing like sex to break down racial barriers. By 2050, according to the Academy, the number of Americans of mixed racial ancestry will have quadrupled, to eighty-one million (out of a total population projected to be three hundred and eighty-seven million), and, the report notes, "the social meaning of ethnic and racial lines will become increasingly blurred."

Let us hope so. The alternative vision is one that William Frey, the demographer who first identified the "white flight" from high-immigration areas, has described as the Balkanization of America. Between 1990 and 1996, Frey pointed out, Los Angeles and New York each lost more than a million domestic residents. In contrast, a number of nonmetropolitan areas, most of them in the Mountain states, the South Atlantic region, and the Southwest, have seen rapid rises in internal-migration rates. These are places like Elbert County, Colorado, which is 96.3 per cent white and saw its population grow by sixty per cent between 1990 and 1996; Summit County, Utah (96.6 per cent white; 45.4-per-cent population increase); and Dawson County, Georgia (98.6 per cent white; 30.8-per-cent population increase). "There are going to be two or three separate Americas—not just the city and the suburbs, which we already know are distinct, but very broad geographic regions," Frey predicted. "One America will be multicultural. It will be lively and younger, it will have more conflict, and the people there will be concerned about having more money in their schools, more Latino politicians, more Asian politicians. Another part of the country will be largely white and middle-aged: these people will be more concerned about making sure the social-security system stays intact but less concerned about affirmative action, public schools, and so forth. What I am painting are some sharp political divisions, which both parties will have to deal with."

ACCORDING to opinion polls, about two-thirds of Americans now believe that immigration should be restricted, yet support for an open-door policy is virtually a badge of respectabil-



"Do you want to get out of here and grab a cup of coffee?"

ity among the political and media elite. At the very least, the new economic research suggests that the intellectual case for immigration needs bolstering.

It is always possible, of course, that the economic models don't fully capture the benefits of immigration. Most of them assume that a lot of the work done by immigrants would be carried out by natives if immigrants weren't here. That is doubtless true in some occupations—New York cabs wouldn't disappear from the streets (or not for long, anyway) if all the Pakistanis and the Russians left—but it may not be true in others, such as avocado farming in California, and, if it isn't, the gains from immigration could be much larger than ten billion dollars a year. (David Card, for one, believes that the Academy's figures are misleading.)

The new research also doesn't address the indisputable fact that immigrants have revitalized depressed areas, such as parts of the South Bronx and downtown Los Angeles. The tricky question is how much natives benefit from this process. All economists agree that immigrants increase the size of the economy, but a lot of this money ends up in the pockets of the immigrants themselves. George Johnson, an economist at the University of Michigan, estimates that an influx of ten million un-

skilled immigrants (roughly the number of such immigrants who have arrived since 1980) raises the annual output of the economy by about \$110.5 billion. Of this amount, \$108.8 billion goes to the immigrants as income, leaving a net gain for the native population of just \$1.7 billion. "Almost all the benefits of immigration go to the immigrants. The net gain to domestic residents is pretty trivial," Johnson says.

Johnson's figures demonstrate why economic studies alone cannot provide definite answers to the political questions surrounding immigration. Ultimately, moral judgments have to be made about how to evaluate the gains and the losses by various groups in society, but these judgments should be shaped by the economic facts. For example, one can reasonably argue that immigration is wonderful because it provides opportunities for millions of poor foreigners and makes America richer (by making the economy larger), but it is simply incorrect to argue that immigration makes all of us richer (in the sense of raising income per capita) and doesn't hurt anybody. If economics teaches us anything, it is to be suspicious of policies that seem to offer big benefits at small cost. In this sense, Milton Friedman was right when he observed that there's no such thing as a free lunch—not even if it's cooked by a Guatemalan refugee. ♦

ENVIRONMENT

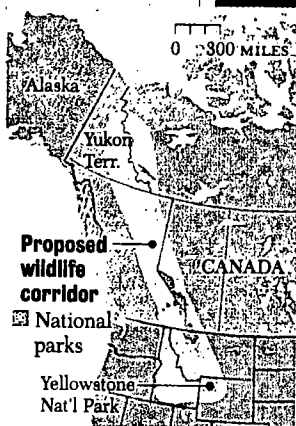
An Animal Superhighway?

Activists propose an 1,800-mile corridor to let wildlife roam in the West

BY PATRICIA KING

FOR FOUR YEARS SCIENTISTS HAD tracked Pluie, a female wolf collared outside Canada's Banff National Park, as she made her way up and down the Rockies. She made three round trips between Yellowstone National Park in Wyoming and Alberta, covering 40,000 square miles. It was an impressive performance for Pluie, who had to cross an obstacle course filled with the impediments of modern life—highways, housing subdivisions, forests denuded of trees and, of course, the U.S.-Canadian border. But Pluie may be more and more an exception. Many ecologists warn that the barriers are growing so forbidding that animals like wolves and grizzlies, whose genetic hardiness is enhanced by long-distance travel, are increasingly unable to make the Rocky Mountain journey. And many of those that do range far end up getting shot or killed on the highways. (Pluie's life ended in 1995 when a hunter shot her in British Columbia.) The rest, when hemmed in, will breed among themselves—eventually producing offspring that are genetically weaker, endangering their long-term survival.

Now a coalition of environmental groups think they have a way to make the long trek easier for wolves and grizzlies. They are pushing an ambitious and controversial project to construct an animal-friendly corridor that would run 1,800 miles from Yellowstone to Canada's Yukon Territory. Dubbed Y2Y, the project would replant forests, build animals-only highway overpasses and curtail cattle grazing—all in order to create a "bright green thread" where animals could safely pass. Pushed by groups like the Wilderness Society, the proposal is calculated to tug at North Americans' nostalgia for the frontier. Critics aren't moved. Says Chuck Cushman of the American Land Rights Association in Battle Ground, Wash., "There is no end to the greed of the environmental groups. They've got to save all these animals, and they've got to have my house to do it."



ALAN & SANDY CAREY

Y2Y and similar projects around the world are prompted by the controversial science of conservation biology. Its adherents argue that wildlife populations need to get around and swap genes with distant populations to avoid extinction. "All you need is one horny male once every 10 years for genetic exchange," says Steve Gatewood of the Wildlands Project. The poster animal for Y2Y is the grizzly, which numbers between 200 and 400 in Yellowstone. Biologists contend that the 2.2 million-acre park is at best a small "postage stamp" island for the bear population. Bears need big chunks of space to get enough food to survive. And because Yellowstone's grizzlies are isolated and reproduce at a very slow rate, they are not genetically diverse. "We really need to give the bears more space," says Barrie Gilbert, bear biologist at Utah State University.

Not all scientists agree with that assessment. It hasn't been proven, they say, that species are threatened with extinction simply because they live in isolation. What's more, carving out an 1,800-mile animal track is about as simple as making a bear talk. (No one is even guessing how much it would cost.) Y2Y's proponents talk about various degrees of protection for animals making the trek. In some areas, typically wilderness, most human use would be for-



Playing it safe: Wolves avoid hunters and highways in a Montana forest

bidden. For example, British Columbia is considering imposing that restriction on 2.5 million acres of wild land in the northern Rockies. (In an additional 8 million acres it would allow some development.) In the least protected areas in the Y2Y plan, humans and animals would be allowed to co-exist, though this has never been easy when the animals in question are wolves and

grizzlies. It is also difficult to imagine getting large animals to use highway overpasses, but supporters of the plan say they are hopeful that such overpasses at Banff National Park will work. Scientists hope to use satellite maps of animal movements to draw their travel routes.

But as any vacationer knows, it's easy to get lost. "Bears can't read maps," says

Kirk Moore, a 31-year-old rancher in Choteau, Mont. His home is already in a bear-protected area, which means he already sees increasing numbers of grizzlies traipsing around. He and other ranchers worry that under Y2Y migrating bears will endanger their livestock, if not themselves. "It's kind of like in the big city if you know you have a murderer around your neighborhood. Are you comfortable?" Moore asks. The biggest battle will be over land; property owners fear government-mandated "land grabs." Y2Y supporters prefer to focus on the potential jobs that would be generated by the project, such as replanting forests.

Is all this pie in the sky? Y2Y is one of several such projects, including a seven-country plan in Central America. In October supporters hold their first international conference, near Glacier National Park in Montana. But it will be a long time before lawmakers focus on the idea. Yellowstone-to-Yukon dreamers face an even more difficult trek than Pluie the wolf did.

With LARRY REIBSTEIN

Cell Phones: A Call From the Wild

HIGH ATOP THE GRAND Teton Mountains, the climbers were caught in a vicious hailstorm. Terrified and desperate, they did what any self-respecting backpackers of the '90s do—whip out the cell phone and yelp for help. Rescuers found a group of tenderfoots astonishingly unprepared, clad in shorts and T shirts, without extra supplies. Ranger Tom Kimbrough asked them to explain. "I looked at a big pile of gear and I looked at the phone," a climber said. "And the phone was a helluva lot lighter."

So much for survival of the fittest. In an age of cordless communications, the help-on-demand syndrome may be leading to a dangerous mind shift in the wilderness. And the lore of the foolish cell-phone caller is growing

among the ranks of search-and-rescue squads. In New Hampshire, a group of hikers pleaded for flashlights because they had only brought along one battery-powered device—the phone. ("Press 1 if you're a bozo. Press 2 if you're merely inconsiderate.") Great Smokies ranger Bob Wightman says he has "real concerns about people beginning to take risks they wouldn't otherwise take, feeling that help is just a phone call away."



Hiker gear: Why take maps or flashlights?

It often isn't, since phones don't always work in remote locations.

The problem isn't just safety. Once upon a time, the Great Outdoors meant getting away from it all. These days, with so many hikers totting cell phones, the culture clash with purists is dramatic. Sure, the technology has saved lives, but at an esthetic cost. Bob Penney is a millionaire Alaska businessman and avid fisherman. Last summer he took three brokers out on the Russian River at 3 in the morning. Before they even caught anything, Penney recalls, the brokers were on the cell working the markets in New York and Singapore. Penney should've thrown his friends in as bait.

DANIEL GLICK
and bureau reports

BY ANNA MULRINE

In praise of black family reunions

The black family reunion is a peculiarly American phenomenon, made necessary by itinerant forebears. In Bowie, Md., recently, the Walcott family stood hand in hand as Aunt Lucille recited the blessing. Her prayer of thanks for strong parents ended with a command: "Now go love each other." That's what the 12 children of Jack and Edna Walcott (ranging in age from 50 to 72), 47 grandchildren, and 50-plus great-grandchildren came to do, from

Zambia, England, Canada, Texas, Alabama, and New York. Among the oldest generation at the reunion, it was the most Walcotts who had been in one place since the youngest left their birth home in Guyana, South America, 37 years ago.

While black families have been having reunions for over 50 years, most have been initiated only in the last generation. Until the 1960s, many African-Americans who lived in Northern cities regarded their Southern homesteads as oppressive places they needed to leave behind, spiritually as well as physically. But as the abolition of Jim Crow laws ended the humiliation of riding in the back of the bus on the journey home, and as

black student leaders pressed for black-studies programs, black churches in the South began to lead members in a search for their heritage. African-Americans who had left for the North in the 1940s and '50s were drawn to seek the Southern roots and families they had left behind. In 1977, Alex Haley's *Roots* aired on television and harnessed the medium's power to stir those quests. Partly as a result, there's been a reversal of an old pattern: For nearly a generation, more black Americans have moved to the South than have left.

Counting blessings. More reunions have been happening every year as well. Genealogy is a middle-class pursuit, among whites and others as well as blacks; reunions are dependent on family success. For blacks especially, reunions are a chance to assert that they have a history different from the stereotype of black families broken down.

But at the heart of the reunion movement is a conviction that while families should count their blessings, they must also share them to keep other parts of the family from crumbling.



Walcott family members at a reunion at White Marsh Park in Bowie, Md.

And as reunions progress to greater levels of organization—first with family newsletters, then family chapters, eventually with family officers and bylaws—families seek ways to leverage their prosperity. Reunions begin to look like conferences, with discussions about fund-raisers for scholarships and plans for credit unions to support small-business initiatives.

Perhaps because black family reunions seem to exist outside politics, African-American organizations like the Urban League and the National Association for the Advancement of Colored People have not included the reunion movement on their agendas.

Instead, the enterprising turn of reunions has attracted the interest of corporations like Coca-Cola and Coors Brewing, which are keen to tap the market of middle-class blacks. This week, however, the National Council of Negro Women will launch its 11th annual Black Family Reunion Celebration in Atlanta, in recognition that the concerns of major black organizations are those of the families that gather in reunions: identity, self-help, empowerment.

At the Walcott family reunion, cousins in matching reunion T-shirts stood knee to knee to see if they had the same bowlegs. Brothers and sisters lined up to talk to a sister who, nearly 30 years ago, left the United States for Zambia. They were self-energizing, buffered for the moment from the strains of outside forces. The Walcott family is following a path well worn by other blacks. As they vote about how to use money they have pooled, elect family leaders, and debate the merits of reconstituting themselves as something even more purposeful than a family, black families are creating parts that might be models for a larger whole.

BY JOHN LEO



Fairness? Promises, promises

The cultural left has worked up a lot of bile over the Promise Keepers, the Christian men's movement that draws thousands to stadium rallies around the country. An article in the *Village Voice*, for example, attacked "the sanitized multiculturalism" of the Promise Keepers and called its "policy of racial diversity so overt that it reeks of insincerity." Apparently, the *Voice* thinks that either covert diversity or overt exclusion of minorities would have been better. In any case, the movement's commitment to racial reconciliation, in the paper's view, is not pure enough.

Gentlemen's Quarterly, too, is irritated with the Promise Keepers. In a long and mocking piece, the magazine called the movement's founder, Bill McCartney, a "lop-eyed loon" and a "raving lunatic," and repeatedly used Nazi imagery to describe the movement. Even *GQ*'s headline, "Triumph of His Will," is a reference to a famous Nazi movie, *Triumph of the Will*.

The *Voice* article dismissed the Promise Keepers' "Jesus-goes-to-Sears aesthetic." These were apparently not the writer's sort of people: They go to church and they go to Sears. Somehow the *Voice* writer found a "message of hate" in a rally at New York's Shea Stadium but didn't report that McCartney had told the crowd that a "spirit of white racial superiority" is deepening "insensitivity to the pain of people of color."

New York Times columnist Frank Rich, also ignoring the antiracism theme and the heavily integrated crowd, sneered at the Promise Keepers' "Robert Bly-esque hunger to overcome macho inhibitions." After Louis Farrakhan's Million Man March, Rich had counseled his readers to look beyond Farrakhan and concentrate on the yearnings of the men who attended. In *Liberal Racism*, Journalist Jim Sleeper writes: "There were similar yearnings at Shea, but Rich didn't mention them."

What gives? The same sort of double standard is showing up in the current crusade against the Promise Keepers by the National Organization for Women. By any normal expectation, NOW would express at least some guarded praise for any program that urges men to be honest, loyal, and respectful to their wives and families. Promise Keepers are encouraged to show their emotions, let go of their anger, never to cheat on wives, or become violent.

No good words about this have come from NOW, however, mostly because the Promise Keepers is working within a religious tradition that takes seriously St. Paul's statements about male leadership in the church and in the home. The

starkest formulation of this view in the Promise Keepers literature comes from Tony Evans, a black pastor in Dallas, who once urged men to tell their wives, "I gave up leading this family, and I forced you to take my place. Now I must reclaim that role." Evans tells wives: "... let your man be a man if he's willing ... if your husband tells you he wants to reclaim his role, let him! God never meant for you to bear the load you're carrying."

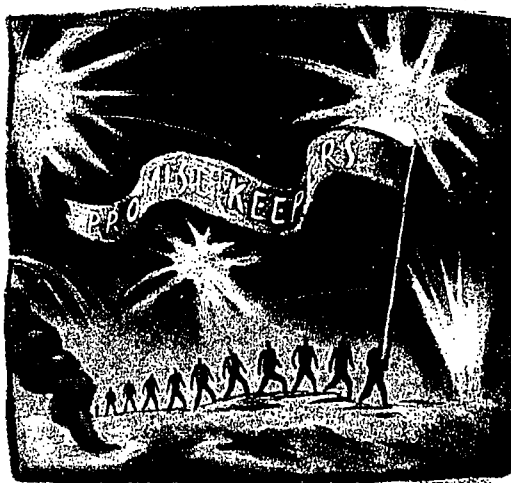
These are hardly the tones and accents one would hear at a NOW meeting, or even in many Christian traditions, including my own. But at least they can be heard in context. The Promise Keepers appears to be a response to the alienation of

men from the evangelical churches, and the physical or emotional absence of men from their families. It's a males-only movement because it's based on the perception of male failure, the realization that many men have abdicated adult roles, forcing women to fill the vacuum in church and at home. In this sense "reclaiming the male role" isn't nostalgia for a patriarchy but an attempt to re-energize men and return them to functioning well.

Lacking any feel for religion, the cultural left misses all this. It defines the males-only rules as a nasty form of "exclusion," overlooks the movement's therapeutic trappings, and insists that the Promise Keepers is a purely political battalion disguised as a religious one. Always tone deaf in these matters, NOW President Patricia Ireland calls the Promise Keepers "a stealth political group formed by people who think the former Christian Coalition leader Ralph Reed is too liberal."

Even *Ms.* magazine was more nearly correct than Ireland. Disguised as a male, Donna Minkowitz attended a Promise Keepers event and came to the conclusion, unsurprising for *Ms.*, that "the fantasy of benevolent domination" moves the Promise Keepers. But she also reported the heavy emphasis at the rally on conscience, forgiveness, and the willingness to change. "Six of the eight major speakers emphasized that men's fear of being seen as weak or unimportant—in effect their fear of being equated with women—can become a terrible obstacle in all their relationships. I'm struck by how close it all sounds to feminism."

She should have read some of this aloud at the NOW convention. NOW then might have adopted a more adult and nuanced resolution instead of just denouncing the movement as a great danger to women's rights. The demonization continues. ■



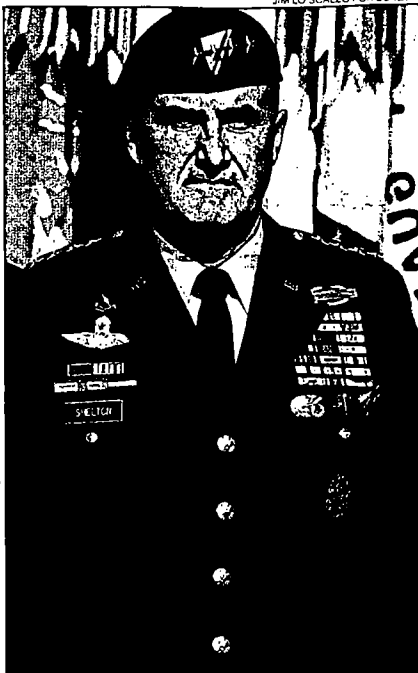
Lacking any feel for religion,
the cultural left misses the
Promise Keepers' nuances.

THE MILITARY

And now, here's Gen. Clean

President Clinton's new nominee to head the Joint Chiefs of Staff may have his faults, but the White House is betting they are not sexual in nature. Army Gen. Henry "Hugh" Shelton was carefully vetted for romantic adventures of the kind that derailed Air Force Gen. Joseph Ralston. "I think it was between [Shelton] and the chief of chaplains," cracked Sen. John McCain, who sits on the panel reviewing Shelton.

Less obvious is how Shelton will perform in the glare of political Washington. As top U.S. special operations commander, he has focused more on Third World problems than on the bureaucracy he will oversee if confirmed. Still, his background may turn out to be very useful. The troops he commands are deployed to 40 countries. There, they train upstart militaries, interact with local governments, and prepare for quick-strike missions in Bosnia and elsewhere—just the types of opera-



Shelton: special operations, not sex

tions likely to occupy U.S. forces for the foreseeable future. —Richard J. Newman

FRAUD

Medicare's new hemorrhages

Even by Washington standards, last week's waste and fraud report was astounding. Federal auditors announced

that Medicare—which provides health insurance to the elderly—overpaid doctors, hospitals, and other care providers by a staggering \$23.2 billion last year—more than 11 percent of Medicare's \$197 billion in benefits.

The same day, reports surfaced that federal law enforcers had vastly expanded a probe of Columbia/HCA Healthcare Corp., the world's largest private health care provider. Agents raided hospitals run by the firm in six states, seeking evidence of suspected Medicare fraud and overbilling of other federal health insurance programs.

Members of Congress professed outrage at Medicare's fraud problems, but they did not discuss the deeper reality undermining the program's finances. Even if greed and incompetence among Medicare providers could be stopped, the savings wouldn't last for long. The aging of the population and the proliferation of new treatments help boost Medicare's costs by nearly 9 percent a year. That means any savings achieved by eliminating \$23 billion in waste,

fraud, and abuse would be more than spent in about 16 months. Cracking down on overcharging produces dramatic headlines but can't substitute for making the

tough choices about taxes and benefits needed to prevent Medicare's fiscal meltdown.

—Phillip J. Longman

HEALTH

A new vaccine noses out the flu

A painless squirt of nose spray may eventually replace the annual flu shot. Last week, scientists at the National Institute of Allergy and Infectious Diseases reported that just 1 percent of 1,070 children who were vaccinated with the spray in a test got the flu, compared with 18 percent of 532 children who received a placebo. Children catch the flu much more often than do



Flu shots may yield to sprays.

adults, but the vaccine is likely to be effective for all ages.

While traditional flu shots can provide effective protection, the spray will give people who fear needles an appealing alternative. Between 35 million and 50 million Americans come down with the flu each year, and more than 20,000 of them die. Treatment for the disease costs \$4.6 billion annually. The California-based drug manufacturer Aviron hopes to have the new vaccine on the market by the 1999 flu season. —Laura Tanglely

Edited by Ted Gest

DRIVING

A false alarm on speed and fatalities

When Congress scrapped the 55-mile-per-hour national speed limit in December 1995, safety officials and insurance companies warned darkly that traffic deaths would soar. Still, many states immediately raised their speed limit to 65, a few went to 70 or 75, and Montana eliminated daytime speed restrictions. The U.S. Department of Transportation forecast that up to 6,400 more people would die each year.

It didn't happen. Last week,

federal officials reported 41,907 highway deaths last year. That's a statistically insignificant increase of 109 deaths over 1995. The rate of 1.7 deaths per billion miles traveled remained the same as it has been since 1992—the lowest in history. And in the wide-open spaces of Montana, 200 people died on the highways, down from 215 in 1995. —William J. Cook



Second thoughts about integration

Black ambivalence about busing has less to do with ideology than with results

BY JERELYN EDDINGS

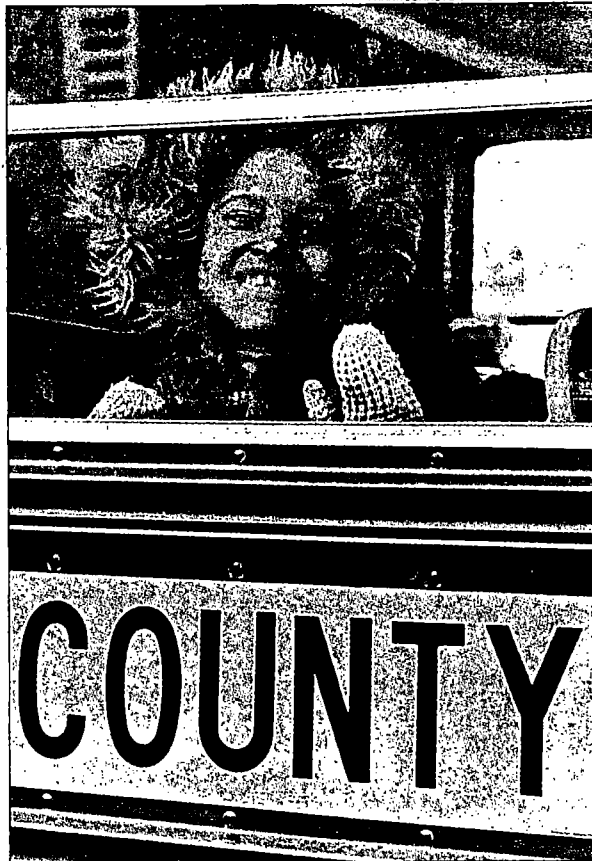
Since court-ordered school busing began in 1971, it has been the subject of rancorous debate. Many white opponents have decried busing as too disruptive to neighborhoods, while black communities and civil rights activists hailed it as the only solution to separate and unequal school systems. Now there's a new twist: A number of black leaders are pushing to jettison busing and get out of the desegregation business. Frustrated with the slow pace of progress in their schools, prominent blacks in places as varied as Prince George's County, Md., Yonkers, N.Y., and Seattle are challenging the old line on busing: Better to spend scant resources on improving their schools, they argue, than on chasing the rainbow of integration.

Even the National Association for the Advancement of Colored People, whose name is synonymous with the fight for desegregation, appears torn on the issue. Chairman Myrlie Evers-Williams had promised a major debate on the subject at the organization's annual convention in Pittsburgh last week, but then backed off. She used her keynote address instead to make a firm statement in support of integration—and against the “rats” trying to divide the organization.

The tensions that had been simmering below the surface since the NAACP fired two local presidents for arguing against busing were in full view at the convention. In a letter distributed to convention delegates, Robert H. Robinson, one of the ousted presidents, argued: “The NAACP establishment is using the same arguments for desegregation that it made in the 1950s.”

Demographic changes. Although it is taking place within the context of a larger debate about integration vs. separatism, the new busing controversy is less about political philosophy than about practical concerns like the quality of schools and the best use of scant educational resources.

Twenty-five years ago, Prince George's



Court-ordered busing in Maryland, circa 1973

County was a mostly white, largely rural jurisdiction with a racial past so bitter that blacks referred to it as “little Georgia.” In 1972, the NAACP won a school desegregation case against the county, and the school system has been operating under court orders to bus students ever since.

But busing in Prince George's may no longer make sense, as the area has undergone a dramatic demographic shift. The county now boasts one of the largest middle-class, African-American populations in the country, and the school system is 73 percent black. As a result, busing programs that once carried black students to white neighborhoods now often simply move them from one black neighborhood

to another. “Busing was useful in the early years, but now the black population is too large,” says school board Chairman Kenneth Johnson.

While demographic changes have undermined busing's popularity in Prince George's and other “white flight” communities, the main reason for the growing ambivalence toward busing is that it often hasn't raised educational achievement. In Yonkers, N.Y., for example, blacks still score nearly two grade levels below whites on standardized tests a decade after a federal court

ordered busing; as a result, an effort is underway in Yonkers to do away with busing. Similarly, in Seattle, the new school superintendent—John Stanford, an African-American retired Army general—has maintained that busing is doing nothing to improve test scores.

Better education. In places such as these, the focus is shifting away from trying to avoid “separate” schools and toward efforts to achieve “equal” ones instead. “The issue with the NAACP is that some of the membership is saying we can't just keep emphasizing integration. We have to put some emphasis on improving schools and the economic life of the black community, and I think frankly that most of the people within the NAACP realize that,” says Alvin Poussaint, a Harvard University professor and expert on racial attitudes.

Prince George's is trying to win court approval to replace busing with a new plan that concentrates on building and improving neighborhood schools. “We need to look at what busing was intended to do,” says the school board's Johnson. “It was never about black kids sitting next to white kids; it was about an inequitable distribution of resources.”

“We need to redefine what desegregation is,” says Alvin Thornton, who devised the neighborhood-schools plan. “It's about making the black child whole—even if that means educating them in schools that happen to be all black.” ■

With Jeannye Thornton and
Barbra Murray

MEMORANDUM

TO: TOM FREEDMAN, MARY L. SMITH
FROM: DREW HANSEN
RE: ISSUES FROM MONTHLY AND WEEKLY MAGAZINES
DATE: JULY 15, 1997

MAGAZINES CONSULTED: *The Economist* (July 12), *Forbes* (July 7), *Fortune* (July 21), *The Nation* (July 21), *Newsweek* (July 21), *Time* (July 21), *U.S. News & World Report* (July 21).

ATTACHMENTS: tables of contents for all of above; "How to Start a Cease-Fire: Learning from Boston," *Time*, July 21, 1997, pp. 28-29; "A Quest for Jobs in San Antonio," *The Nation*, July 21, 1997, pp. 30-32.

CRIME

"*Robocop*," *Forbes*, July 7, pp. 190-198.

- Law enforcement agencies nationwide are using innovative technology to fight crime. Some examples:
 - In Whittier, CA, a photograph of a child molester taken by a Target surveillance camera was digitally enhanced by Aerospace Corp., creating a usable photograph in 48hrs. The photograph was recognized by the perpetrator's parole officer.
 - A "relational database" in Oxnard, CA, keeps track of the friends and family of criminals and has helped to track down gang members in a homicide case.
 - Aerospace Corp. has developed technology to identify molecular effluents, enabling the detection of chemicals released in cocaine and methamphetamine production.
 - Downtown Partnership, a public-private venture in Baltimore, has installed video cameras in a 16-block area of downtown Baltimore. Property crime in the area has decreased by 50%.
 - The use of microphone technology has enabled the location of gunfire in targeted areas -- a test of 80 microphones in a square mile of Dallas

enabled police to reach the area of an incident quickly and identify a witness who otherwise would have disappeared.

- A new computer chip allows DNA matching with criminals in a shorter time period.
- NIJ and DOD are cooperating on the use of technology to see through walls (radar, ultrasonic acoustic imaging, infrared thermal imaging).

"Teen Crime," *Time*, July 21, pp. 26-29.

- The passage of a House bill in May giving \$1.6 billion to states to toughen their handling of kids who commit serious felonies is part of a trend to "get tough" on juveniles, in response to a 67% increase in violent crimes committed by juveniles from 1985 to 1995.
- In the past five years, all states but Hawaii have tried some kids in adult court. Now, 9% of all juveniles arrested for violent crimes are tried in adult court, a 70% increase in the last ten years.
- But effectiveness of these strategies unclear: the National Center for Initiatives and Alternatives has demonstrated that Connecticut, the state with the highest juvenile-to-adult transfer rate, has the same rate of juvenile crime as Colorado, the state with the lowest juvenile-to-adult transfer rate. Since the 1970s, New York has tried kids 16 and older as adults, and the juvenile crime rate has doubled in the same period.

"How to Start a Cease-Fire: Learning from Boston," *Time*, July 21, pp. 28-29 *copy attached

- In the past two years, Boston has not had a single youth under 17 be killed by a firearm.
- "Operation Cease-Fire," a Boston program, involves coordination with more than a dozen agencies to share information and coordinate activity. The Youth Violence Task Force, a 65-person anti-gang unit, maintains a database tracking this information and uses federal indictments to target the most dangerous youths.

ENVIRONMENT

"Parks in Peril," *U.S. News & World Report*, July 21, pp. 22-28 (cover story).

- Cuts in funding for national parks has led to deterioration of facilities and lack of pest control. Examples: Yellowstone, Great Smoky Mountains, Gettysburg.

RACE

"Integration Forever?," *Time*, July 21, p. 39.

- The NAACP is rethinking the goal of school integration, after opposition from local NAACP members and the end of bussing at the hands of black officials in Seattle and the suburbs of Washington, D.C.

TOBACCO

"The Golden Leaf," *Forbes*, July 7, pp. 43-44.

- Complaints about how plaintiffs' attorneys will profit from the tobacco settlement

"Tobacco's Can of Worms," *Fortune*, July 21, pp. 58-60.

- Analysis of the settlement, including the claim that compensation for tobacco farmers will be the "largest additional expenditure" from the settlement (p. 58) and the projection that the GOP will try to trim the \$3.5 billion in lawyers' fees under the settlement.

"Geoff Bible Won't Quit," *Fortune*, July 21, 1997, pp. 62-65.

- Analysis of Phillip Morris under the tenure of Geoff Bible, CEO since 1994. Prediction that the tobacco settlement will not hurt Phillip Morris because of 1.) the company's current dominant share of the market, which will be locked in, and 2.) high international growth that can offset diminished domestic profits.

WELFARE

"A Quest for Jobs in San Antonio," *The Nation*, July 21, pp. 30-32 *copy attached.

- Project Quest, a program developed by a network of community organizations, is a highly successful job training program that has placed 500 graduates in jobs paying at least \$8.10/hr, with benefits, since 1993 at a cost of \$10,000 per student. A study by the MIT Sloan School of Management found that Project Quest graduates boosted earnings by \$5,000 to \$7,500 per year, compared to \$900 for the average JTPA graduate.

"Hungry at the Feast," *Time*, July 21, 1997, p. 38

- Apparent nationwide increase in demand for subsidized or free food. Second Harvest, the largest food-bank network in the country, reports that about half of its 183 centers are experiencing increased demand.

- Possible causes: 1.) welfare reform (Virginia, Michigan, and Wisconsin food pantries all reported increased demand; all three passed welfare-reform laws in the last two years); 2.) loss of middle-income jobs.

OTHER

"For Pills, not Projectiles," *The Economist*, July 12, 1997, pp. 22-23.

- A June 14, 1997 FBI sting caught a Russian man and a Taiwanese man attempting to buy the production secrets of Taxol, an anti-cancer drug.
- The January, 1995 *Law and Policy in International Business* estimated that industrial espionage costs American business \$100 billion per year.
- The American Society for Industrial Security has a much lower estimate, and itemizes the losses as resulting from leaks about pricing (\$1 billion), product development and specification data (\$597 million), and manufacturing-process information (\$110 million).

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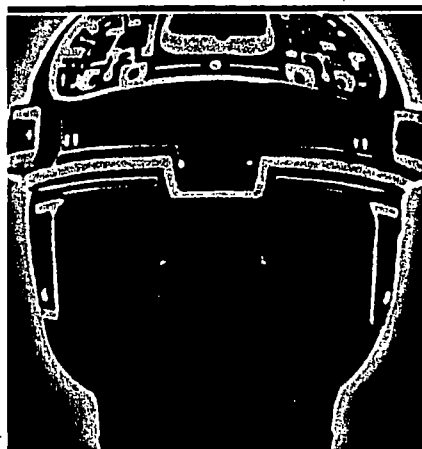
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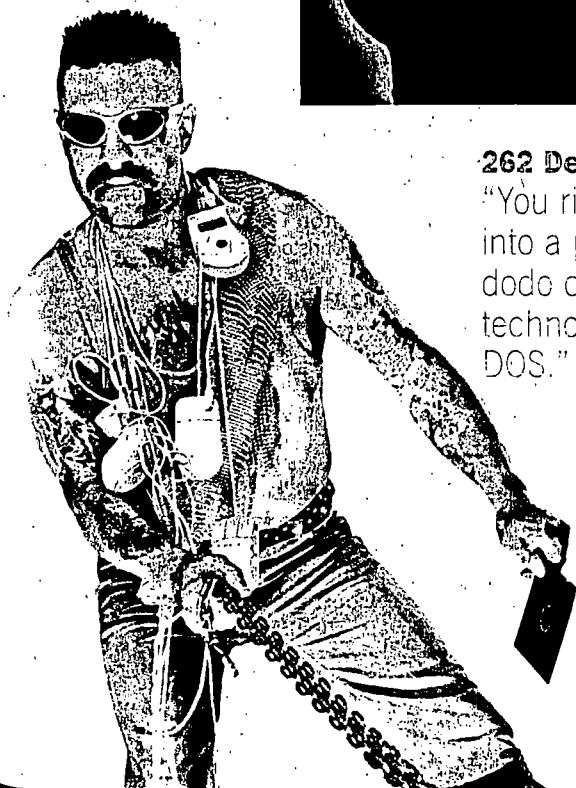
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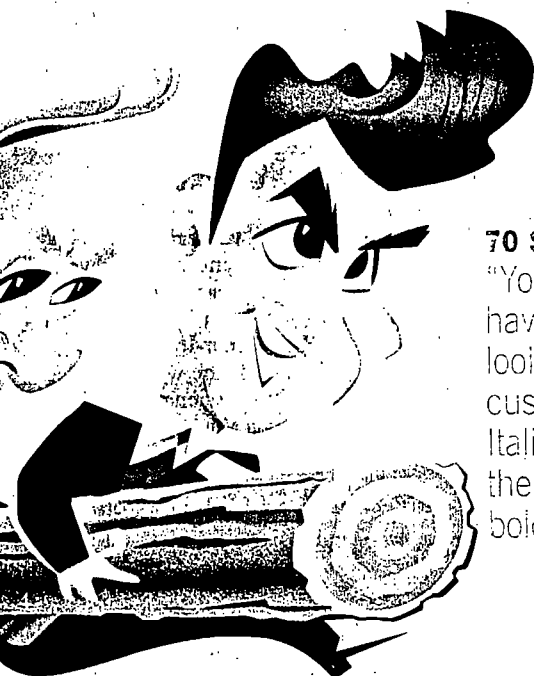
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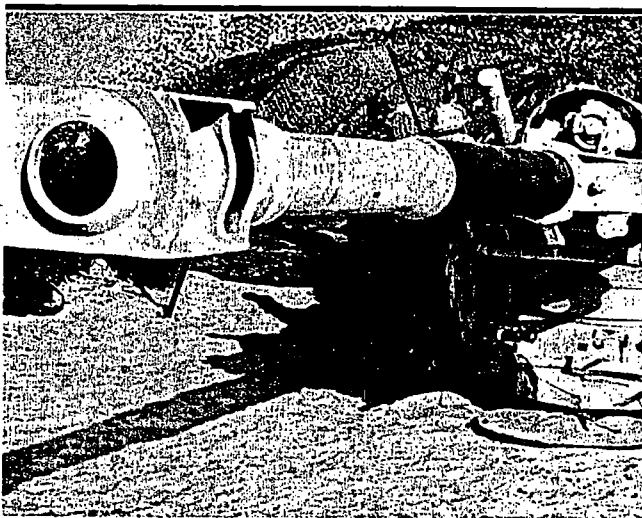
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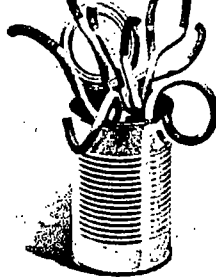
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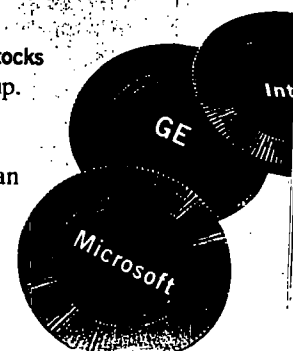
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Speech on the Line

Although the words "Speech & Power" on the cover of this issue refer to our First Amendment forum, they are also apt rubrics under which to consider the most important decisions handed down by the Supreme Court this term. Power was perhaps the dominant of the two, as the Justices returned to the question of the proper balance between state and federal lawmaking authority. Again, the Court was deferential to the former and hostile to the latter, upholding state limits on the right to die while striking the part of the Brady Bill requiring federally mandated background checks on handgun purchasers. There were also rulings on executive power (line-item veto, Paula Jones), punitive power (confinement of sex offenders, status of privatized prisons) and judicial versus legislative power (Religious Freedom Restoration Act).

But if power cases cut the widest swath, the most significant decision of this fertile term will probably turn out to be a speech ruling, namely the Court's opinion, in *Reno v. A.C.L.U.*, striking down the Communications Decency Act (C.D.A.). At first glance, it appears to be a fitting final blow to those who would censor cyberspace. Justice John Paul Stevens writes for a near-unanimous Court that the Internet is a democratic medium where anyone can be "a town crier with a voice that resonates farther than it could from any soapbox." Though Congress's goal of protecting kids was legitimate, Stevens says, the C.D.A. was so vague and overbroad that a serious online discussion of homosexuality, prison rape or birth control practices—even between a parent and child via e-mail—could result in jail time.

There is much to celebrate in *Reno v. A.C.L.U.*, but a sober look reveals enduring threats to free speech in cyberspace—some from unexpected quarters. Though the Court has rightly been hailed for granting the Net the same First Amendment protection as print, not the lower standard applied to broadcasting, there is a major point of vulnerability here. The Court declined to treat the Net like broadcasting in large part because "the Internet is not as 'invasive' as radio or television." Stevens quotes approvingly the claim in the June 1996 lower court opinion that "communications over the Internet do not... appear on one's computer screen unbidden."

That was arguably true a year ago, but may not be for long. The hottest new-media story of the past year has been the rise of "push" technology, which delivers content directly to your desktop rather than waiting for you to "pull" it from somewhere in cyberspace. Once you subscribe to a push service, like Point-Cast, the Web becomes a lot more like TV (in order to do what the tube does best: sell ads). Even without push software, banner ads and junk e-mail increasingly come to Net users "unbidden." And with the advent of digital TV and Microsoft's purchase of WebTV (the leader in the new field of Internet/television hybrids), broadcast and cyberspace are bound to be thoroughly intertwined shortly after the millennium. The status of free speech on the interactive network of the future therefore remains uncertain.

Other dangers are closer at hand. With the help of the Christian Coalition and antiporn groups, members of Congress are already crafting a more narrowly tailored anti-indecency statute that may require the rating of Web sites and the use of filtering software that can screen out indecent material. President Clinton favors such a solution, though he's trying to bully industry into accepting it



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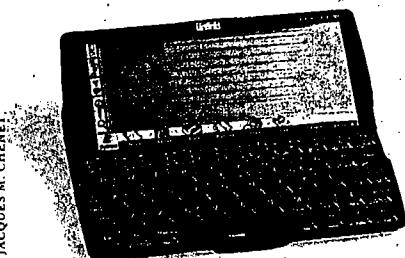
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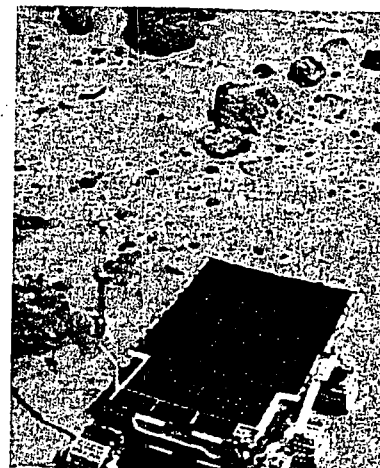
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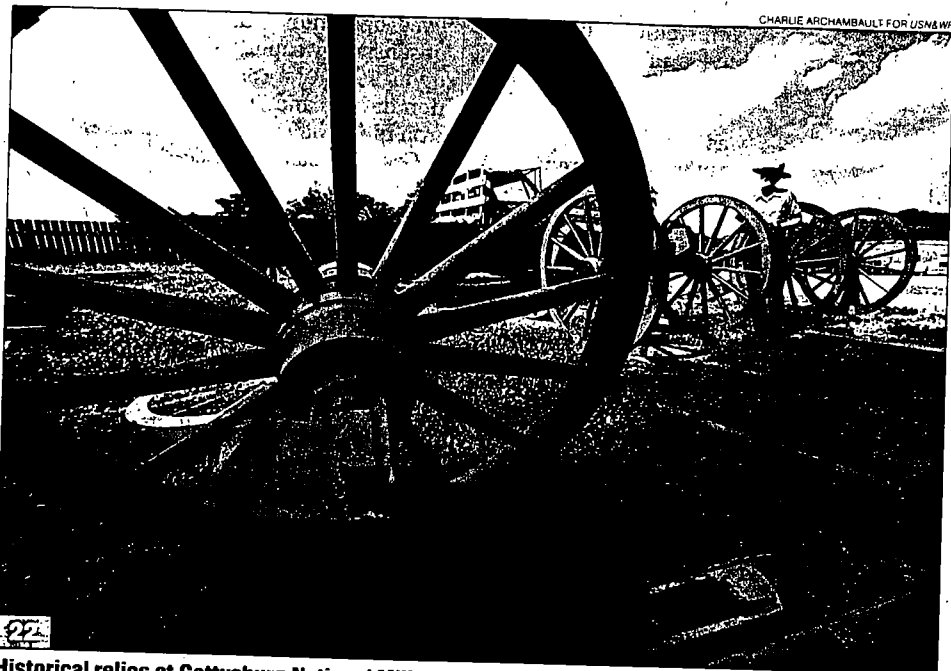
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COVER: Photograph by Jim Lo Scalzo for USN&WR

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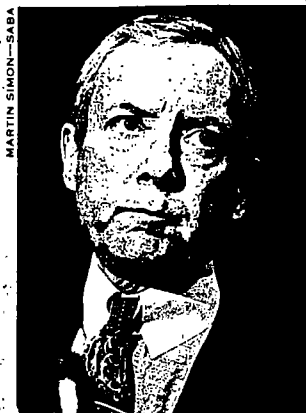
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ILLUSTRATION BY JAMES YANG FOR USN&WR

of all violent crimes is the work of teens. "In America today, no population poses a greater threat to public safety than juvenile criminals," says Representative Bill McCollum, the Florida Republican who wrote the House version of the bill.

Some criminologists are also warning that a new wave of "superpredators" will soon hit the streets. In fatherless households and fractured neighborhoods, millions of four- to seven-year-olds, the baby boomers' own mini-boom, are headed for their teens. So Congress wants to make it easier to try juveniles accused of violent crimes as adults—and to incarcerate them in adult prisons. Under both the Senate bill and the House bill, states that want the federal dollars would have to make prosecutors and not judges the ones who decide whether a teenager charged with a serious violent felony or drug offense should be tried as an adult. To demonstrate that crimes really do carry punishments, states would also have to impose a rising scale of "graduated sanctions" for all juvenile offenses, beginning with the first, and keep adult-style criminal records on juvenile offenders. Un-



MARTIN SIMON—SABA

“People are expecting us to do something about these violent teenagers. We’ve got to move on this.”

—Senator Orrin Hatch

der the present system, most such records are often closed, meaning prosecutors can't learn whether an accused youth is a repeat offender. "The juvenile justice system isn't working," says McCollum. "This bill puts consequences back into the law."

Over the past five years, however, every state except Hawaii has decided to allow some kids to be tried in adult criminal courts. Altogether, some 12,300 youths are prosecuted as adults each year in state courts. That is about 9% of all juveniles arrested for violent crimes and a 70% increase

over the number who were tried as adults a decade ago. But if the bills become law, those numbers would climb further. Child-welfare advocates say that would effectively dissolve the separate system of justice for kids that dates to 1899, when Chicago established the nation's first juvenile court.

Supporters of the bills say they correct a problem created in 1974, when new legislation channeled nearly all young offenders to the juvenile system. What isn't clear is whether moving young criminals back to adult courts has much impact on crime. According to a recent study by the liberal

National Center for Initiatives and Alternatives, Connecticut has the highest juvenile-to-adult transfer rate and Colorado the lowest, yet their youth-crime rates are the same. Since the 1970s, New York has been automatically trying as adults kids 16 and older charged with serious crimes. In the same period, its juvenile crime rates doubled.

The politics of juvenile crime can also get complicated. Republicans are unhappy over polls that show that a majority of Americans believe Democrats are just as capable of handling crime. But while Americans

How to Start a Cease-Fire: Learning from Boston

IT IS NINE O'CLOCK ON A GAMY SUMMER NIGHT, AND BILL STEWART is on curfew patrol. The probation officer bounds up the stairs of a Dorchester triple-decker apartment building to check on a boy who was once caught with marijuana. The boy must be home between the hours of 7 p.m. and 7 a.m., seven days a week, under a system of court-ordered curfews for young offenders, each curfew set individually by a judge. There had been worrisome signs of gang involvement in this case. A week ago, someone fired a shotgun blast into the second-floor porch, and the boy's parents still have pellets in their arms and legs.

The kid, who just turned 17, is home. So are his older brother, two of his friends—and a bag of marijuana. "Three strikes and you're in," says Stewart. Jail, that is. Two plainclothes policemen who accompany Stewart confiscate the bag and run background checks on the boy's friends. When Stewart visits the apartment the next night to make sure the kid is still honoring the curfew and to search the place, he finds on the wall of a closet the roster of the Argyle Street Ballers, a small gang that sells drugs. "Now we know the players," he explains. "Now we can put the weight on them."

Stewart is not alone in putting weight on potential juvenile offenders in Boston. The city's Operation Night Light, which began in 1992, and Operation Cease-Fire, which emerged last year, have unleashed desk-bound probation officers in a drive coor-

inated with other law-enforcement agencies to keep drugs and weapons off the streets. The joint operations, part of a larger collaborative effort, have led to one startling result: Last week Boston completed its second year without anyone under 17 being killed by a firearm. No other American city with a population over half a million can match this record. "Boston is the first city in the country to interrupt the cycle of violence that began with crack," concludes David Kennedy, senior researcher at Harvard's Program in Criminal Justice Policy and Management.

In the early '90s, Dorchester, Roxbury and Mattapan were war zones, teeming with guns. Since the Dorchester district court first began imposing curfews in 1991, the city's gangs can no longer hang with impunity on crack corners at midnight.

Operation Cease-Fire is not just a police operation. It involves more than a dozen agencies, including the U.S. Attorney, the Drug Enforcement Administration and the Bureau of Alcohol, Tobacco and Firearms, the Suffolk County District Attorney as well as the Ten Point Coalition, a network of 43 black churches in the city. Says the Rev. Eugene Rivers, co-founder of the Ten Point Coalition: "The streets are much safer. The collaboration between the black churches and the police has produced results unseen in any other city." The two groups are now quietly working together to clear up scores of unsolved homicides.

Before Cease-Fire, federal and local law enforcement communicated like the Hatfields and the McCoys. "We were ordered not to notify the Boston police," says Michael Hennessey, a lieutenant in the school police, "because it would make the school administrators look bad."

No longer. Today everyone sees everyone else's intelli-

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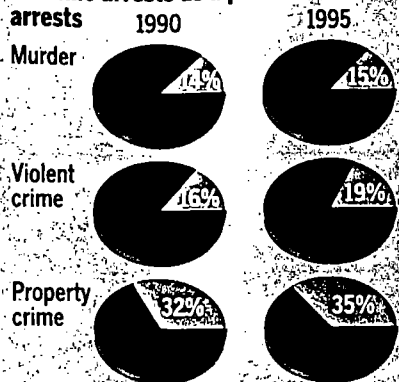
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have largely soured on the idea of rehabilitation for adult offenders—even some liberal criminologists have conceded that the most ruthless teen felons must be locked up—polls also show most people to be less sure that children can't be turned back. "I'm afraid this bill will gobble up some juveniles who do not really fit the most extreme category," says Democrat Joseph Biden of Delaware; the former chairman of the Senate Judiciary Committee.

One area in which Republicans could be getting out ahead of the public mood is in the provisions that would imprison kids with adults, though not in the same cells. While reportedly 8,000 teens are already housed with adults, federal rules require "sight and sound" separation, meaning juveniles cannot be within reach of adults. Some corrections officials say that requires a pointless division of facilities used by both populations—for instance, two exercise areas when one could be shared. The Senate bill would override the complexities of the sight-and-sound rule by imposing a "no physical contact" provision, which means

HOW URGENT IS THE PROBLEM?

Juvenile arrests as a percent of all arrests



Source: FBI

that the same facilities could be used. But juvenile advocates say that breaking down the barriers would make kids prey to rape and other forms of abuse. Kids held for truancy, the most common reason for juvenile arrest, would be morsels for the older guys. "Children commit suicide eight times as often in jails as they do in juvenile-detention

facilities," says Mark Soler, head of the Washington-based Youth Law Center.

The White House has proposed its own bill that puts more emphasis on money for crime-prevention measures, such as keeping schools open in the afternoon from 3 to 6, when almost half of juvenile crimes take place. While the Senate would allow states to use as much as 40% of the federal money they get for prevention programs, the House would require them to spend it all on law enforcement. The White House wants to require safety locks on guns to prevent kids from accidentally shooting other kids, a provision opposed by the National Rifle Association. "A juvenile-crime bill should crack down on gangs and guns," says senior adviser Rahm Emanuel. "If it doesn't do that, it is a juvenile-crime bill in name only."

Just naming the legislation has caused a fight. When McCollum introduced his House version last year, he called it the Violent Youth Predator Act. Insisting that "predator" was dehumanizing hype, Democrats demanded a change. McCollum backed off and called it the Juvenile Crime Control Act. But this isn't just a fight over crime. It's also a fight over which party is tougher on crime. In that one, harsh words can be as tempting as harsh sentences.

—Reported by

Sally B. Donnelly/Washington



Boston police officers conducting field interrogations at a local housing development

gence. U.S. Attorney Donald Stern gets a copy of each report on a gun charge from the Boston police department. Stern in turn uses federal indictments to help take down Boston's most dangerous youths. All data are fed into the computers of the Youth Violence Task Force, an elite 65-person unit that tracks and targets gang activity. "We made threats directly to gang members and then delivered on it," says Police Commissioner Paul Evans. A case in point is the Intervale Posse, for years one of the

Benny Napoleon was impressed by the level of interagency coordination. "They're all at the table at the same time, consistently. We would see greater results from trying to duplicate the ways they do it."

No one in Boston, though, is getting cocky. "If we let up, the homicides could come right back again," warns Sergeant Kathleen Johnston, who is responsible for safety in the Boston public schools. "They are like a chronic disease." —By Sam Allis/Boston

most vicious gangs in the city. Despite repeated warnings from state and federal authorities, Intervale continued to terrorize its Dorchester neighborhood. Cease-Fire struck at dawn last August, arresting 24 gang members; 15 were brought down with federal warrants. "They are the teeth of the whole thing," notes David Singletary, an officer with the Youth Violence Task Force, as he cruises Dorchester one night with his partner, Kenny Israel, talking to street kids. "Once you say 'federal time,' it's a different ball game. You can end up doing your time in Leavenworth, and there is no parole."

Last week Attorney General Janet Reno praised the Boston project, and the Detroit police department sent officers to learn more about the experience. Detroit's executive deputy chief

cal conversation that is only now emerging should be foreclosed by an extraordinarily controversial reading of the Constitution that would, among other things, substantially increase state regulation of the process of death in entirely unpredictable ways. There is no reason, then, even for staunch liberals to bewail the

Court's decision on assisted suicide, especially given the de facto majority's apparent willingness to revisit the issue should, for example, a state actually prosecute, and a jury convict, a doctor for prescribing fatal doses of a drug to a terminally ill patient facing excruciating pain. ■

LONG AND COSTLY, YES—BUT THIS TRAINING PROGRAM'S PUBLIC PAYBACK IS UNDENIABLE.

A Quest for Jobs in San Antonio

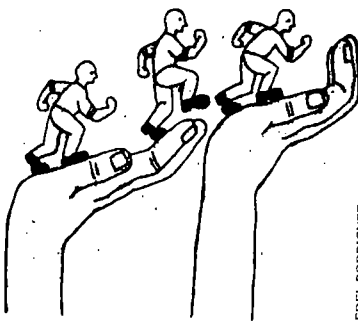
JAY WALLJASPER

In many ways, San Antonio is the very picture of Clinton-era economic contentment. Unemployment is comfortably low at 4 percent and economic growth is steady, with an increase in high-tech and health care positions canceling out the loss of manufacturing jobs. All but one of the five Army and Air Force bases that ring the city have been spared in the various military cutbacks. And the North American Free Trade Agreement may actually benefit the local work force, since the industrial boom on the other side of the nearby Rio Grande boosts local employment.

San Antonio's ample sunshine attracts retirees as well as tourists, who are coming in ever-growing numbers to see the historic Alamo, visit the Fiesta Texas theme park and soak up atmosphere in a place the famous foreign correspondent and travel writer John Gunther called one of "the most colorful, the most 'romantic' cit[ies] in America." The Riverwalk, a charming W.P.A.-built pathway that winds along both sides of the San Antonio River downtown, is lined with restaurants and luxury hotels. San Antonio's fashionable status was confirmed with the recent opening of both a Hard Rock Cafe and a Planet Hollywood.

But if you step out of the breeze of the Riverwalk at Planet Hollywood and climb the stairs to the hot street, then walk two blocks in the direction of the San Fernando Cathedral, you'll find Ace Cash Checking and the Commerce Finance Company, with its spring window display of photocopied bills laid out on an expanse of Easter-basket grass. This is where people who make their livings grilling fajitas, serving margaritas and changing bedsheets turn when they can't make ends meet.

Although unemployment levels in San Antonio are low, so are wages. Among the fifteen largest U.S. cities, only in Detroit do workers earn less on average. For many families, a job in the local tourist industry—with average pay of \$12,000, no benefits and evening hours—is the only alternative to welfare. This is the problem targeted by Project Quest, a unique community-initiated job training program that boosts the job skills of low-income people, many of them single mothers on public assistance, so they can move up to well-paying jobs.



EDEL RODRIGUEZ

In 1990 Levi's announced the closing of a factory on San Antonio's south side that made Dockers pants, meaning that 1,000 workers—mostly Mexican-American women—would lose relatively well-paying jobs. The leaders of Communities Organized for Public Service (COPS), based in Catholic congregations on the largely Mexican-American west and south sides, and of Metro Alliance, an organizing campaign based primarily in Protestant churches, saw the neighborhoods they had been fighting to improve for the past twenty years—by winning affordable housing, environmental cleanups, flood protection, libraries, playgrounds, better schools, safer streets and increased political representation—being devastated by changes in the economy. Drugs, gangs, crime, domestic violence and despair were on the rise, as many people saw their future as flipping burgers for minimum wage. San Antonio lost 14,000 decent-paying industrial jobs during the eighties. Although they were replaced with 19,000 good positions in fields like health care, office work, education and mechanical repair, these new jobs were out of reach for most of the folks who worked or hoped to work at places like Levi's.

What could a couple of local community organizations do in the face of global economic forces and mounting corporate power? They couldn't keep the Levi's jobs from going south, and they weren't in a position to create new jobs themselves. "We had years and years of relationships that had been built," notes Sister Consuelo Tovar, a nun who is the lead organizer for COPS. "So we did rounds of meetings in the congregations, with the business community, with politicians."

Some interesting facts soon emerged. There were good jobs around San Antonio for which qualified local applicants could not be found. Hospitals, for example, were hiring nurses from as far away as Canada and the Philippines. At the same time, COPS and Metro Alliance leaders heard many stories about people who had struggled to get better job skills at community colleges or vocational schools but dropped out because of financial or family problems. Others scraped together the tuition for privately run training programs only to find that months of classes and thousands of dollars didn't mean there was a job waiting for them—or even that they had the credentials to get the jobs they'd studied for.

Out of these meetings came the ideas that shaped Project Quest. COPS and Metro Alliance tapped their extensive re-

Jay Walljasper is editor at large of Utne Reader. This article is part of "What Works?" a series that examines projects making a positive difference in people's lives.

sources to design a program that would train disadvantaged people for quality jobs—full-time, with full benefits, paying at least \$7.50 an hour with a chance for advancement. From the business community they received promises of 650 potential jobs for qualified applicants. From politicians they received more than \$6 million in municipal, state and federal funding. And from COPS and Metro Alliance members they received nearly 15,000 volunteer hours each year to make the program work.

With this kind of backing Project Quest has been able to offer participants long-term job training at reputable institutions, along with financial support, counseling services and assurances that job openings exist. The program's designers assembled a professional staff, many of them retired military personnel with experience in the training field. Jim Lund, the director of Project Quest, was formerly deputy director of technical training programs for the Air Training Command.

Fifteen COPS and Metro Alliance outreach committees around the city recruit prospective candidates. Federal funding guidelines require that participants must be poor and have at least one other barrier to employment, such as single parenthood, lack of a high school diploma or of fundamental skills, or an arrest record. They must also have at least a G.E.D.; if they don't, they are referred to adult education programs. Candidates are then tested for basic skills; if they score below the eighth-grade level in math, reading or writing, they are placed in remedial education classes. If they are selected for the program and score below twelfth-grade levels (as 95 percent of participants do), they are assigned to a special Quest-designated Basic Skills Academy at a local community college for an intensive ten-week catch-up course. Candidates also take career aptitude tests and meet with counselors before choosing one of Quest's approximately two dozen fields of study—ranging from medical record-keeping to electronics repair—which have been chosen based on employers' indications of future needs.

Once accepted into the program, participants pursue degrees or certificate programs at local community colleges. The Quest participants are older (30 on average) than many community college students. Almost half are on public assistance, and 39 percent are single parents. Ethnically, the program's participants come close to mirroring San Antonio as a whole: 69 percent Hispanic, 18 percent Anglo, 11 percent African-American, 97 percent U.S. citizens. Two-thirds are women.

Project Quest pays for tuition, books, childcare, transportation, supplies and uniforms, as well as offering small sums in times of crisis to help cover rent, utilities and minor medical expenses. The staff also connects students with other sources of assistance like scholarships, grants, subsidized housing, food stamps and Medicaid. Quest participants are required to visit one of the staff counselors regularly and attend weekly motivational meetings.

The counseling program is cited by many Quest participants and graduates as crucial in helping them stick it out. "Without Project Quest there was no way that I could go back to school," says Carol Ann Romero, 52, studying to be an accountant technician after many years of dead-end jobs. "They help with money,

but they go all the way—helping us emotionally too. They keep close track of us. They are always, always, always there."

Low-income people, especially women, often get little support from their families and neighbors to pursue education. Dee Dee Reynosa, 24, grew up on San Antonio's west side with a mother who's been on welfare for thirty years and a father and stepfather who both had drug habits and criminal records. The only person in her family ever to graduate from high school, at age 21, she was homeless for a time and had a few run-ins with the law. A minimum-wage job at a dry cleaner's offered little chance to escape poverty. She heard about Project Quest from a friend in the program and, over strenuous objections from her husband, entered a nine-month diesel mechanics program at St. Phillip's College. "I'd been working on cars since I was 13," she says, "but my husband said that isn't something a girl should be doing. It was a confidence issue for him. I wanted to quit at one point because of the problems with my husband, but they talked me out of it. Project Quest showed me that you don't need to let people run you down."

She's now working as a mechanic at Holt Company for \$8.36 an hour, fixing the enormous Caterpillar tractors and earth-moving machinery the firm sells and services. She and another Quest graduate were the first two women on Holt's

mechanic crew. Her husband, whom she separated from but still sees, has gotten used to it. "He's matured a lot now. I matured first, then that affected him. He's now supportive of what I do."

The involvement of COPS and Metro Alliance can provide additional support for Project Quest participants. Cynthia Scott, a single mother of three who had been on welfare for years when she entered the program, stresses the importance of encouragement from Metro Alliance members in her church and neighborhood. "I tried to go to school before and I failed," she says. "What made the difference this time was that there were people saying, 'C'mon, Cynthia. You can do it, Cynthia.'"

Scott, now a licensed vocational nurse earning \$9.12 an hour in the oncology ward of San Antonio's Baptist Hospital, remembers, "When I got that first check, I said, 'Whoa! I can pay my rent and still have something left over.'" Good wages made an important difference in her life, but so did the sense of accomplishment. "I think it inspired my kids to take school seriously," she says. Her oldest son is a sophomore at Stephen F. Austin College, majoring in education. She's now studying to become a registered nurse, and hopes to join the Peace Corps and go to Africa when her sons are grown.

Scott was the first graduate of the program in 1993, and since then almost 500 others have found jobs paying an average of \$8.10 an hour, 90 percent with benefits. About fifty other Quest graduates are pursuing further education and 237 are currently enrolled in the program. Health care accounts for 60 percent of job placements; diesel mechanics, electronics and office systems are other popular fields. "What we're talking about here is the beginning of a career path," says director Jim Lund, "not just a hotel job where you can't go anywhere."

While no one challenges the goals of Project Quest—or its success—eyebrows have been raised about the costs: approxi-

*Project Quest seeks to put its participants in
the beginning of a career path—not just a
hotel job where you can't go anywhere.'*

mately \$10,000 a student. That's because the average participant gets seventeen months of training at an accredited institution, compared with other programs funded by federal Job Training Partnership Act (J.T.P.A.) grants—four months of study on average, sometimes at inadequate job-skill mills. Quest's costs are also higher because the program provides personal and financial support for students and aims for livable-wage careers, not just any job. Charles Cheever, a Project Quest board member and chairman of San Antonio's Broadway Bank, points out, "Long-term training takes money. But it's better to invest that money and get people off welfare for good. By all the reports we have from businesses, these people have turned out to be competent employees. It's worth the cost." A study done by Paul Osterman and Brenda Lauth of M.I.T.'s Sloan School of Management for the Ford Foundation last year notes that average costs for Project Quest participants are comparable to the cost of educating a student in public schools for two years—an investment almost everyone agrees is worthwhile. Even more significant, the report shows that Quest graduates boost their earnings by \$5,000 to \$7,500 a year, compared with \$900 for the average graduate of a J.T.P.A.-funded program. This can mean dramatic changes in the lives of Quest graduates.

This is the reason Project Quest, even with its high costs, can achieve a payback of public investment in two to three years, as graduates leave public assistance or low-wage jobs and start paying more in taxes. The project's "rates of return exceed [those of] virtually all other employment and training programs," Osterman and Lauth reported to the Ford Foundation, which in conjunction with Harvard's Kennedy School awarded Project Quest and the city of San Antonio their Innovations in Government Award.

Lund notes that current economic conditions have forced them to rethink the \$7.50 goal, and to look at some jobs that pay less if they offer generous benefits and the chance for advancement. And he worries that the new federal welfare bill will pose another hurdle for many Quest students, because they must now hold down

a part-time job as well as meet school and family responsibilities.

The accomplishments of Project Quest have already inspired similar programs in other places where there are organizations linked to the Industrial Areas Foundation network (to which San Antonio's COPS and Metro Alliance belong): Dallas, Fort Worth, Houston, the Rio Grande Valley and Tucson. Bob McPherson, a senior research associate at the Lyndon Johnson School of Public Affairs at the University of Texas, who helped design the program, notes, "The basic model for Quest would certainly work in other communities. Whether it will work in every city I don't know."

The effectiveness of a project like Quest depends on the level of community cohesion and political organizing in low-income neighborhoods. Without COPS and Metro Alliance, with their history of pulling people together around community needs, Project Quest wouldn't have gotten past square one. San Antonio's government leaders and business community knew these groups, trusted them to some extent (and perhaps feared them a little), but in any case understood that they were serious about what they set out to do. From this solid base an innovative program using public money for long-range job training could be built.

The success of Project Quest offers lessons about the dynamics of political power as well as the specifics of job training. It's not merely the uncontrollable forces of globalization that shape our economy but decisions that are made around us every day. The path along which our economy is moving—toward ever-deepening inequality—looks inevitable only when other avenues are closed. When low-income communities in San Antonio decided there must be something better than working on the bottom rungs of the tourist industry or at other minimum-wage jobs, they exerted political influence to help find an alternative. The city of San Antonio became the first municipality in the nation to invest general funds in a job-training program. The result is that 800 disadvantaged people—nearing the number who lost their jobs at Levi's—are employed in, or working toward, livable-wage jobs. ■

LETTERS

C O N T I N U E D

(Continued From Page 2)

volunteers. When people said they wanted community gardens and a community center, the nonprofits said it was too late to change the plan.

RONALD SAINT LAURENT

WALLJASPER REPLIES

Minneapolis

■ I never set out to ordain Burlington as the political promised land (neither small-p nor capital-P) but merely to point to it as a place that deals with its problems in creative and promising ways. In response to Carla Barnes and Jess Bell, it's true, Burlington's Progressives have not figured out sweeping solutions to all the problems of poverty. But Burlington's political leaders are at least looking for ways to reduce these problems—and looking in places where Clintonian Democrats would never dare. Residents of the Old North End can see elected officials making some positive changes in their neighborhood, which is more than low-income

people in most cities can say. Several other Burlington readers have made the opposite point: that Progressives help the city's poor, the rich help themselves and no one pays attention to the needs of middle-income residents.

I assume that Ronald Saint Laurent has no major beef with the way Burlington's Progressives have addressed issues like affordable housing, tax justice, the revitalization of low-income neighborhoods, small business promotion, the arts, women's issues, recycling and traffic safety, since he doesn't mention them. And the subjects that Saint Laurent does bring up are not so clearcut as he would have us believe.

Yes, Burlington saw beach closings last year (one beach closed for five days, according to city officials), but it was not for the failure of the new sewage system but runoff from a ravine.

I in no way championed the Filene's project as a progressive accomplishment. I brought it up because it illustrates the limitations of "socialism in one city." It's a complicated situation,

where Progressives have chosen to make compromises in hopes of keeping the downtown vital and forestalling further suburban sprawl and erosion of the city's tax base. Burlington's Progressives, less successful with sustainable transportation than with other policies, are still working at it with proposals like bike lanes and commuter rail. Most other U.S. cities simply accept that the rising number of cars can never be curtailed. As for the election of city commissioners, Burlington voters agreed with Mayor Clavelle on the issue, since the idea was voted down in 1992. And the Enterprise Community steering committee has a number of at-large community seats.

JAY WALLJASPER

WE LOVE YA, TOMORROW

■ Tom Tomorrow fans, despair not! Despite the format change of the Letters column—more words, fewer images—your favorite *Nation* cartoonist will still be appearing regularly in these pages.

—THE EDITORS

155145
MEMORANDUM

TO: TOM FREEDMAN AND MARY SMITH
FROM: DREW HANSEN
RE: IDEAS FROM MONTHLY AND WEEKLY MAGAZINES
DATE: JULY 9, 1997

① Mess surveyed
② B. Zink (2)
③ attached

HEALTH CARE

"Forcible Retirement for Retiree Health Care," Business Week, July 14, p. 6

- Pension plans are scaling back their health care coverage for retirees. Corporate funds with a retiree health-care program declined from 80% in 1992 to under 60% in 1997, while public funds with a retiree health-care program declined from around 60% in 1992 to under 40% in 1997.

"Medicare Conferees Prepare for Savings Account Fight," Congressional Quarterly, July 5, 1997, p. 1580

- The debate over medical savings accounts in the budget bill.

RACE

"No Initiative," The New Republic, July 14 and 21, 1997, pp. 13-14 (carb)

- After California's approval of Proposition 209, banning racial, ethnic, and gender preferences in state government, none of the 24 states that allow initiatives have put a version of the California initiative before their voters.
- Nationwide, the GOP is allowing anti-preference laws to suffer from "malign neglect" (p. 14, second paragraph)
- Although there are nascent movements for something similar to Prop. 209 in Houston and Washington, Republicans in Congress seem uninterested in the issue.

"South Toward Home," Newsweek, July 14, 1997, pp. 36-38

- Huge "reverse migration" of middle-class blacks to the south -- up 92% over the 1980s rate (p. 36).
- Some blacks moving into high-poverty areas and starting community service programs: senior citizen reading, GED training, health centers (although only anecdotal, p. 37).

- High percentage of black professional and executive talent makes Atlanta the "black mecca" (p. 38).
- 30% of the country's black-owned businesses are in Georgia, Virginia, the Carolinas, and Florida, and only 2% in New England (p. 38).

"Counting a 'New' Type of American," U.S. News and World Report, July 14, 1997, pp. 22-23.

- This week, a task force recommends whether or not to add a "multiracial" category to the census. Most major civil rights groups oppose the idea.

WELFARE

"Are the Cuts Unkind?" Time, July 14, 1997, p. 50.

- The benefits of 264,000 low-income, disabled children are being reviewed for possible termination.
- Motives for termination are potential estimated savings of \$4.7 billion over six years, also allegations of fraud among recipients (publicized by *Prime Time Live*, later dismissed by SSA).
- But organizations such as the Arc (formerly Association for Retarded Citizens) say that they have been inundated with calls from families who fear what will happen to them without the SSI check.

"States Take on the Welfare Job," U.S. News and World Report, July 14, 1997.

- A brief survey of state welfare plans after last week's formal end of AFDC.

COVER STORY

GREENSPAN'S NEW WORLD

His decision not to raise rates reflects his view that the financial markets now do much of the Fed's work page 44



BusinessWeek

JULY 14, 1997

Cover Story

44 GREENSPAN'S BRAVE NEW WORLD

After 10 years, the chairman's success and prestige are letting him take the Fed into uncharted territory—allowing faster growth and lower unemployment than were tolerated in the past. Why isn't he scared by faster growth? Because productivity gains are keeping inflation in check

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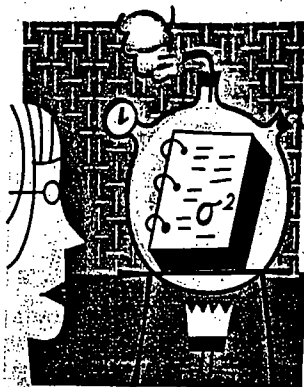
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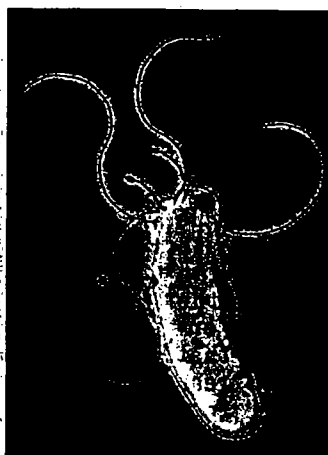
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Bernard Ebbers tries to make WorldCom a global power page 65



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His new digital technology could give cable television a jolt page 22

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INDUSTRIAL/TECHNOLOGY EDITION

BUSINESS WEEK ONLINE: Internet: www.businessweek.com America Online: Keyword: BW

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Vernon's assistant to the director, about the discrepancy, he became a little defensive. Mount Vernon, he insisted, is an equal opportunity employer. It just seems Washington's farm has a hard time attracting black slaves. Mount Vernon seems uneasily aware of its vulnerability to charges of institutional racism in its color-blind slave program. In conversations with several program officials, I got the clear impression that Mount Vernon would greet any black applicant with great eagerness, possibly even preferential treatment. "We'd like to have minorities here," said one official. "I'm sure if we knew the applicant was black, we'd help them along. It would be great for us, and for them." It's come to this: affirmative action on the plantation.

Here, however, Mount Vernon runs into another problem. The most efficient way to meet affirmative action goals is to set lower standards for minority hires. But Mount Vernon maintains standards that are quite exclusionary. Not just anybody gets to be a slave; the plantation only considers applicants who have agricultural experience. Such restrictions may unfairly discriminate against black applicants. According to the U.S. Department of Agriculture, only 18,816 of America's 1,925,300 farms, or 1 percent, are operated by blacks. Although there are certainly blacks who work on farms but don't own them, the pool of black applicants who can meet Mount Vernon's agricultural requirement is obviously far smaller than that of whites.

Even for those applicants who make it past this hurdle, the competition is fierce: in recent years, as many as 400 students have applied for the handful of slots. Each applicant wrote an essay and submitted at least two letters of recommendation. The program accepts about 5 percent of the applicants, making it more selective than the Ivy League.

Alas, such competition yields a crop of slaves who seem more concerned with cultivating their résumés than their wheat. "I don't think anyone here wants to go into this field full time," explained Kara David, an intern from Texas. Most hope to attend graduate school, or land high-paying jobs in agribusiness. "I think it will really show that I am dedicated to my job," says another intern. "I mean it will demonstrate that I will break my back working hard for them."

Well, not really *break*. More like slightly strain. When it began raining later in the day, the slaves ditched their posts and searched for cover, abandoning a family of tourists near the fields. That left program developer Sandy Newton to make sure the tourists found shelter. After that, she had to run through the soaked fields—petticoat, bonnet and all—in order to save the fragile and expensive scarecrows from the strong winds.

After the rain subsided, the slaves eventually wandered back. A few confessed that they had lingered away from work simply because slavery can be "boring." "I guess I can relate to them," one said. "For slaves, every day was the same routine. Each day was just another day, another dollar." Only without the dollar. •

CCRI's short coattails.

No INITIATIVE

By John J. Miller

Glynn Custred and Tom Wood should be two of the most triumphant men in American politics right now. As coauthors of the California Civil Rights Initiative, they saw many years of work pay off last fall when California voters approved Proposition 209, banning racial, ethnic and gender preferences in state government. This was supposed to be the summer of Custred and Wood's content, a time to kick back and watch the entire country follow California's lead.

But it hasn't worked out that way. By the end of 1997, none of the twenty-four states that allow initiatives will have put a version of CCRI before voters. According to activists, politicians in Arizona, Georgia, Missouri, New Jersey and elsewhere introduced bills repealing preferences earlier this year, but none of those measures has gotten past the state legislatures, and, most likely, none will. No other governor has followed California's Pete Wilson in signing an executive order limiting color-conscious public policy. President Clinton continues to support preferences, while Republicans in Congress continue to keep the issue off the legislative calendar. "I really thought we had handed the Republicans a marvelous opportunity to run on the core principles of individual rights and equality before the law," says Custred, an anthropology professor at Cal State-Hayward. "But they turned their backs on us and scampered away."

Speaker Newt Gingrich has said that a federal version of CCRI is not a priority. In fact, in the first several months of the new session Gingrich made a point of openly flirting with opponents of the referendum. He invited Jesse Jackson to sit in the speaker's box during the State of the Union address in January; he spoke of re-funding the Congressional Black Caucus and other groups that lost their public subsidies more than two years ago when the GOP took control of Congress. Gingrich also has boasted of his ability to marginalize Republican Congressman Charles Canady of Florida, the sponsor of a bill barring preferences in the federal government.

Other leading Republicans also have avoided the preference issue. For more than two weeks before President Clinton gave his much-hyped San Diego speech on race, conservative activists had encouraged the GOP to prepare a formal reply—perhaps even to allow former CCRI co-chair Ward Connerly to deliver the Republicans' weekly radio address on it, since this would air on the same day as Clinton's speech. But Senate Majority Leader

Trent Lott instead devoted his broadcast to tax cuts. And when Utah Republican Senator Orrin Hatch held Judiciary Committee hearings on racial preferences the following Monday, only two other senators showed up. One of them was a Democrat.

This policy of malign neglect has trickled down to GOP functionaries at the state level. "I've detected a softening on this issue," says Tom Tancredo, who may help lead an effort to put anti-preference language on the Colorado ballot next year. His state's House of Representatives actually passed a bill to ban preferences in February, but the bill died in the Republican-controlled Senate. In Ohio, organizers don't know whether they can count on the likely GOP candidate for governor, Secretary of State Bob Taft (great-grandson of the twenty-seventh president), who has not made public statements on the issue and—according to one local activist—has said Ohio doesn't need anything like CCRI.

Florida's Republicans have been particularly unhelpful. Jeb Bush, the failed GOP candidate for governor in 1994 and likely nominee next year, has reportedly put out the word that he does not want anti-preference measures on the ballot because they might alienate Miami's Cuban voters. John Barry, an Orlando businessman trying to duplicate CCRI's success, has been the subject of big stories in most major Florida newspapers. But he says the state GOP won't return his calls.

For opponents of preference-based policies, this is a near-fatal blow. Fund-raising for this issue is difficult—right now it's done mainly through small-dollar direct-mail appeals, since no corporations and few high-profile financiers want to be associated with it. Ties to the local GOP would build credibility in the eyes of these potential donors; GOP backing would also inoculate supporters against allegations of racism. Keep in mind that it was only after Pete Wilson made the issue a top concern and encouraged his friend Connerly to get involved that the CCRI movement became financially stable. Concludes Wood, "None of these initiatives will succeed unless the Republican Party at the state and national levels gets in line with the grass-roots and decides to lead them."

The news for those opposing preferences is not all bad, however. In April, the Ninth Circuit Court of Appeals ruled strongly in favor of CCRI's constitutionality. Although the legal odyssey of Prop 209 is probably not over, the law can finally go into effect, and this may spark renewed interest. "A lot of people were ready to move on this issue but wanted to see whether the California law would stand up in court," says Greg Smith of the American Legislative Exchange Council, which tracks legislation in state capitals. "I think we're going to see a lot of activity next year."

Already, it looks like grass-roots activists in Houston will succeed in placing a CCRI knock-off on their city ballot in November. Early polls suggest strong support, even though blacks and Hispanics make up the majority of Houston's population. In Washington state, where a signature drive just began, the entire GOP apparatus is firmly anti-preference. If volunteers gather

enough signatures by January—and they likely will—the Republican-controlled state legislature will either vote color-blind public policy into law immediately (which it can do with a two-thirds majority in both houses and without the approval of the governor, who is a Democrat) or let it go before voters in the fall.

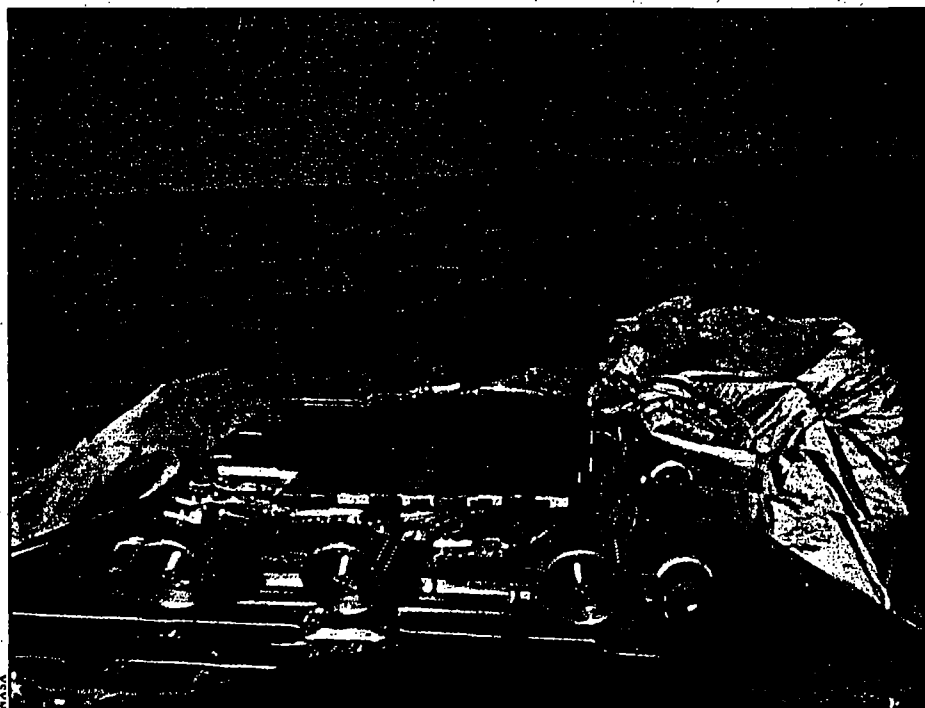
Congress, though, remains a roadblock. Canady reintroduced his bill, now called the Civil Rights Act of 1997, on June 17. Republican Senators Hatch and Mitch McConnell of Kentucky have taken the lead in their chamber, but as of this writing, it looked like Lott might let the bill go to a hostile Labor Committee that will almost surely ignore it. In the House, Illinois Republican Henry Hyde will get the bill; he is eager to report it out of his Judiciary Committee. But while Gingrich endorsed the Civil Rights Act in a well-publicized speech on June 18, and has promised a floor vote on it within eighteen months, he reportedly does not want to threaten the fragile bipartisan coalition he built around another bill that would create enterprise zones and sponsor school choice in low-income communities. Three black Democrats recently announced their support for this piece of legislation, bucking both the NAACP and the teachers unions, and the House leadership is worried that an aggressive anti-preferences campaign would jeopardize the consensus.

The congressional Republicans cannot dodge the issue for long. Later this year, Congress is due to reauthorize transportation spending—legislation that traditionally has included tons of racial, ethnic and gender set-asides. Highway money is a bread-and-butter issue to most members, and the final product always involves complicated bargaining to ensure that everyone gets their pork. If a few back-benchers offer anti-preference amendments late in the game, they will force their colleagues to choose between sacrificing a hard-won deal or positively affirming their support for set-asides in a recorded vote. Gingrich doesn't want a fight over preferences to break out in this context, but he may not have much say in the matter. In the wake of the Supreme Court's 1995 *Adarand* decision, it is difficult for lawmakers to ignore the High Court's manifest desire that the federal government be severely restricted in straying from the principle of race neutrality.

Republicans nervous about the gender gap and their anti-minority image are reluctant to draw sharp distinctions between themselves and a Democratic president contemplating an apology for slavery. Forget the fact that 27 percent of California's black voters, along with a slim majority of California women (and nearly 60 percent of white California women), voted in favor of Prop 209, or that CCRI outperformed Bob Dole by roughly a three-to-one margin among black voters in the state. The anti-preference movement is at a standstill. "This is one of those rare instances in which good policy and good politics are joined at the hip," says Custred. "Why doesn't anybody understand this?"

JOHN J. MILLER is vice president of the Center for Equal Opportunity, a Washington, D.C.-based think tank.

TOP OF THE WEEK



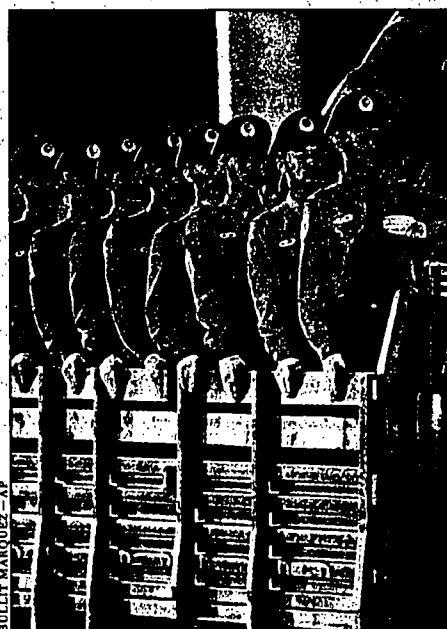
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COVER: Photograph courtesy astrogeology team, U.S. Geological Survey, Flagstaff, Ariz.

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RACE

South Toward Home

Facing long odds—and painful history—blacks are at last moving back to the old Confederacy

BY VERN E. SMITH AND
DANIEL PEDERSEN

OFFICIAL SLAVERY HAD BEEN abolished 60 years earlier. But to the sharecropper family into which Bennie Rayford was born in 1926, that distinction barely mattered. No black child in his part of Mississippi could set foot in the schoolhouse until all the cotton was picked. Rayford persevered against odds as long as the river: he finished high school, joined the navy and earned a degree from Alcorn State University—a gateway in the 1950s to a teaching career in the South's separate but unequal schools. Then, in 1957, the odds beat Rayford. As a principal, he chafed under outrageous conditions—four teachers, and two buses, for 300 children—and organized plantation families to agitate for another bus. The county superintendent sent Rayford a termination notice. "You're too smart a nigger," it said. "We no longer need your services."

It's no surprise that Rayford and his wife, Hilda, then lit out for the North. Between 1940 and 1970, more than 5 million African-Americans, thrown out of work by mechanical cotton pickers and excluded by Jim Crow, left the old Confederacy—the largest internal ethnic migration in American history. The surprise is that Bennie and Hilda have come home. A *NEWSWEEK* review of unpublished census data shows that the Rayfords are at the heart of an extraordinary movement: the reverse migration of middle-class African-Americans to the South. Beginning as a trickle in the mid-1970s, it is now up 92 percent over the 1980s rate (chart). If the demographers are right and the pace keeps up past the millennium, a net tide of 2.7 million—more than half of the great post-1940 migration—will have headed South between 1975 and 2010. In part they're coming to the bustling sun belt for the same reasons everybody else is: better jobs, cheaper real estate, warmer weather, easygoing manners. But, the South being the South, this is no ordinary trend. The blacks who are moving to Dixie are returning to a place where race has always mattered—a lot. And they aren't finding that the old land of cotton has turned into the promised land:

blacks and whites still divide themselves into two worlds, not one. The new arrivals, however, bring with them the capacity to change the country's fastest-growing region, at least at the margins, with stronger rural communities and even a handful of truly integrated suburbs—overcoming history to make the South home again.

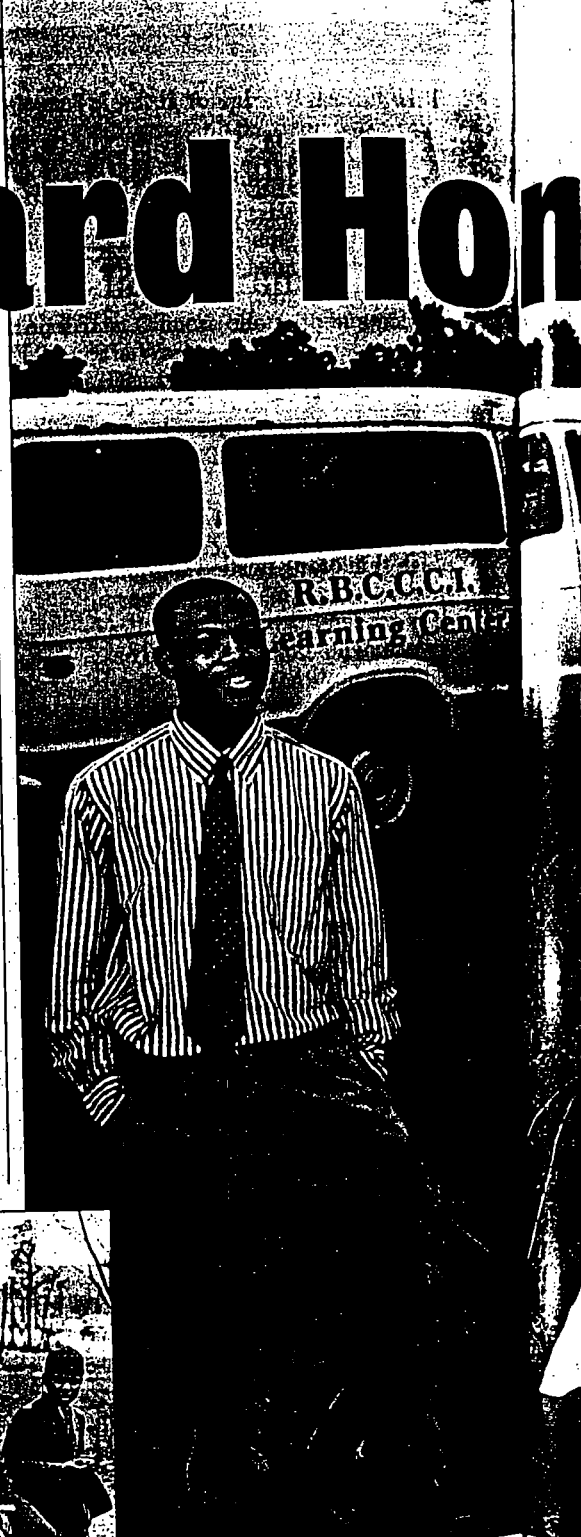
The Rayfords—Bennie, 71, and Hilda, 65—came back to the Delta partly for the same reason they left. Life in Toledo, Ohio, had become intolerable. Teaching in inner-city public schools had taken a toll on both of them, especially Mrs. Rayford. One week in 1989, a sixth grader was stabbed in the cafeteria. The next, one of her students showed up in the back of the classroom—armed. "I didn't even know he had it until another kid yelled out, 'Grady has a gun!'" says Mrs. Rayford.

Preposterous as it would have seemed to them in 1957, the Rayfords returned to the Delta in 1990—to the distress of old friends in Ohio and the bewilderment of new ones in the Delta. (At their going-away party in



The Great Migration: Between 1940 and 1970, 5 million blacks like these youths in Chicago fled the South

the North, their preacher joked, "Well, the Rayfords say they're going back to Mississippi—but I don't think the good Lord would send anybody back down there!") Three of their adult children have now joined them in Tchula, 150 miles from Memphis and 80 percent black. In many ways it's



a roots trip that makes sense. Mississippi's air is fresh; in the Delta, local police forces and county boards have become largely African-American in recent years. The dusty roads that once made Hilda squint on churchgoing Sundays are finally being paved. On another level, the move seems crazy. Holmes County, where the Rayfords live, has one of the lowest per capita incomes in the nation—less than \$6,000. The poverty rate in the six-county area: 45.3 percent.

me



The Rayfords, retired with teaching pensions, have found opportunity in those depressing statistics. Hilda started a reading program for nine senior citizens she'd grown up with who could barely read or count money. Younger people started to show up, too. With funds from a small foundation grant, a house across the road turned into the Rose Bank Learning Center—offering reading, computer classes, GEDs and hot meals. Bennie, who'd chaired Jesse Jackson's Ohio presidential campaign in 1984, became head of a local health center

and vice chair of the state prison-industries board and the Holmes County Republican Party. The late-life party switch reflects Bennie's impatience with the local black pols who never left the Delta and who, to his thinking, never got enough done.

Most people aren't as adventurous as the Rayfords. Only a fifth of the black migrants—many fleeing urban poverty for a place where vegetables grow reliably—make their homes out in the country. The foremost sun-belt stop, for blacks and whites, is what neo-Confederate wits call "occupied

Reversing course: Delta natives Bennie and Hilda Rayford came back to Mississippi after decades up North; their children and grandchildren joined them, too

Atlanta." It's outdrawn every metro area in net migration for the last decade, beating Seattle and Tampa at the end of the 1980s and Las Vegas and Phoenix now. White newcomers to the South outnumber blacks by roughly five to one, but don't usually arrive with any profound sense of generational links. Blacks do: in 1940, 77 percent



A middle-class movement: Tonea Stewart (right), an actress and teacher, moved from California to Alabama, where she teaches drama at Alabama State in Montgomery

of African-Americans lived in the old Confederacy. But they're not coming just for sentimental reasons: they're moving to places like Atlanta because those cities have a huge market for diverse talent. Even as the courts roll back official affirmative action, the black professional class in Atlanta has never been more powerful.

As a twentysomething from Philadelphia in 1993, Beth Griffin's only image of the South came from "Eyes on the Prize" footage. Part of her still imagined it to be a land of whites-only restrooms; her deepest trip "South" had been to Washington, D.C. But she decided to just come along for the ride four years ago when a couple of friends said they were moving to Atlanta. She admits she was "a little apprehensive" but wanted to know why so many acquaintances were referring to it as "black mecca." Then she found that her M.B.A. from Penn State, plus a background in finance at the computer company where she was working, made her highly attractive to a local executive recruiter.

Now Beth, 30, is a principal financial analyst for Coca-Cola USA, working out of world headquarters. Rick Griffin, 38, moved from Philadelphia with his son Ricky the following year, and he and Beth were married in 1995. "The opportunities for the black man are a lot greater here than in the Northeast," says Rick, a computer-software consultant. Among them: the chance to raise a child in a city with a highly visible number of African-American achievers. In Atlanta, most of the family's doctors are black; that wouldn't have been as easy to arrange in Philadelphia. "There are more of us here in different roles," says Beth, "and there's definitely a bigger entrepreneurial spirit." She's right: one recent study put 30 percent of the country's black-owned businesses in Georgia, Virginia, the Carolinas and Florida, versus 2 percent in New England.

But Atlanta has its problems. The core municipality, 70 percent African-American, is the ninth poorest in the United States and struggles with a high violent-crime rate. The Griffins choose to live where most newcomers do: they bought a four-bedroom stucco manse in Cobb County, home of Newt Gingrich. Though the sun belt's 'burbs are still predominantly white, people like the Griffins could subtly alter the balance. They represent the new migration's mainstream well—people between 25 and 45, usually middle class or professional. William H. Frey, a University of Michigan demographer, believes America's best-ever chance for stable and integrated black-white suburbs lies in "the growing metros of the South Atlantic." Older suburbs in the North, often founded as a safe haven for whites, are more fortified against integration. That's one reason that, at last count, eight of America's 10 most segregated cities were old Midwestern industrial centers. (The other two: Buffalo, N.Y., and Newark, N.J.) The Griffins' born-yesterday neighborhood isn't monolithically white: 10 percent black, 5 percent Asian and the odd Hispanic.

Other things in the South, though, never seem to change. In Montgomery, Ala., the stone blocks of the capitol building are as lily-white as they were when George Wallace was governor. Even though he's now an ailing paraplegic who reads his mail in an office down the street, you can still almost hear his defiant 1963 cry in the capitol plaza: "Segregation now! Segregation tomorrow! Segregation forever!" Montgomery is a trickier place for black newcomers than the Delta or Atlanta: it's not majority black like the Rayfords' Tchula, nor does it enjoy the high-speed prosperity of the Griffins' Atlanta. Instead, it's a reminder that the New South can have a lot in common with the Old.

When Tonea and Allen Stewart arrived in 1990 to teach at historically black Alabama State University, for instance, getting a loan for the house with a pool on the tony side of town wasn't as easy as they'd hoped. Had they been white, they suspected, it would have been easier. But they decided to stick it out in Alabama rather than return to California, where they'd both gone to college. With their roots in the Deep South, the Stewarts both thought they had something to give back—despite the lure of living in Santa Barbara, which would have made Tonea's pursuit of an acting career infinitely easier; today most of her work comes in South-centric dramas (her last film: "A Time to Kill"; her most regular TV series: "In the Heat of the Night").

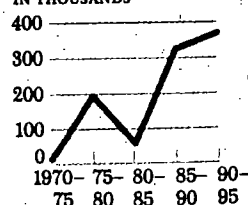
Midsize cities like Montgomery can also be clubby and closed. "Even with the black community, I'm an outsider," says Tonea. If she isn't introduced to a native by a native, she says, she lacks an important credential. On the upside, Montgomery can give you more house on a professor's salary than southern California and, if you have three children, more peace of mind. "If your son's at the nightclub, you know right where he is," says Allen, interim dean of ASU's graduate school. "There's only one." That safety is seductive. The Stewarts' 17-year-old nephew Husani moved from Oakland, Calif., after a visit last July. "He's gotten more attention [at his Montgomery school] than he did in a lifetime there," says Allen.

Every roots trip has a beginning and an end—and a meaning. Anthropologist Carol Stack, author of a 1996 book on returnees to the rural Carolinas, argues that this journey home is really "the chance to start something new, to remake the South in a different image." It will be a deeply American irony if ground once burdened by slavery and exploitation becomes, at the end of the century, the real land of opportunity.

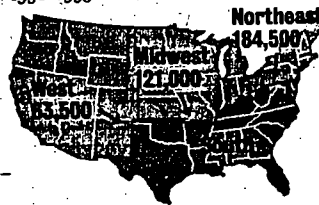
Moving Back to Dixie

Blacks are moving south in record numbers. A net total of 369,000 between 1990 and 1995 have relocated there at a rate 92% higher than in the 1980s.

BLACK MIGRATION SOUTH, IN THOUSANDS



BLACK MIGRATION BY REGION, 1990-1995



SOURCES: WILLIAM H. FREY, UNIV. OF MICHIGAN; JAMES H. JOHNSON, UNIV. OF NORTH CAROLINA. FROM U.S. CENSUS DATA



What Did John Huang Do? The U.S. Senate wants to know (see NATION)



The Planet Next Door: Pathfinder and Sojourner drop in on Earth's enigmatic cousin (see COVER)



So Easy to Love: Jimmy Stewart and American optimism (see THE ARTS)

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With several bounces (and a couple of glitches), the latest encounter with the Red Planet has begun. Earth's representative is Sojourner, a microwave oven-size vehicle designed to send back the sharpest pictures yet. And the diminutive rover and its landing craft Pathfinder are merely precursors of a new thrust into interplanetary exploration that is faster and cheaper	
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With the President having moved such a distance, what is there left to fight about? Plenty, it turns out, and in the p.r. battle, Clinton seems to have the advantage. For one thing, a narrow plurality of the public say they have more confidence in Clinton than in congressional Republicans on the tax issue, according to a CNN/USA Today/Gallup poll released last week. Clinton's 43%-to-40% edge is a startling turnaround in comparison with shortly after the 1994 election, when the public that had handed control of Congress to the Republicans rated the party 22 points ahead of the President on handling the issue. The change partly reflects the verdict of most independent analysts, who say Clinton's measure is a better deal for the middle-class taxpayer than what the House and the Senate are offering. And when the argument turns to the details of the various proposed tax breaks, Clinton has positioned himself as the champion of hardworking parents: while he pushes his education tax credits, for instance, the same Republicans who wanted to close the Education Department will be fighting to index capital-gains taxes so that investment profits can be insulated from inflation.

The stickiest issue to resolve between Congress and the White House is the question of whether low-income workers should get the \$500-per-child tax credit. Republicans will argue that refunding these Americans more than the amount they pay in income taxes is not a tax cut but welfare. So Clinton operatives are scouring key congressional districts for real-life examples of such "welfare" recipients, lining up teachers, police officers and social workers. Clinton can also point out that the Republicans themselves, in their Contract with America, advocated giving the tax credit to the working poor. It's not hard to figure out who wins that fight.

Republicans have begun to contemplate the scenario that is their ultimate nightmare: "He could get away with vetoing a Republican bill and saying he wanted his kind of tax cuts and win," says David Mason, the conservative Heritage Foundation's leading congressional scholar. "I could get in trouble with my Republican friends for saying so, but it's true." No wonder there are few G.O.P. voices still arguing for confrontation. As a Republican strategist put it, "The fact is, we're going to have to share credit with this guy. Then again, he's not on the ballot in 1998, and Republicans in Congress are." An odd consolation for a party that rode to power in 1994 by turning a congressional election into a referendum on the President.

—With reporting by
John F. Dickerson/Washington

Are The Cuts Unkind?

New rules may halt benefits to more than 100,000 disabled children. What will happen to them now?

SHIRLEY ESHELMAN IS PHYSICALLY DISABLED, but she manages to work small miracles for her 12-year-old son Jonathan, who is emotionally disturbed and has learning difficulties. And she does so on a family income of just \$241 a week. She stretches a \$30-a-month grocery budget by planting a large vegetable garden outside her home in rural Middletown, Md., and by taking Jonathan to a food pantry where they volunteer in exchange for food. She sets aside money in

rules, adopted in last year's overhaul of the welfare system, that significantly tighten the program's definition of disability. So far, 42% of children whose cases have been reviewed under the new rules nationally have been found ineligible; some started losing benefits last week. Jonathan's review ended with a request for him to submit further evidence of his disability—a sign, his mother fears, that he may be on the verge of being cut off.

The move to slash children's disability is in part budget driven: the government estimates that the new eligibility rules could save \$4.7 billion over six years. But the program's critics contend it has been abused by families whose children are not truly disabled. "The standards are vague and easily met," says Representative Jim McCrery, a Louisiana Republican and supporter of the new rules. "Some people regard it as just a super welfare program."

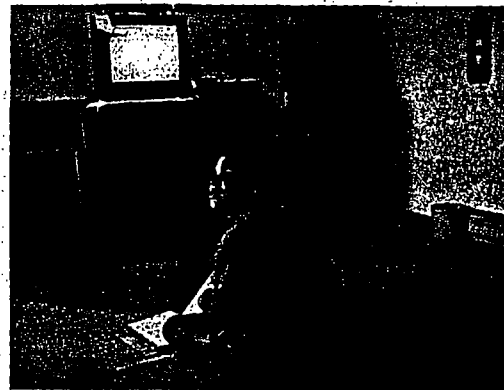
The assault on children's ssi began three years ago, when a spate of news reports carried charges that parents were coaching children to act out mental disabilities. Among these was a 1994 story on ABC's *PrimeTime Live* titled "Crazy Checks," which offered anecdotal evidence of cheating in what it called "a government program gone haywire." In time the charges were largely dismissed by four separate investigations, including the Social Security Administration's own, which found "no evidence" of widespread parental prompting. But these investigations received little attention, and skepticism in Congress remained strong.

What will happen to those who lose ssi? Many will have to give up treatments ranging from speech training to medicine. Others may end up homeless, since ssi families are poor and the check is a large percentage of household income. And some families may be torn apart. Organizations like the Arc, formerly the Association for Retarded Citizens, say they have been inundated with calls from parents afraid they will have to give up their children to foster care or institutionalization. "People tell us this is what's holding their family together," says Arc spokesman Marty Ford. "If you pull this card out, the whole house falls down."

—By Adam Cohen/
Middletown

ON THE BRINK

THE ESHELMANS of Maryland, a disabled mother and her son Jonathan, could be made homeless by new children's disability rules. Jonathan's \$74 a week in benefits is nearly a third of the family's income



ANDREW LICHTENSTEIN—SYGMA FOR TIME (2)

meticulous expense ledgers for Jonathan's outings with a local teacher who teaches him socialization skills, and a little more for his twice-monthly speech therapy. But the Eshelmans' world may be on the brink of collapse because of new federal rules that could take away Jonathan's \$74-a-week disability check. "It's frightening," says Eshelman, who is worried that with her two-person household's income cut almost a third, she won't be able to meet her house payments, and she and her son will end up homeless. "I really don't know what we would do."

Jonathan is one of 264,000 low-income, disabled children nationwide whose Supplemental Security Income benefits, averaging \$424 a month, are being reviewed for possible termination. The reviews are being conducted under new

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O Canada! Woe Canada!

COVER: Photograph by Blake Little for USN&WR

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Counting a 'new' type of American

The dicey politics of creating a 'multiracial' category in the census

BY JERELYN EDDINGS

When President Clinton called for a dialogue on race last month, he spoke of the need to avoid a resegregation into "many Amer-
separate, unequal, and isolated." But the race-related issue to be decided in the administration since the speech—one of the few he gets to decide unilaterally—is focused not on Americans who are divided but on those who have to form racially mixed families.

Last week, a government task force will take the first big step in what could prove a controversial and highly politicized debate over how race is classified in official government statistics. The group, representing 30 government agencies, will make recommendations to the president's Council of Management and Budget on whether to add a "multiracial" category to the 2000 census form.

The issue is of growing interest to many biracial Americans, some of whom complain that the current system of racial classification forces them to deny their heritage by choosing a single race or checking off "other." The number of mixed-race Americans has grown from 150,000 in the 1970s to more than 1 million in 1990—and the number of racially mixed children is roughly 2 million. "Not all Americans fit neatly into one little box," argues Susan M. Amodeo, president of Project Race, an Atlanta-based group that has lobbied Congress and state legislatures for a new multiracial designation. Her group has also urged the OMB, whose director, Franklin D. Scott, is in an interracial marriage and has a child of racially mixed children.

The multiracial movement got a big boost this spring when Tiger Woods declared himself a "Cablinasian," which he

coined to reflect his Caucasian, black, American Indian, and Asian heritage. However, some African-Americans countered that self-identification doesn't much matter if the rest of society views you as black. That point was made to great effect in May when white golfer Fuzzy Zoeller joked about Woods's eating fried chicken and collard greens.

Odd political lineup. For multiracial families, the issue of classification is intensely personal. But the interagency group discovered that changing the census form could create enormous practical problems. The present system was set up in the 1970s because of the government's need to live up to the mandate of new laws that it monitor voting rights and equal access for minorities in housing, education, and employment. To measure whether, say, enough blacks are getting mortgages in an area, one has to know how many blacks there are. The task force is leaning toward a compromise that would allow Americans to list themselves as mixed-race and identify the racial backgrounds of their ancestors so analysts could track different groups. Congress would have to decide if it wanted to change laws to give civil-rights protections to multiracial Americans.

Census categories have evolved since 1790, when the government put Americans into three categories: free white male, free white female, and slave. The racial breakdown remained black and white for 70 years, at which point the government began adding other categories, first American Indians, then Chinese, and later other Asian groups. In 1980, the census added one ethnic choice of "Hispanic or non-Hispanic." The Census Bureau says there were 250,000 "committed multiracials" who checked "other" and then specified more than one race.

President Clinton must decide the question by the fall. The issue is, according to a senior White House official, "a hot pota-



White and Hispanic



Asian and white

to." On the one hand, the concept of multiracialism fits his goal of creating a country that transcends racial division. Clinton has told friends that trends toward multiethnicity might force Americans to rethink their views on race. But a multiracial category could reduce the numbers and possibly the power of African-Americans and Hispanics, key Democratic constituencies. Demographers say most blacks could claim to be multiracial because of America's long history of race-mixing, starting when slaveholders impregnated slaves. If some chose a new multiracial

PHOTOGRAPHS BY

CLAUDIO VAZQUEZ FOR USN&WR



Black



White and Asian



Asian and black



Black and Hispanic



Black, American Indian, and white



American Indian and Hispanic

category, overnight there could be, statistically speaking, fewer blacks.

That is why traditional civil rights groups oppose creating a multiracial category. Representatives of the National Council of La Raza, a leading Hispanic rights group, and the National Association for the Advancement of Colored People have testified before Congress that a census change would hurt government's ability to target aid to needy minorities. Jesse Jackson calls the issue "a diversion" designed to undermine affirmative action.

If the administration decides to keep

the form as is, multiracial advocates will appeal to Congress. Their most important ally is House Speaker Newt Gingrich. "Ultimately, our goal is to have one classification—American," he said recently.

New meaning. It's hard to predict how many people would check off a new category. Surveys conducted for the task force found that only 1 percent to 1.5 percent of the population currently would call themselves multiracial. But the very existence of the multiracial category could lead more people to view themselves that way. "The fact that this group does not exist

now . . . does not mean [it] cannot come into existence and begin to have social meaning for people," says Mary Waters, a Harvard sociology professor.

If that happens, the government might, in effect, create a group that is quintessentially American—emphasizing the melting pot quality of the population rather than the distinctions. But it would be done at the cost of making it more difficult for the government to protect distinct groups that suffer discrimination. ■

With Kenneth T. Walsh

TAXES

Clinton, GOP narrow the gap

A new White House tax-cut plan will help set the terms of debate in the coming budget endgame. The centerpiece remains a \$500-per-child tax credit, but President Clinton last week embraced a bipartisan Senate plan to let parents put the credit and another \$500 yearly into a tax-free savings account for education.

Two features of the White House plan seem crafted to showcase Clinton-GOP differences. Clinton's child credit would go to many families earning between \$15,000 and \$25,000; Republicans would include those above \$100,000. And unlike the GOP, Clinton's capital-gains cut excludes the wealthiest Americans. He seems happy to let the GOP argue that he is not giving enough of a break to the rich. Still, a Clinton-GOP deal could face fire from House Democrats. —Matthew Miller

HEALTH

A winning verdict for power lines

Nearly 20 years ago, scientists sparked an emotional debate—and a flurry of research—by suggesting that

children exposed to magnetic fields from high-voltage power lines run high cancer risks. Now, an extensive study, coordinated by the National Cancer Institute and published last

week in the *New England Journal of Medicine*, found no evidence power lines cause childhood cancer.

Researchers compared mag-



netic-field exposure of 638 children with leukemia, 620 healthy children, and their mothers during pregnancy. Testing many children from different regions avoided flaws of previous efforts. Still, some scientists remain unconvinced and await large studies underway in Canada and England. —Laura Tangley

Postal priority

U.S. postal officials last week urged a one-cent rise to 33 cents for first-class mail. The rate could take effect next spring. A comparison with other nations:

Mexico	23¢
United States	32¢
Canada	33¢
Great Britain	43¢
Germany	57¢
Japan	70¢

Source: United States Postal Service
Note: Prices calculated using foreign exchange rates as of July 1, 1997.

FEDERAL AID

States take on the welfare job

New York will expand "workfare" programs that make receiving welfare contingent on working in state-created public-service jobs. Texas will require welfare recipients to sign statements taking "personal responsibility" for their affairs. Oregon may provide better-tailored support to low-income families. Several states may hire private firms to streamline operation of their welfare systems.

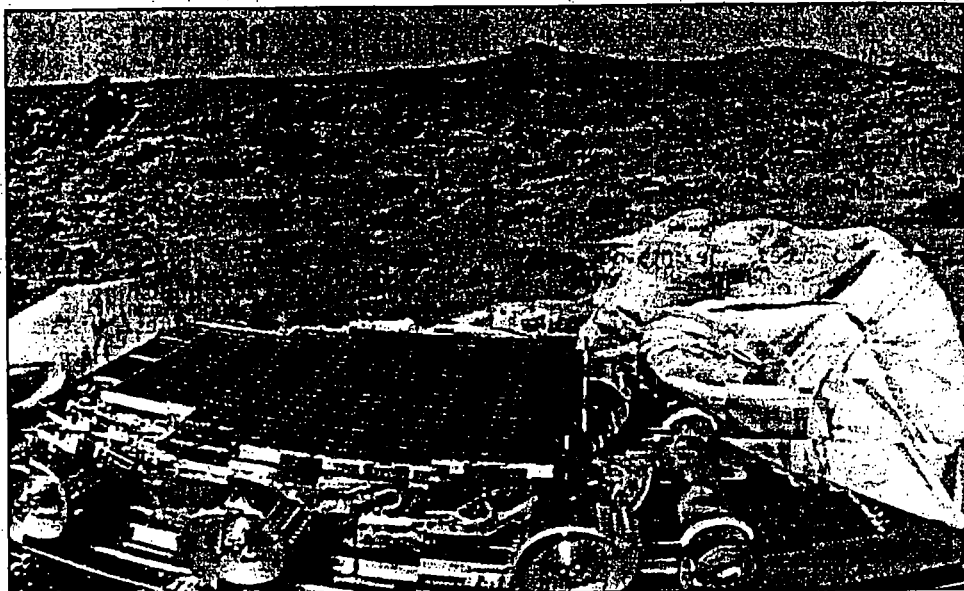
Those changes and others were prompted by last week's formal end of the much criticized national welfare system. Under a law agreed on last year by President Clinton and Congress, federal block grants and 50 different state programs replaced six decades of federally guaranteed aid to families with children. The goal is to move at least half of welfare recipients into jobs within five years and to limit the time families can get benefits.

Reformers hail the changes as major steps toward sufficiency for the poor. Critics worry that the time limits and harsh sanctions for rule breakers could force more people into poverty. They cite a new report showing that three quarters of teenage mothers still were receiving public assistance after they were provided extensive social services. —Shaheena A. Ahmad

Edited by Ted Gest



Coping with new welfare rules



SAFE LANDING ON THE RED PLANET. A breathtaking photo sent from Mars Pathfinder, which landed July 4, shows the spectacular terrain of Ares Vallis. Sojourner, the 23-pound micro-rover, is expected to spend the next one to four weeks examining nearby rocks on the ancient flood

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INSIDE CONGRESS

Both Parties' Fundraising Practices on Trial 1567

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RECONCILIATION

Medicare Conferees Prepare For Savings Account Fight

Republicans say program would allow seniors to save money, while Democratic critics charge it would benefit industry

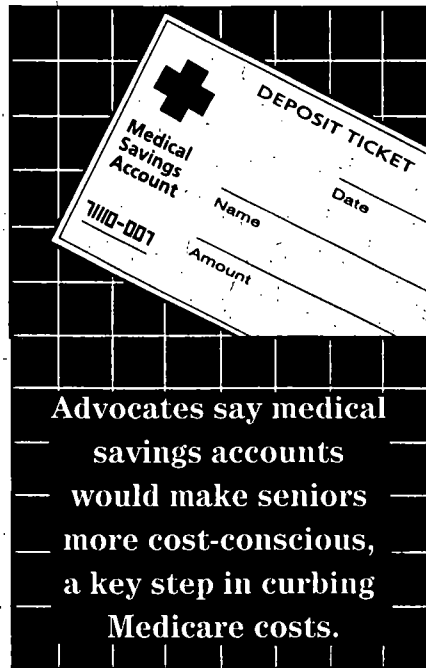
A key battle for House-Senate conferees negotiating on proposals to overhaul the federal Medicare program will be to determine how medical savings accounts fit in.

Both chambers' versions of the budget-reconciliation bill (HR 2015) include the accounts as part of an overall package to save money on Medicare, the federal health insurance program for the elderly and disabled. But the two plans vary in size, deductibles and on whether to cap beneficiaries' out-of-pocket expenses. Medical savings accounts, known as MSAs, would permit seniors to set up tax-exempt accounts to be used for qualified medical expenses. Those who choose them also would have to purchase high-deductible insurance policies to cover catastrophic illnesses. (*Weekly Report*, p. 1528)

Advocates say the accounts would provide a way to make seniors more cost-conscious, a key step in curbing Medicare's ever-growing costs. They also say the savings accounts would allow patients, rather than insurers, to decide where and when patients seek care — a key reason the accounts have been endorsed by the American Medical Association.

Rep. Bill Thomas, R-Calif., the main architect of the House Medicare overhaul plan, said "innovative" programs such as the accounts "allow the consumer to save and watch over their health care dollars." Sen. Bill Frist, R-Tenn., a heart surgeon, said he has "direct experience" that when patients have greater financial responsibility for their medical care, they ask more questions about treatments and outcomes and — just as important — about how much doctors charge.

Medical savings accounts may appeal to the elderly for several reasons. Seniors who enroll could purchase medical care from any provider they chose, rather than from a list compiled



by an insurance company. Seniors with medical savings accounts would no longer need a supplemental Medicare policy, known as Medigap, that they buy to help cover insurance deductibles and copayments. Financial problems could develop later, however, for seniors who have to contribute their own money toward the catastrophic policy deductible, which could run as high as \$6,000 under the House proposal.

Opponents say medical savings accounts will benefit the healthiest and wealthiest seniors, while the lowest-income and most ill remain in the traditional Medicare fee-for-service program. They argue that only wealthy seniors, who tend to be healthier, could afford to meet the high deductibles in catastrophic policies. As those healthier individuals leave Medicare fee-for-service plans, the sicker and poorer would stay behind, driving up Medicare costs.

Sen. Edward M. Kennedy, D-Mass., a

vocal critic of medical savings accounts, charges that Republicans want to incorporate them, in part, to appease the insurance industry, which stands to profit substantially. "The private insurance industry has been itching for 30 years to get its hands on Medicare, but that is no reason for this Congress to scratch that itch," Kennedy said.

Kennedy and other opponents say the accounts would provide a disincentive for seniors to seek medical care, because enrollees would be allowed to roll over leftover funds in the savings account from one year to the next. Critics also take issue with a provision that would allow seniors to spend up to 40 percent of the policy deductible as they wish, with those amounts included in taxable income. Seniors who withdrew more than 40 percent for other-than-qualified medical expenses would be subject to a 50 percent tax.

MSA History

Medical savings accounts have existed for years, with one company — Golden Rule Insurance Co. of Lawrenceville, Ill. — selling the majority of policies before this year. Tenna Merchant, assistant vice president for media services at Golden Rule, said her company had sold MSA policies to about 25,000 families. Several other companies entered the market recently. More than 40 companies sell savings account plans, according to Eclipse MediSave America Council, a pro-medical savings account group whose members include the Council for Affordable Health Insurance, the American Academy of Dermatology and the National Taxpayers Union.

Congress entered the medical savings account debate earlier in the decade. Some Republicans pushed the accounts as an alternative to President Clinton's unsuccessful 1993 health care overhaul plan. In 1995, GOP leaders pushed for medical savings accounts as part of their plan to overhaul

By Mary Agnes Carey

Medicare. The accounts surfaced again in 1996, and almost sank the health insurance portability bill, which allows people to keep their health insurance when they lose or switch jobs. (1996 *Weekly Report*, p. 2447)

The medical savings accounts survived, however, becoming part of the health bill (PL 104-191), which President Clinton signed last summer. It limited MSAs for those under age 65 to a pilot program of 750,000 open only to the self-employed, the uninsured or to workers at companies with 50 or fewer employees. The experiment began Jan. 1 — accelerating demand for policies — and will last four years. After that, Congress will vote on whether to expand the program and loosen eligibility requirements. Those who already have a savings account will be allowed to keep it, regardless of congressional action.

Much like the medical savings accounts being considered for the Medicare program, the accounts in the health law pair high-deductible insurance plans — often called catastrophic plans — with a savings account into which individuals or their employers can make tax-deductible contributions. Money in the accounts can be used to pay for medical expenses, and employees can save what they do not use.

A Treasury Department spokeswoman said the agency has not yet compiled data on how the savings accounts are working so far. Companies selling the policies had a June 1 deadline to report on who bought them.

The Medicare Question

The debate over medical savings accounts and Medicare adds some new twists to the old debate: Will seniors understand the accounts? Will they want them? Will they save money for Medicare over time, as proponents claim?

The House and Senate took different approaches to the issue. The House plan calls for an experimental program for up to 500,000 seniors; the Senate plan has a cap of 100,000. The House proposal would permit catastrophic policies with deductibles as high as \$6,000; the Senate plan calls for deductibles between \$1,500 and \$2,250. Enrollment would likely begin Jan. 1, 1999, under the House bill; the Senate version would begin Jan. 1, 1998. Both would end new enrollment Dec. 31, 2002.

Under both plans, qualified seniors would select a plan from a brochure distributed by the Department of Health and Human Services (HHS). The policies would be administered by one of several private insurers. A company

could not reject a senior for any reason, including ill health. The senior would have to remain in the program for a year at a time before being allowed to switch into a Medicare managed care or traditional fee-for-service plan.

Both plans would require HHS to pay the premium for the senior's catastrophic health care policy. The money available for that payment would be similar to what the department pays for Medicare beneficiaries in health maintenance

"The private insurance industry has been itching for 30 years to get its hands on Medicare, but that is no reason for this Congress to scratch that itch."

— Sen. Edward M. Kennedy, D-Mass.



organizations. But the catastrophic premium presumably would be lower than traditional HMO payments, and the difference would be deposited into a savings account designated for a particular senior. Neither that sum nor the interest it earned would be considered taxable income. Money in that account could be used to help meet the insurance policy deductibles or other medical expenses. Once met, the catastrophic policy would cover a participant's medical expenses.

Money left over in a senior's account would be added to the following year's account. If a senior dies with a balance, that money would become part of the estate and could be distributed to heirs.

Under the Senate and House plans, seniors would be subject to balanced billing, in which they would have to pay the full amount charged by a provider, even if it exceeded Medicare's set reimbursement. The Senate plan would cap seniors' out-of-pocket expenses at \$3,000, so the insurer would be forced to deal with a health provider that wanted to charge a higher fee than Medicare permits. The House proposal, however, has no cap on seniors' out-of-pocket expenses. In both plans, Medicare medical savings accounts are to provide at least the same benefits as fee-for-service plans.

Concerns

The plan has left some lawmakers, consumer advocacy and senior groups uneasy. Several Democrats have urged Congress to first analyze the existing demonstration project for those under age 65 before applying the concept to Medicare. Critics also say that seniors who choose medical savings accounts and then face large medical bills would switch back to fee-for-service plans.

Marilyn Moon, a senior fellow at the Urban Institute, said a demonstration project might more accurately reflect how medical savings accounts would work with Medicare if it were tightly controlled in terms of geographic location and how many people could join. The House proposal would open the accounts to the first 500,000 who asked for them, regardless of where they live. She said 500,000 "is not a demonstration; it's opening the floodgates."

The White House has asked Republicans to limit the demonstration in size and location "in order to minimize potential damage and costs to the Medicare program." In a June 23 letter to Senate Majority Leader Trent Lott, R-Miss., Office of Management and Budget Director Franklin D. Raines urged a "geographically limited demonstration" for medical savings accounts.

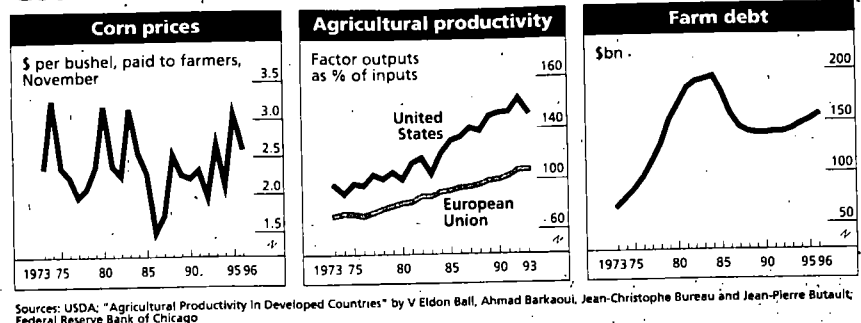
Rep. Sherrod Brown, D-Ohio, said medical savings accounts would "accelerate the race toward privatization of Medicare" and ultimately leave the "poorest and sickest individuals" in the program, with the healthier and wealthier seniors taking advantage of the tax breaks that savings accounts would permit. "The universal risk pool which has been the basis for the program since its inception 32 years ago would be undermined. . . . It's a loser, long-term, for Medicare," Brown said.

Gail Shearer of Consumers Union said the complexities surrounding medical savings accounts may confuse seniors. Shearer said she is concerned "about salespeople stressing the savings angle and giving short shrift to the high-deductible angle" of the policies.

Rep. Gene Green, D-Texas, says he does not understand why a program that backers say will ultimately save money has such a high upfront cost. The Congressional Budget Office estimates that the House plan would cost \$2 billion in lost tax revenue over five years.

"Only in Washington can we have cost containment and it costs us \$2 billion to do it," Green said. ■

Good times in the fields



which a harvest price is fixed at the beginning of the growing season. The Department of Agriculture has also introduced a pilot programme in Nebraska and Iowa for revenue insurance, which, unlike the old crop insurance, guarantees farmers against falling prices as well as lost crops.

But farmers tend to be uneasy about these things. According to a survey in the early 1990s, only 26% of commercial farmers used any sort of hedge against price risk. And even that figure overstates the reality, since farmers usually protect only part of their crop. At bottom, farmers are optimists. "Prices are always going higher," says Mr Hamaker in South Dakota.

Growers in the heartland distrust the markets in general and the Chicago Board of Trade in particular—often because they have seen a speculative venture go bad. "It's manipulated," says Mr Taylor in Iowa. "Cost me a college education." Mr Taylor "bought a crop" on the futures market in 1977 in the hope that prices would go up. They didn't, and he lost all the money he had set aside for going to college.

Farmers' distrust of the markets was exacerbated in 1996 by a new financial instrument that swept across the plains: the hedge-to-arrive contract. The "hedge", stripped to the basics, was simply a gamble on the direction of future corn prices. Thousands of farmers and grain-elevator operators bet that corn prices would fall sharply; instead, they rose steadily. Total losses are still being tallied (and litigated), but the figure is reckoned at around \$500m.

Some farmers seem to be looking for new opportunities to manage their risk. The pilot revenue-insurance policies have sold briskly, and the Chicago Board of Trade reports that attendance has doubled at its trade shows about marketing tools. Still, the vast majority of farmers have been slow to protect themselves in a world of increasingly volatile incomes. Indeed, they have begun to put more at risk. Land prices and debt have been creeping up in the 1990s. Farm debt grew 3.6% in 1996, the largest increase since the early 1980s.

Could the awful 1980s repeat themselves? It looks unlikely. Although a period of sustained low prices may test farmers'

(and politicians') enthusiasm for freedom to farm, in the long run the change of policy should make America's productive farmers even more so. It increases flexibility and rewards innovation. Sensible and far-sighted farmers should reap with joy what Congress has sown.

Spying

For pills, not projectiles

PHILADELPHIA

TWO men found themselves arrested by the FBI on June 14th. Their story illustrates how much spying in America has changed since the end of the cold war. They are charged not with buying military secrets, but with stealing information about an anti-cancer drug called Taxol from Bristol-Myers Squibb, an American pharmaceutical company. They are not career spies, but an executive and an academic. And they are not Russian, but Taiwanese.

In the course of a 22-month sting, FBI agents induced the pair to believe that a corrupt scientist at Bristol-Myers Squibb would provide the know-how needed to

An agricultural favourite

AUSTIN

THE job of commissioner of agriculture is an important one in Texas: a fief of cattle and sorghum from which people regularly rise to higher office. Now that Rick Perry is leaving the job to run for lieutenant-governor, the farmers of Texas had hoped that Nolan Ryan would succeed him, and that Mr Ryan would later have a realistic shot at the governor's mansion. But he has pulled out of the race for the agriculture job, and they are in mourning.

Mr Ryan is a rare bird: a celebrity whom farmers admire. To Texans, he is the greatest baseball pitcher of all time. He still lives in Alvin, the tiny ranching town south of Houston where he was brought up, and where his uncannily accurate newspaper-pitching on his pre-dawn paper route foretold a stellar baseball career. He signed for the New York Mets as a teenager and finished his 20-

year career back at home with the Houston Astros and the Texas Rangers. With the money from his first World Series win with the Mets, Mr Ryan bought the first of his three huge ranches.

He is nothing if not thorough. After serving for ten years on the board of a Texas bank "to learn the ropes", he bought two banks of his own. He is vice-chairman of the Texas Parks & Wildlife Commission. Kingmakers in the Texas Republican establishment have expressed their approval of him. He would not have lacked for campaign funds.

So why pull out? Mr Ryan is just too popular for his own good. Texans watching television of late know that their hero shaves with a Bic razor, takes Advil to alleviate his old pitching wounds, struts across his ranches in Wranglers, flies on Southwest Airlines, and, most famously, settles down after a hard day's work with a Dairy Queen Blizzard (an ice cream concoction which is to Texans what Guinness is to Irishmen). Mr Ryan was unable to persuade the Federal Communications Commission to overlook his advertising campaigns. They ruled that his opponents would have to be given equal television time.

Still, Mr Ryan left the door tantalisingly ajar. He thanked the Texas Farm Bureau, which had urged him to put his name forward for the 1998 race, and pointedly did not rule out future bids for political glory: assuming, of course, that he can divest himself of those meddlesome advertising contracts.



make Taxol in exchange for \$200,000 on the spot, a \$1,000-a-month retainer and a share of the profits on future international sales. According to the FBI, an agreement was reached, an admission of illegal action was made by the accused, and some information was transferred. At that point, the agents swooped.

The operation is just what Louis Freeh, the FBI director, seemed to have in mind when he pushed Congress in February 1996 to consider legislation designed specifically to fight this sort of spying. "The cold war", Mr Freeh argued, "has not resulted in a peace dividend regarding economic espionage." High technology and defence, he said, were the sectors most at risk, and the most dangerous or vulnerable individuals were foreign students who later become employees of American companies.

In fact, the argument for broad economic-espionage legislation is not obvious. Although defence secrets are clearly part of the national interest, the trade secrets of many national companies are of little concern to the average American. To call a threat to any trade secret of any American company "espionage" seems intended merely to put the tax dollars of individual Americans behind the interests of business.

Nor is it clear how big the problem is. The FBI does not tally the cost of it. However, the American Society for Industrial Security considers the losses to American companies from economic espionage during fiscal 1991-92 to have resulted mostly from leaks about pricing (\$1 billion), product development and specification data (\$597m) and manufacturing-process information (\$110m). The January 1995 issue of *Law and Policy in International Business* estimated the total loss to American companies at almost \$100 billion a year.

Whatever the true costs, Mr Freeh's pitch worked. On October 11th last year President Bill Clinton signed the Economic Espionage Act. It is now a federal crime to provide the "trade secrets" of an American business to any foreign entity. Companies or governments that violate the law may be fined up to \$10m; individuals may be fined up to \$500,000 or jailed for up to 15 years. The Taxol case, the new law's most eye-catching test yet, will be watched round the world as a measure of American resolve.

It is also likely to increase popular belief that the new espionage is mostly by Asians. This, of course, is a tender topic. In 1994, CBS aired a piece on spying by Chinese in the United States. The subsequent uproar in America's Chinese community compelled the network to issue a "clarification" soon afterwards; and it is doubtless also the reason why the FBI publishes no data attempting to track the incidence of the new espionage by nation or race.

Los Angeles

The sum of its parts?

LOS ANGELES

IN A rare act of civic piety, Los Angeles flew its flags at half-mast this week in honour of Dorothy "Buffy" Chandler, who died on July 6th. The city's mayor, Richard Riordan, interrupted his holiday to say that "her imprint will be part of Los Angeles for many centuries to come." The governor of California, Pete Wilson, solemnly hailed her as "the heart and soul of southern California's cultural life."

Mrs Chandler's genius lay in her ability to bring rival groups of top people together. LA has long been peculiar among American cities because its various ruling cliques had so little to do with each other. The Wasps ruled the centre of town (which was then magnificent) and Pasadena. The Westside of the city; stretching from Hollywood to Beverly Hills to the coast, was dominated by Jews, many of them in the film business. Property developers, aerospace corporatists, oil magnates and savings-and-loans sharks all had their own empires. These groups were separated not only by physical distance—the greater Los Angeles area encompasses 33,210 square miles—but also by social and religious snobbery. Blackballed by the Wasp oligarchy, the Jews set up a rival establishment, with their own country clubs and political networks.

The result was a "headless city" that found it hard to build the civic institutions—art galleries, concert halls and the like—that most other cities take for granted. Mrs Chandler, who married into the oligarchy that controlled the *Los Angeles Times*

and lots of downtown, made it her task to change all this by building a concert hall complex in the heart of the city that bore comparison with anything on the east coast.

She broke with establishment convention by hob-nobbing with film stars such as Bob Hope and Charlton Heston. She exploited the rivalries between two upstart savings-and-loans tycoons, Mark Taper and Howard Ahmanson, to extract ever bigger donations. Above all, she tapped Jewish institutions such as the Hillcrest Country Club. "Before the Music Centre, Jews were not part of the social life of this community," said the late Paul Ziffren, a lawyer. Mrs Chandler's success in opening the Music Centre in 1964 changed all that.

Yet, for all her skill, LA remains a headless city. It has one of the poorest records in the country for corporate philanthropy, and what charitable giving there is tends to be narrowly focused. The entertainment industry has a stable of hobby horses such as its country home for retired actors and various AIDS charities. The garment industry favours the City of Hope Medical Centre.

Fund-raising for Frank Gehry's new Disney Concert Hall, also in the centre of town, has not gone anywhere near as smoothly as fund-raising for the Music Centre. A decade after Walt Disney's widow Lillian donated \$50m for a new home for the LA Philharmonic, little has been built except an underground car park. A \$60m infusion of gifts in the past six months has saved the project from collapse. (Almost all the new money, be it noted, came from downtown business interests rather than corporate Hollywood.) But it will be years before Angelenos will be able to meditate on the generosity of the Disney family while listening to Mozart and Brahms.

The biggest reason for LA's continuing



There's a city in there somewhere

policy is this: You won't be forgiven your own civil tax liabilities in return for fingering someone else.

"A lot of informants are quite dirty themselves," says Robert S. Fink, a New York criminal tax defense lawyer.

Snitching can be especially dangerous in divorce cases. Consider the classic revenge informant, the divorced spouse who fingers her ex-husband for tax evasion that occurred when the couple filed joint returns. If she knew—or should have known—he was fudging, the IRS will deny her "innocent spouse" status and hold her jointly liable for the back taxes. "If you know enough to turn the person in, then you probably know too much to be an innocent spouse," says Baltimore criminal tax attorney Paula Marie Junghans.

Junghans warns revenge-seekers to be careful about harming themselves. An ex-husband who's in deep to the IRS can't write alimony and child-support checks. A lawyer, convicted of tax fraud after his ex-wife fingered him, lost his law license, leading a judge to reduce his monthly child support and alimony from \$4,000 to \$320.

For its part, the IRS must be suspicious of tips passed on to it. Consider the Jones case.

At 7 a.m. on Feb. 1, 1990, 35 IRS

criminal agents, armed with a search warrant, descended on Terry L. Jones' oil distribution company in Lincoln, Nebr. Shortly after 9 a.m. a TV crew arrived. The evening news showed agents loading boxes of Jones' records onto a truck. Next day, Jones' suppliers started canceling his lines of credit.



Sherry Kadin (left) and her murderer, Marvin Freeman
The IRS was sued for not protecting its informant.

Jones was never charged criminally. In fact, he ended up getting a tax refund. But the publicity ended his plans for an early retirement. "I worked for 40 years and accumulated a healthy net worth (of about \$5 million)," fumes Jones, 64. "The IRS destroyed it in 12 hours."

As it turns out, the same vengeful informant who falsely fingered Jones

apparently also alerted the television crew—after an IRS agent improperly tipped him off that the raid was planned. In short, the IRS was had.

In February, U.S. District Judge Richard Kopf ruled that Jones' oil company was entitled to damages for violation of taxpayer privacy laws. Another trial will determine how much Jones and his wife, Patricia, will collect.

On the other hand, vengeful ex-employees sometimes do reveal useful information to the IRS. Last year Robert Perlman, owner of BrandsMart USA, a Miami discount electronics and appliance store chain, agreed to pay \$6.7 million in fines, back taxes, interest and penalties. He was sentenced to ten months in jail for tax fraud.

Perlman was fingered by former BrandsMart controller Eduardo J. Perez, who brought photocopies of company records to the IRS. Perez says he was only doing his duty, but was it just an accident that he brought the records to the IRS soon after Perlman sued him for nonpayment of a \$10,000 loan?

Perez got a reward and revenge, but were they worth the price? Before Perlman pleaded guilty, Perez was put through two grueling cross-examinations, and had to admit from the stand that he had submitted phony pay stubs to get a home loan.

THE LAW

The golden leaf

Guess who planned the strategy in the tobacco lawsuits? The same characters who made killings in asbestos and breast implants.

By Christopher Palmeri
and James Samuelson

YOU'VE READ A LOT in the media about the noble souls who fight the tobacco industry to protect our health. Now meet the less praiseworthy gentlemen who are the real force behind the anti-tobacco lawsuits.

In the asbestos litigation less than 40% of the settlements found their way to the alleged victims, with the other 60% going to lawyers as fees and reimbursement for their expenses.

Now the tobacco companies are talking about paying \$300 billion. It's impossible to calculate at this stage what percent the lawyers will get, but it's clear we're talking not about hundreds of millions of dollars, but billions. Lester Brickman, a class-action expert and professor at Yeshiva University's Cardozo School of Law in New York City, confidently predicts "the largest

lawyers' fees in the history of the world."

It's not just plaintiffs' lawyers who profit. Plaintiffs attorney Russ Herman claims that the lawyers defending the tobacco companies are already pocketing \$600 million a year.

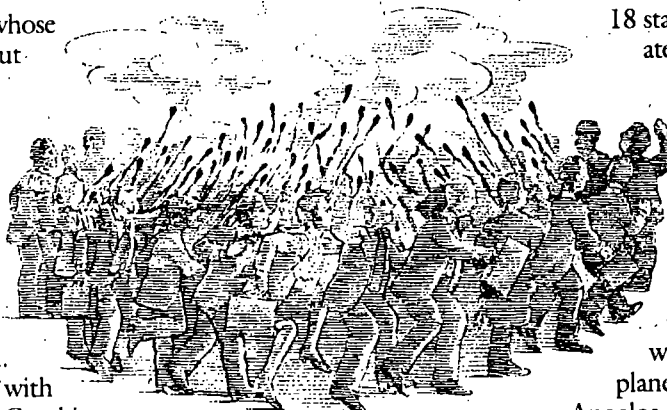
The current wave of lawsuits and settlement talks did not just happen.

The settlement talks followed a set of suits by state attorneys general suing on behalf of state Medicaid funds. This strategy was concocted by Mississippi Attorney General Michael Moore and his former law school classmate and wealthy plaintiffs attorney Richard Scruggs.

Moore has received around \$60,000 in campaign contributions over the last decade from Scruggs and attorneys close to him.

Scruggs, an asbestos lawyer whose seven-member firm operates out of a strip mall in Pascagoula, Miss., hopped around the country in his Learjet, persuading 37 other attorneys general to join Mississippi in suing the tobacco industry. These states have, in turn, contracted with about 50 other plaintiffs' lawyers' firms to organize the litigation.

A second set of suits began with Louisiana trial lawyer Wendell Gauthier. He financed the first class action suit, the so-called Castano case, in 1994 by collecting \$100,000 from each of 60 plaintiffs attorneys' firms



around the country. Thus capitalized to the tune of \$6 million, Gauthier's group has since initiated class actions in

18 states. Their fees will be negotiated separately with the tobacco companies after a settlement.

Many of the legal entrepreneurs behind the tobacco cases have topped FORBES' lists of highest-paid attorneys. There's Stanley Chesley, 61, the self-styled Master of Disaster (FORBES, Feb. 22, 1988), who built his practice around plane crashes and hotel fires. Peter Angelos made so much from asbestos cases, he led a group that bought the Baltimore Orioles baseball team for \$173 million (FORBES, Nov. 6, 1995).

Don't forget Harold Nix (FORBES, Oct. 21, 1996), the lawyer who for ten years has been suing every company that ever did business with an oilfield pipe plant in Morris County, Tex., alleging that these villains helped create a "chemical AIDS" that infected everyone involved.

These champions of the common good had some legal scrapes of their own. Richard Scruggs is defending himself against two former partners who claim he cheated them. He denied the charges. Wendell Gauthier remains entwined in the controversy surrounding the awarding of casino licenses in Louisiana (FORBES, Oct. 21, 1996).

John Coale, a lead negotiator for the class-action attorneys, and his wife, CNN legal commentator Greta Van Susteren, narrowly beat charges of soliciting clients in West Virginia last year.

Breast implant king John O'Quinn (FORBES, July 3, 1995) stands accused of paying third parties to solicit clients for him after a 1992 USAir crash. In January he was sentenced to four days in jail for drunk driving.

Meanwhile, the tobacco litigators have powerful friends in Washington. Hillary Clinton's younger brother, Hugh Rodham, is a lead plaintiffs attorney/negotiator in the talks.

You have to hand it to these guys. If there's a misfortune, they'll figure out how to make a killing from it. In early June a 61-year-old Seattle man sued the Safeway supermarket chain and the Washington Dairy Products Commission, claiming that his milk addiction gave him clogged arteries and a stroke.

He cited the tobacco litigation as his inspiration.

Mining the torts

AND YOU THOUGHT CHIEF EXECUTIVES WERE MAKING OUT. Some of the prominent lawyers who stand to share in the huge fees generated by a tobacco settlement (*see story*) have already pocketed big money by organizing, financing and litigating asbestos, breast implant and other personal injury cases. Each of the eight lawyers below has a stake in the tobacco litigation; all appeared in FORBES' last survey of the country's highest-paid attorneys (Nov. 6, 1995). The income figures following the lawyers' names are estimated pretax income for one year, 1994. We don't yet have figures for the years 1995 and 1996, but we doubt that the numbers are getting smaller.

Walter Umphrey, 61, Beaumont, Tex., \$19 million. Now leads the Texas charge against the tobacco companies. With four other firms Umphrey's company stands to collect 15% of what Texas recovers.

John O'Quinn, 55, Houston, Tex., \$40 million. The king of the breast implant torts, O'Quinn is also participating in Texas' suit against the tobacco industry.

Wayne Reaud, 49, Beaumont, Tex., \$26 million. Cleaned up in asbestos and, like O'Quinn, is a Texas delegation member.

Ronald Motley, 53, Charleston, S.C., \$11 million. Has a piece of the tobacco action in more than a dozen states. Motley is representing the state of West Virginia pro bono, but he is working on contingencies that are as high as 25% in states like Florida.

Peter Angelos, 68, Baltimore, Md., \$9 million. Represents the state of Maryland in its suit against the tobacco industry for a 25% contingency.

Stanley Chesley, 61, Cincinnati, Ohio., \$6 million. On the class-action side of the tobacco litigation (*see story*). Fees yet to be determined.

Stephen Susman, 56, Houston, Tex., \$4 million. Now he's a defense lawyer; representing tobacco in the Texas suit.

Laurence Tribe, 56, Cambridge, Mass., \$2 million. Media-savvy Harvard Law professor, he is representing Florida, Massachusetts and Mississippi pro bono, but stands to collect juicy consulting fees from the Texas lawyers.

By Chris

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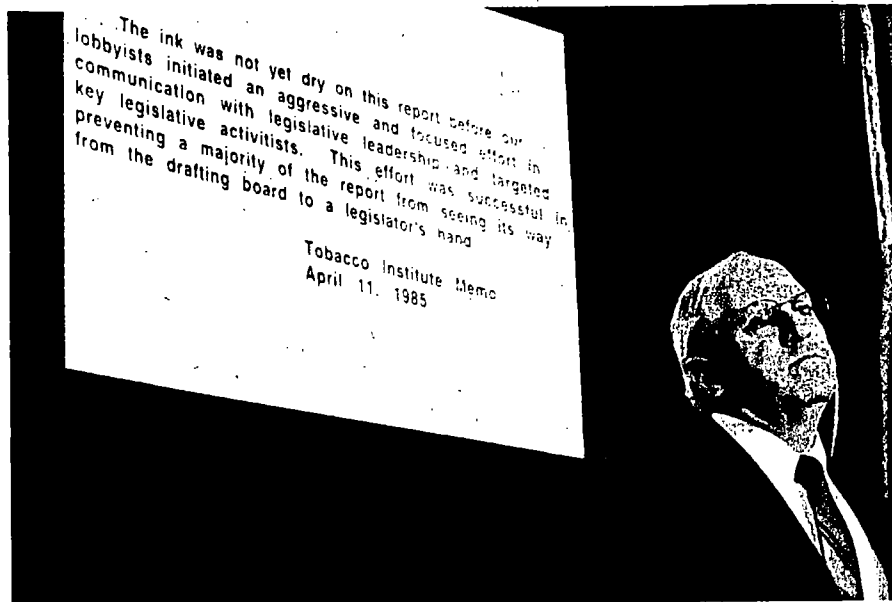
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HUMPHREY: "This deal allows the lies and cover-ups to live on"

dustries continue shielding incriminating papers behind attorney-client privilege. Last month, for example, Waxman revealed that Liggett Group Inc. had used attorney-client privilege to keep confidential a memorandum in which attorneys told the company not to market a safer cigarette because "it may incite accelerated tobacco litigation."

"WOEFULLY DEFICIENT." Tobacco's antagonists have no way of knowing exactly what information the industry may have hidden. But Stanton A. Glantz, a professor at the University of California at San Francisco and a longtime tobacco critic, believes that companies may have used privilege to avoid releasing market research, information on plans to recruit teenagers, studies of the dangers of tobacco, and memos on political strategy. He says such revelations would be highly valuable to Congress—especially as members consider how the industry should be punished and weigh how nicotine should be regulated.

The tobacco papers can be unsealed under the proposed settlement—but in each case a panel of three federal judges must rule on whether the privilege protection should be waived. Morrison calls that "woefully deficient." Jacksonville (Fla.) plaintiffs' attorney Norwood S. Wilner, who has more than 100 private personal-injury claims against the industry, says companies could stall the panel by insisting on line-by-line review of mountains of paperwork. "It will take years to get stuff resolved," says Wilner. "I don't have the resources to deal with [that]."

Wilner, Waxman, and Morrison all want the companies to abandon any claim to attorney-client privilege, as Liggett did in its March settlement. But one tobacco lawyer says this demand is unfair and has never been imposed on an industry before—"nothing close."

Matt Myers, executive vice-president of the Campaign for Tobacco-Free Kids and a negotiator of the pact, argues that the agreement furthers disclosure. "This system moves the ball in terms of document disclosure way ahead of where we would be if we just continued to pursue the litigation," he says. But that may not be enough.

By Mike France in New York, with Gail DeGeorge in Miami and John Carey in Washington

LEGAL AFFAIRS

SO MUCH FOR SMOKING OUT BIG TOBACCO'S SECRETS

The deal may let companies keep documents under wraps

When Mississippi Attorney General Mike Moore announced the proposed \$368 billion tobacco settlement on June 20, he claimed that it would force the industry to turn over a treasure trove of previously secret internal documents. "We wanted to make sure that every single person, not only in America but this entire world, knows the truth about what the tobacco industry has done.... And we are satisfied that we have done that," Moore exulted.

Critics of the deal now charge that Moore's declaration is an empty boast. In fact, they say, the pact may actually prevent the disclosure of documents that would have come to light through litigation. When the settlement was announced, tobacco foes immediately pounced on how the pact limits nicotine regulation and treats company liability. But Minnesota Attorney General Hubert H. Humphrey III has said that document disclosure is an issue of equal importance: "This fight was supposed to be about lies and cover-ups, but this deal allows the and cover-ups to live on."

The fight over disclosure

threatens to create another major hurdle for the proposed settlement. Alan Morrison, the attorney analyzing the deal for the review committee chaired by former Food & Drug Administration Chief David A. Kessler and former Surgeon General C. Everett Koop, says that as the deal stands, "the most significant documents will still be withheld... for many years, and possibly forever." And Representative Henry A. Waxman (D-Calif.) on June 12 introduced a bill that would require the companies to surrender far more paperwork than is required under the pact.

The main criticism of the deal's disclosure provisions is that they let the in-

Losing the Paper Trail

INCOMPLETE DISCLOSURE The deal does not force the companies to turn over hundreds of thousands of documents covered by attorney-client privilege.

RED TAPE Tobacco opponents can appeal industry claims of attorney-client privilege, but that requires approval by a special three-judge panel.

LAWSUIT LIMITS Because the settlement imposes barriers on future suits, critics worry that lawyers won't try to obtain attorney-client documents.

DATA: PUBLIC CITIZEN LITIGATION GROUP



Robocop

You're on camera! Knowing that, how many killers, thieves and kidnappers would carry on? Technology may do more than tough judges or cops to cut crime.

By Srikumar S. Rao

1:03 P.M.: SERGEANT Gregory Lewis of the College Station, Tex. police department receives the call in his car while cruising on Highway 6. Carjacking and kidnapping at the Post Oak Mall.

1:08 p.m.: Screeching to a halt in front of a department store, Sergeant Lewis separates a distraught woman from the gathering crowd. She had strapped her 5-year-old into the back seat and was entering the driver's seat of her Camry when two men came alongside. One yanked her out and hurled her to the ground. Both got into the car and sped away with her child screaming in the rear.

There are eyewitnesses, and Sergeant Lewis takes quick descriptions of the carjackers. The mother has a wallet-size photo of her daughter, and he scans it into his handheld PC. The image is instantly digitized and enlarged. Software enables him to come up with composite drawings of the criminals based on the eyewitness descriptions. The pictures are transmitted to dozens of patrol cars.

1:29 p.m.: State Trooper Clay Taylor pulls into a truck stop in Hearne, 20 miles away. He ambles through the restaurant, mentally comparing faces with the pictures spewed out by his onboard printer. A burly, overwrought man who is sweating profusely looks like a close match. Taylor shoots the man with an inconspicuous video camera. Wireless

links transmit the images to the computer in his patrol car and then to headquarters.

1:31 p.m.: "That's him!" screams the woman, looking at the likeness of the burly man on a television screen at the police station. A computer takes dozens of facial measurements—such as the distance between his eyes—and compares them with a federal database of known felons. Three minutes later it has a match. The burly man is wanted in Montana for armed robbery and manslaughter.

1:37 p.m.: The burly man emerges from the restaurant and gets behind the wheel of a Mercury Sable. Beside him is an accomplice. There is a figure in the rear. The face of a small girl appears above the back seat, and the accomplice forces her down. Taylor rushes to his car and punches in the license number of the Sable. A database reveals that it was reported stolen ten minutes ago.

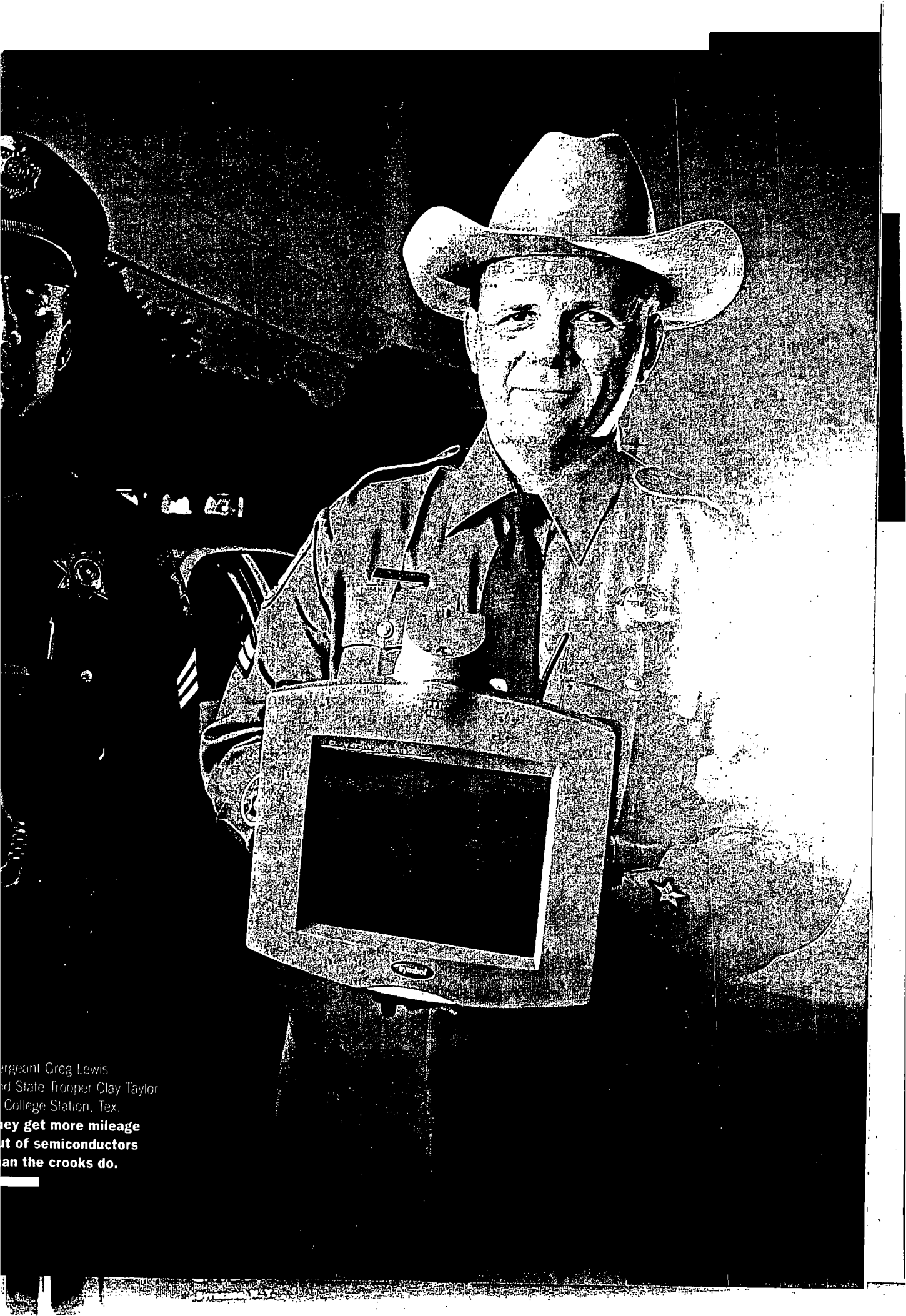
As the Sable pulls out of the truck stop, Taylor pursues it at a distance. He's not going to pounce until he has some backup. He uses radar to track the car and a satellite positioning system to transmit his location to a police dispatch system. The dispatch officer plots an interception.

1:46 p.m.: The Sable runs over a thin hose rolled across the highway, triggering a powerful electromagnetic pulse that disables its ignition and engine-control electronics. It coasts to a halt 200 feet away. From behind a clump of trees close to where they knew the car would stop, police officers bombard the Sable with a pul-



JAMES MAGDOON

Srikumar S. Rao is chairman of the marketing department at the C.W. Post campus of New York's Long Island University.



Sergeant Greg Lewis
and State Trooper Clay Taylor
College Station, Tex.
**They get more mileage
out of semiconductors
than the crooks do.**

sating green laser that nauseates and disorients the carjackers. The child is taken to a hospital, frightened but unharmed.

Elapsed time between kidnapping and capture: 48 minutes.

Postscript: The burly man's companion is wearing a gold bracelet. A photograph of the bracelet is computer-matched with a database of stolen objects. It was reported taken

from a pawnshop in New Mexico during a robbery in which the owner was shot and killed. Another case solved.

The scenario is imaginary. The equipment, however, is not. Lewis and Taylor, both real police officers, patrol College Station in police cars that already have most of the features described above.

Computer technology is not just

transforming the way we do business. It is permeating every aspect of our lives. Safer streets are one probable dividend.

Analyzing police procedures is no different from analyzing the manufacture of widgets. It is both cost-effective and efficient to repair the widget assembly line immediately after it starts producing defective widgets. It is equally cost-effective and

What if the bad guys get technology?

FACIAL MEASUREMENTS can identify you as accurately as fingerprints. They also do it covertly. Several companies are working on systems that can scan a crowd, compare faces against a database of millions of faces, and signal any matches. The Secret Service would have a legitimate application for the technology: scanning the throng around a presidential motorcade to pick out people who have made threats against the President or who are mentally unstable. Some other potential users might give you pause.

What if officials in China or Myanmar used the technology to track or harass their political opponents? A network of cameras, fitted with image intensifiers and night-vision capabilities, could monitor a city 24 hours a day.

Ominous uses of technology surface daily. Mexican

drug lords are reported to use sophisticated laser microphones, which reconstruct conversations inside a room from minute vibrations of windowpanes, to keep tabs on drug investigations. Several police officers, including Tijuana police chief Ernesto Ibarra Santes, have been slain recently, presumably because they were getting too close to powerful criminals. Colombian drug cartels are said to computer-analyze phone records of entire cities to determine who calls American agents, narcotics police or suspected informers. When leaks are narrowed down to a handful of suspects, they simply eliminate all of them.

Skip Moschetti, who runs Defense Intelligence Resources, a technological surveillance countermeasures company in La Jolla, Calif., reports on underground activity around the world. He detects microphones smaller than a fingernail that can hold up to eight hours of conversation. When full they transmit the information in a burst that lasts two seconds. "If you blink, you miss the burst on your equipment," says Moschetti.

Industrial espionage is on the rise. Moschetti claims that one of his clients, the chief executive of a FORBES 500 company that was in a messy takeover, had reason to believe confidential information was leaking out. A sweep of his office and boardroom showed them to be clean. Moschetti followed him for days and noted that he always used the same table at an expensive Manhattan restaurant and frequently worked there for hours. However, his equipment revealed no microphones. Still suspicious, Moschetti examined the ceiling above his client's table and found a video camera no bigger than a pillbox that could take close-up pictures of all documents on the table and transmit them over a concealed telephone line. In this particular case, Moschetti says, he persuaded his client to feed disinformation to the snooping device. The client got a pretty good idea of who planted the device when action was taken on the basis of the spurious data, and ultimately prevailed in his takeover battle.

Bad guys use color scanning and printing equipment (for document forgery), remote-controlled triggers (for bombs), sniffing software (to steal passwords) and cellular telephone scanners (for stealing phone service).

But smart bad guys are in the minority. Most hoodlums are not well equipped and are in fact dumb enough to do something like using an ATM card taken from a murder victim.

—S.S.R.



Bug sniffer Moschetti

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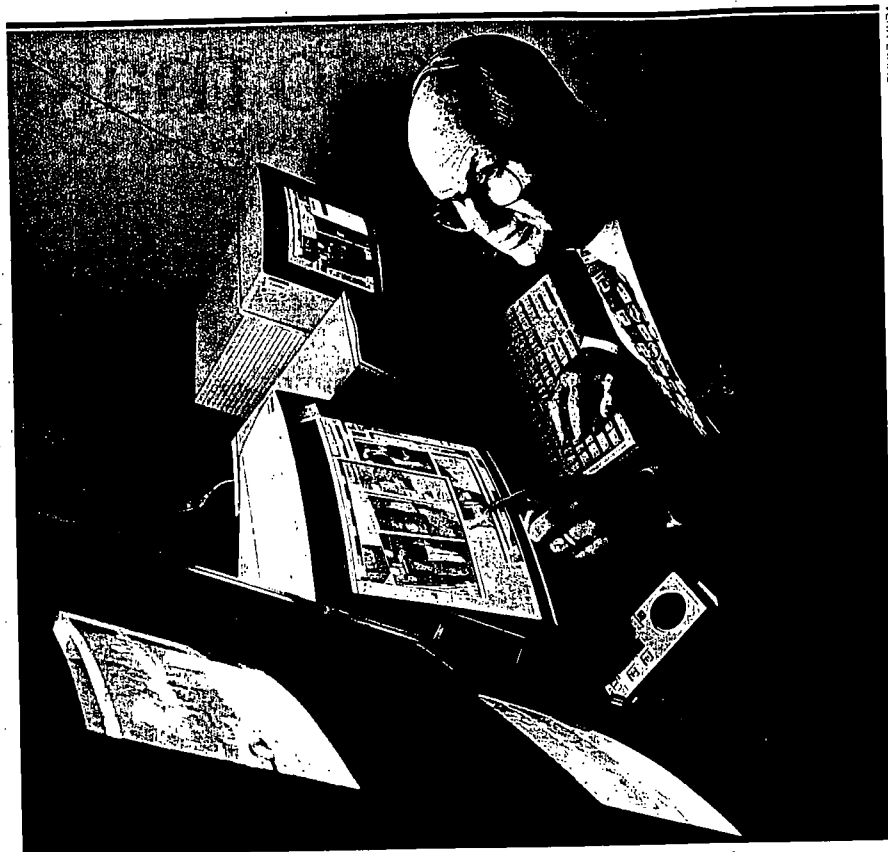
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VERN EAMS

equipment that Wyatt Earp did," says David Boyd, director of the Office of Science and Technology for the National Institute of Justice. "Television series that show police using exotic gadgets do not reflect reality."

David Boyd's office, formed in 1992, is trying to bring law enforcement into the next century. It is piggybacking on research done by the Department of Defense and other federal agencies. It has also set up a network of law enforcement research centers tucked within federally funded research institutions like the Aerospace Corp. in El Segundo, Calif. and Rome Laboratory, in Rome, N.Y.

While the episode described above was imaginary, there have been less dramatic real-life successes with computer-aided crime detection. Two years ago an 8-year-old we'll call Yolanda was playing in an alley outside her home in Whittier, Calif. when a man grabbed her, covered her mouth, put her in his car and sped away.

Twelve hours later a sexually molested Yolanda was released within a block of where she was picked up.

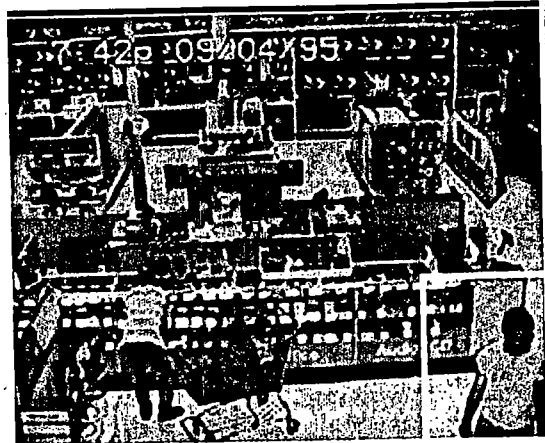
"She is an amazing kid," says Sergeant Edward Childs of the Whittier police department. "She remembered street signs, highways and other details of where she had been taken." Yolanda helped Childs locate a Target store where the molester had bought her a stuffed bear to quiet her. The security cameras in the store had picked up the man and the girl as they visited several departments. Alas. "They were grainy, poor-quality images," recalls Childs. "We just couldn't get a recognizable mug shot that we could distribute."

The police went to researchers at Aerospace Corp. for help. "We digitized the images, analyzed them on a computer, manipulated the contrast and brightness," says Robert Pentz, director of the Law Enforcement

Lawman Robert Pentz; images enhanced from grainy surveillance photos

The little girl remembered enough to nail the kidnapper.

THE WHITTIER CALIFORNIA POLICE DEPT.



efficient to strike out at bad guys while the trail is still warm.

Unfortunately we are not there yet. Says William Baker, a manager at the Federal Highway Administration who is helping to design this law enforcement system of the future: "We don't have the networks or the databases or the search software in place. But the technology is available, and we are working to bring it all together."

Time to get moving on it. There are waits while suspects are identified, offenders tracked, results of forensic

tests obtained and warrants issued. Coordination between different agencies, each of which has some knowledge about a crime or criminal, takes too long. Some of this is caused by bureaucracy. More is caused by a lack of technology that most businesses take for granted.

"He might come to you in a car and use a radio, but the typical law officer today basically carries the same



Center at Aerospace. "We came up with a usable photograph within 48 hours." It was released to the media. Allen Eugene Nedrow, on parole for child molestation, was recognized by his parole officer and picked up the same day. He was sent back to prison on a 42-year sentence.

Something as mundane as a relational database can pay dividends for police. The Oxnard, Calif. police department created a database of gang members, with names, addresses, phone numbers, photos of tattoos, nicknames, names of associates, cars, criminal records of family members, distinguishing scars, drug habits and, in some cases, details of every encounter with the law and school records.

"In one instance one of our gang members was involved in a homicide in Santa Barbara," explains Cheryl Garcia, gang offender case manager. "[This system] helped us identify and locate him in a hurry. In another, a gang member denied in court that he was one. We were able to fish out photographs of him in gang regalia to refute this."

There was, until recently, an excuse for crummy electronics in law enforcement: lack of money. That's no excuse anymore. Moore's law has made everything with a transistor in it

Sensor mounted on a plane; narcotics agents manufacturing methamphetamine, in a test

Big Brother is sniffing.



Crime control: vendors to watch

Company	Headquarters	Products	Web (www.)
Nanogen	San Diego, Calif.	Genetic sample processing; DNA microchip	nanogen.com
Foster-Miller	Waltham, Mass.	Less than lethal net projectile	foster-miller.com
Miros	Wellesley, Mass.	Facial recognition systems	miros.com
Jaycor*	San Diego, Calif.	Automobile arrestor; acoustic weapon detector	jaycor.com

*Initial public offering pending.

ever cheaper.

Imagine how just two electronic technologies—wireless communications and video cameras—could make a serious dent in street crime in a big city. Suppose, for example, that every subway car were outfitted with 10 video cameras and 20 panic buttons. When a button is pressed, the cameras transmit pictures to a police dispatching station. If something doesn't look right, police meet the train at the next station.

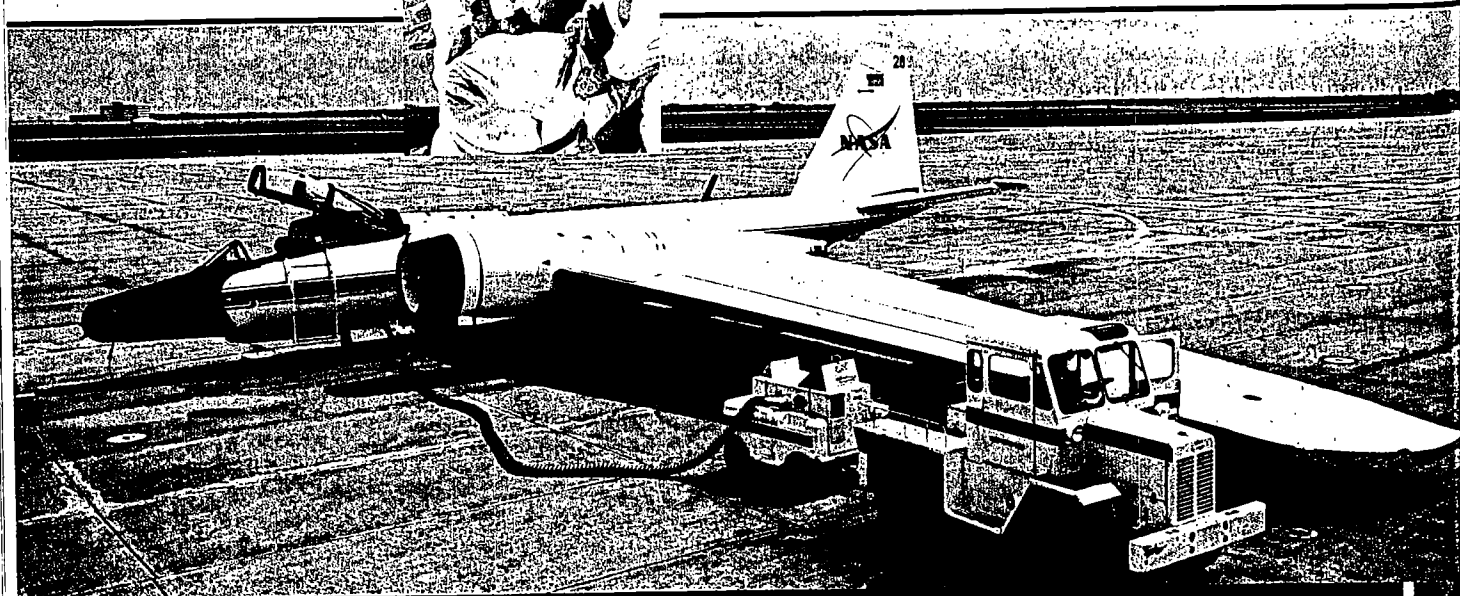
Or imagine this. Cab drivers buy cameras and display screens for the backs of their cabs. A neural network detects threatening moves—such as pulling out a knife or a gun—and switches on the camera, which beams images to a police station. Instantly the passenger is in a videoconference with

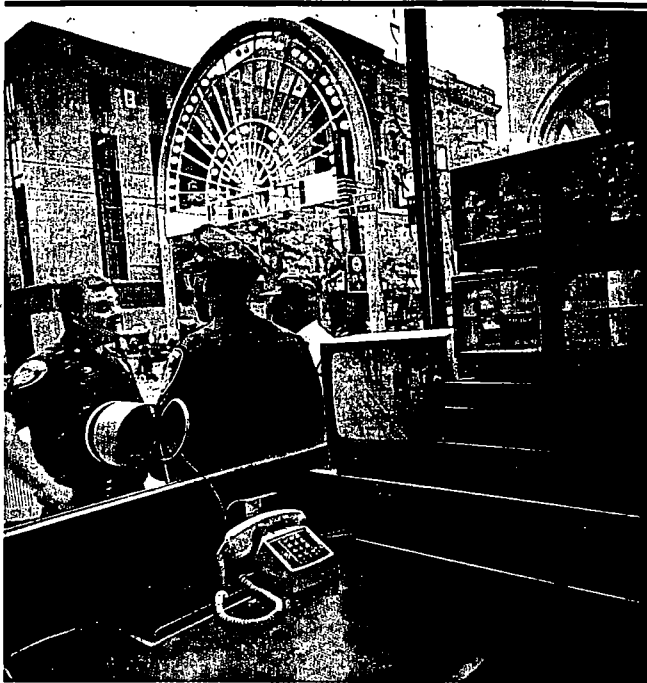
the police sergeant. With the camera on him and the cop watching, does the crook still want to do a holdup? Possibly, but less likely.

Here's another idea. In a section of town where felony rates are high, you equip every resident with a cellular wrist alarm. These cheap transmitters would work off existing cellular phone networks. If any mugging victim or bystander presses the two buttons on his alarm within a two-second interval, his position and identity are transmitted to a police computer, which dispatches the nearest patrol car. If a lot of people had these things, there would be fewer happy muggers on the streets.

Exotic electronic devices like these are suddenly affordable. You can get a decent video camera for \$400. A cellular alarm would be like a beeper working in reverse and no more expensive. U.S. taxpayers, who already spend \$28 billion a year on police salaries, might be willing to spend a few billion more on electronics. Perhaps, if they were sufficiently fed up with street crime, they could even find a way to overcome the

PHOTOGRAPHS BY GARY HARPER / AEROSPACE CORP.





Electronic surveillance in downtown Baltimore

The eyes may be as good as street lamps.

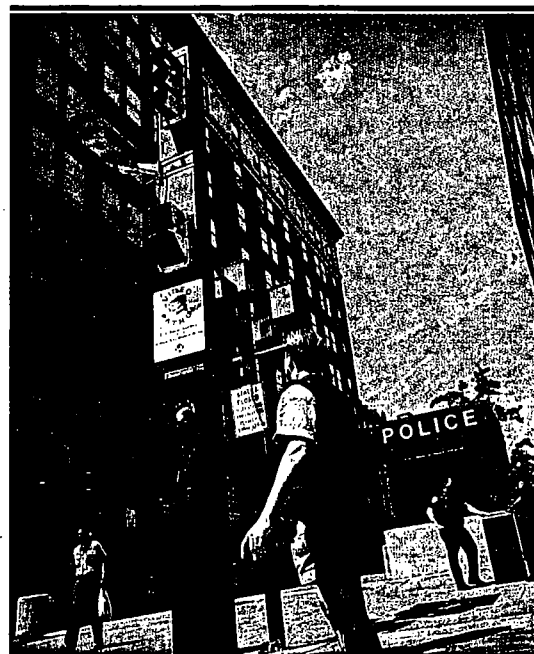
inevitable court challenges to anything that helps the police.

Shimmering on the horizon are entirely new methods of detecting crimes, identifying criminals, protecting police officers and incapacitating violent offenders.

■ Aerospace Corp. has developed methods of identifying molecular effluents, using remote infrared spectral monitoring and related technologies. A modification of the means used by the military to detect chemical warfare deployment and the like, these methods let police officers detect chemical plumes released during cocaine processing or methamphetamine production.

■ Downtown Partnership, a public/private not-for-profit group, together with the Baltimore police department and the Mass Transit Administration, launched a video patrol operation covering 16 blocks in a heavily trafficked area in downtown Baltimore. Sixteen conspicuously mounted cameras survey public areas, with images beamed to a police monitoring site. Property crime has recently declined by 50% in the area.

■ Military technology developed to detect snipers has been modified for civilian law-enforcement use. Sensitive microphones are mounted on utility poles and in public locations of



PHOTOGRAPHS BY MANUELO PAGANELLI

a city where shots in the night—or even in the daytime—are commonplace. The sound of a shot reaches different microphones at different times, and the system can pinpoint its location by complex calculations.

A two-month test of such a system, which placed approximately 80 microphones in a square mile in Dallas, found that, in at least one instance, faster police response enabled law enforcement officials to

identify witnesses who might otherwise have disappeared.

■ Scientists have produced a prototype computer chip that can greatly accelerate DNA testing. Goal: Match DNA from a crime scene with DNA from a suspect within minutes—instead of days.

■ The National Institute of Justice is working with the Department of Defense and private firms to develop technology—to be used in hostage situations and drug raids—that will permit police officers to see through walls. Penetrating radar, ultrasonic acoustic imaging and infrared thermal imaging are some methods being investigated. Some prototype devices can provide pictures of what is on the other side of several feet of concrete.

Variations of these technologies, and others such as X rays and electromagnetic wave detection, have led

to sophisticated methods of detecting concealed guns and knives from as far away as 30 feet. Assuming the courts go along with such scanners, it would be hard for a hoodlum to walk undetected down the street carrying a weapon.

Can financially strapped police departments afford all these gadgets? Where they can't, what's to stop public-spirited citizens and businesses from putting up private funds? What hurts crime helps business.

Will criminals make use of technology as quickly as the good guys do? Good question. The best answer is that the really smart rotten people after big stakes will use the gadgets.

But most criminals are neither smart nor affluent. When it comes to firearms, a low-IQ criminal is about as well-equipped as police departments and many store owners. But the technology arms race begins to be very lopsided beyond that point. Street hoodlums do not tap into databases or use electronic countermeasures.

Computer technology, in short, should be able to more than tip the balance toward the law-abiding. ■

THE FUND THAT MAKES FIDELITY MAGELLAN LOOK LIKE CHUMP CHANGE What Would You Do With \$89 Billion?

NOT MUCH QUALIFIES AS TRULY AWE inspiring in the world of mutual funds except maybe this: Fidelity Magellan's asset total of \$56 billion. That's bigger than the entire mutual fund industry of 20 years ago. It's enough dollar bills to wrap the equator 213 times. It also may be too big to maneuver with agility, as Magellan's managers have discovered in recent years.

But despite what you may have read, Magellan is not the biggest investment fund out there. That distinction goes to the \$89 billion CREF Stock Account, a retirement annuity for employees of colleges and other nonprofits that is the single largest pool of managed assets in the world.

The fund's sponsor, TIAA-CREF (Teacher's Insurance and Annuity Association-College Retirement Equities Fund), was founded in 1918 to provide a financial security blanket for underpaid college professors. It launched the CREF Stock Account in 1952 as a variable annuity—an insurance contract with a payout tied to investment performance. By the late 1970s the stock account's managers were already wrestling with a

critical question other megafunds are only now facing up to: How do you effectively manage billions upon billions of dollars in a single account?

At Magellan former manager Jeff Vi-

nik tried to compensate for asset bloat by making huge sector bets—40% in technology, 20% in bonds—but the returns proved too volatile. Lately Vinik's successor, Bob Stansky, has gone the other way, achieving returns that closely parallel (but don't quite match) the S&P 500 with a style his critics have labeled "closet indexing."

CREF Stock Account, meanwhile, has adhered since 1979 to what current fund manager Douglas Dial calls a "split-personality approach." About 70% of the fund's assets are indexed—\$60 billion to the Russell 3000, which takes in most of the U.S. stock market, and \$3 billion to the Morgan Stanley Europe, Australasia, Far East index, which extends the fund's reach abroad. Whatever's left is Dial's to deploy as he sees fit.

In aspect and demeanor, Dial, 61, comes across more like your uncle the banker than your nephew the hotshot fund manager (he was at the Equitable for ten years before joining TIAA-CREF in 1987). He has been given plenty of rope—"The main restriction is just common sense," he says—but

mainly keeps it coiled. Right now he has a slight bias toward conglomerates (AlliedSignal, Philips), energy services (Diamond Offshore Drilling), and a handful of tech names (IBM, Xerox), but otherwise seems content—as long as the broader markets are soaring—to go with the flow in what has been a cruel environment for active managers. His goal is not to be the top-performing fund anyway. It is to deliver what he calls a "pure market return."

That's easier said than done. During the three-year period ended May 31, the CREF Stock Account's 20.71% annual gain trailed both the S&P 500 (25.92%) and TIAA-CREF's own blended benchmark index of foreign and domestic stocks (23.61%)—a circumstance Dial blames on his decision several years ago to tilt the fund slightly toward foreign markets. Dial can take solace, however: He still beat Magellan's 19.34%. —David Whitford

FUND

CREF Stock Account

ASSETS 5/31/97

\$89 billion

Fidelity Magellan

\$56

Vanguard Index 500

\$39

Investment Co. of America

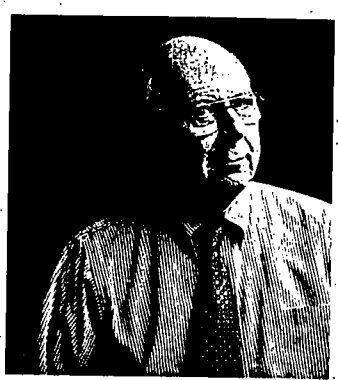
\$35

Washington Mutual Investors

\$30

Dwarfing the giants

How CREF stacks up against the biggest mutual funds



TIAA-CREF's Douglas Dial

JOHN ABBOTT

DO WASHINGTON REGULATORS CAUSE CANCER?

Joe Camel: Brought to You by the FTC

LAST MONTH'S SWEEPING TOBACCO settlement appears to herald a new era in which heavily regulated cigarette makers must disclose the true health hazards of their products and make do without popular mascots like the Marlboro Man and Joe Camel. (For more on the tobacco settlement, see the tobacco stories.) Sounds like a clear case of government acting to fix a problem that free markets could not, right? Not quite. Until the 1950s, cigarette companies advertised some of the dangerous health consequences of smoking, and it was the government—specifically, the Federal

Trade Commission—that stopped them. This all-but-forgotten story is a fascinating account of how the market was ahead of the government in publicizing the dangers of smoking, and of the damage done by government regulation. Because regulation has prevented the cigarette companies from discussing health, they have settled for emphasizing glamor and hipness. Joe Camel is a monster the FTC helped create.

Fear of the dangers of smoking did not begin with the Surgeon General's report of 1964. For decades before that, people had referred to cigarettes as "coffin nails."

Cigarette companies dealt with these fears by claiming that their products did not cause medical problems. "Not a single case of throat irritation" went the ad for Chesterfield. "Smoking's more fun when you're not worried by throat irritation or smoker's cough," said a Philip Morris ad. Jack Calfee, an economist at the Washington-based American Enterprise Institute who has studied the issue, points to an ironic side effect of all this advertising: While each company's purpose was to distinguish its brand from the competition's, consumers were constantly reminded of the

nasty symptoms that came with smoking. But the FTC's view back in the 1940s was that all major brands were essentially identical and did not pose a health risk. In 1950 the FTC, stating that "the smoking of cigarettes ... is not appreciably harmful," banned comparative health claims.

The 1950 ruling left a loophole, however: It applied to specific existing brands, not new ones. After two epidemiological studies published that year found a strong link between cigarette smoking and lung cancer, a few cigarette companies rushed to exploit that loophole. In 1952, Lorillard, with only 6% of the market, introduced Kent, whose "Micronite" filter reduced tar and nicotine. Kent ads noted pointedly that "the difference in protection is priceless."

Industry observers worried that such advertising would hurt business. It did. Per capita sales, which had risen continuously since 1931, declined by 2.8% in 1953 and a further 6.1% in 1954. Why did the companies do something that so obviously hurt their industry? It wasn't altruism—just an attempt by smaller companies to grab a bigger share of the market. By the end of 1954 filtered cigarettes made up more than 10% of industry sales, up from under 2% in 1950. Brown & Williamson, the only company that concentrated on filter brands, was also, in 1954, the only one to gain sales. The two largest cigarette makers, American Tobacco and R.J. Reynolds, with a combined market share in 1952 of 59%, avoided fear advertising, but they did introduce filtered brands as a response to the competition. The big winner in all this was the consumer, who was told nightly on

TV, courtesy of the smaller cigarette companies, that smoking could be harmful.

This just wouldn't do. So in 1955 the FTC struck again, publishing rules to prohibit references to the "throat, larynx, lungs, nose, or other parts of the body" or to "digestion, energy, nerves, or doctors," and to explicitly permit advertising of taste and pleasure.

Health-related cigarette advertising had one last gasp in the late 1950s, when medical experts began claiming that reducing the tar content of cigarettes would reduce the risk of lung cancer. This set off the great "tar derby," in which cigarette companies reduced tar and nicotine content and advertised the fact. Between the middle of 1957 and the end of 1959, tar and nicotine levels drooped nearly 40%. According to Calfee, about half of all the improvement in cigarettes since 1957 occurred during this 2½-year period.

Guess what happened next. The FTC ruled in 1960 that claims about tar were implied health claims and as such could not be made unless substantiated by epidemiological evidence. Thus, in 1960, the competition to reduce tar ended—and with it the research to design cigarettes that were healthier, so to speak.

It wasn't until the mid-1960s, after the publication of the Surgeon General's report linking smoking and cancer, that the FTC began to think of smoking as a health risk—and began to require health warnings in advertisements. In 1970 the agency negotiated written pledges from all six

manufacturers that they would include tar and nicotine measures in their ads. But it still won't let the companies *do* anything with that information. A cigarette company can't, for example, say that its low-tar brand is safer than a high-tar brand. Whereas in the 1950s the FTC considered all cigarettes equally safe, today it considers all brands equally dangerous and forbids any cigarette manufacturer from saying otherwise in its advertisements.

Given the history of tobacco regulation, it's no surprise that cigarette ads emphasize glamour and hipness—the FTC won't allow much else. What the government should allow is for tobacco companies to come up with their own catchy reminders of the awful consequences of smoking each other's coffin nails. — David R. Henderson

DAVID R. HENDERSON (drhend@mbay.net), a non-smoker, is a research fellow with the Hoover Institution and an economics professor at the Naval Postgraduate School in Monterey, Cal.

VICES

Vodka Goes Best With Potatoes

The liquor industry has revived a drink that's even more retro than the martini: potato vodka. Lots of vodka used to be made from fermented potatoes, but over time cheaper mixed grains replaced the spuds. So after watching enviously as \$15 cigars get snapped up by the fistful, a few distillers have reincarnated potato vodkas as a "superpremium" luxury item. Yes, this is a gimmick, but who cares? Potato vodkas really are smoother than virtually all of their grain-based counterparts, and they go down without that "afterburn" sensation at the base of your throat. Here are the results of a recent taste test of three widely available po-

tato vodkas, conducted by members of the FORTUNE staff.

Teton Glacier: This American brand—made from genuine Idaho potatoes—is rich and smooth, with a faint herbal note and a warm, pleasant sensation that lingers long after the last sip. A good value at \$19 for a fifth. The best choice overall.

Chopin: Our staff was impressed by the elegant bottle and what was inside it. This clean, refreshing Polish vodka tasted the best of the three, but at \$30 a fifth, you're better off sticking with the Teton.

Luksusowa: This Polish import doesn't have the subtlety of Teton or Chopin (frankly, it has a bit of that familiar vodka burn), but it only costs \$14 a fifth and still tastes better than many grain-based brands. — Ed Brown



Cigarette ads have come a long way, baby.

Tobacco's Can of Worms



WASHINGTON ISN'T THE KIND OF TOWN that likes to be told what to do. Its greatest recent failure was President Clinton's health care plan, which was handled by the White House as if it were the commandments from Sinai. Its model for success was the 1986 overhaul of the federal income tax that was initiated by then-Treasury Secretary Donald Regan with the following words: "This thing is written on a word

processor. It can be changed." Almost nobody is betting that the \$368.5 billion agreement to restructure the U.S. tobacco industry will go up in smoke; all sides have too much to gain for that. But if history is any guide, its details, announced with such hoopla last month, are merely a starting point and not the done deal.

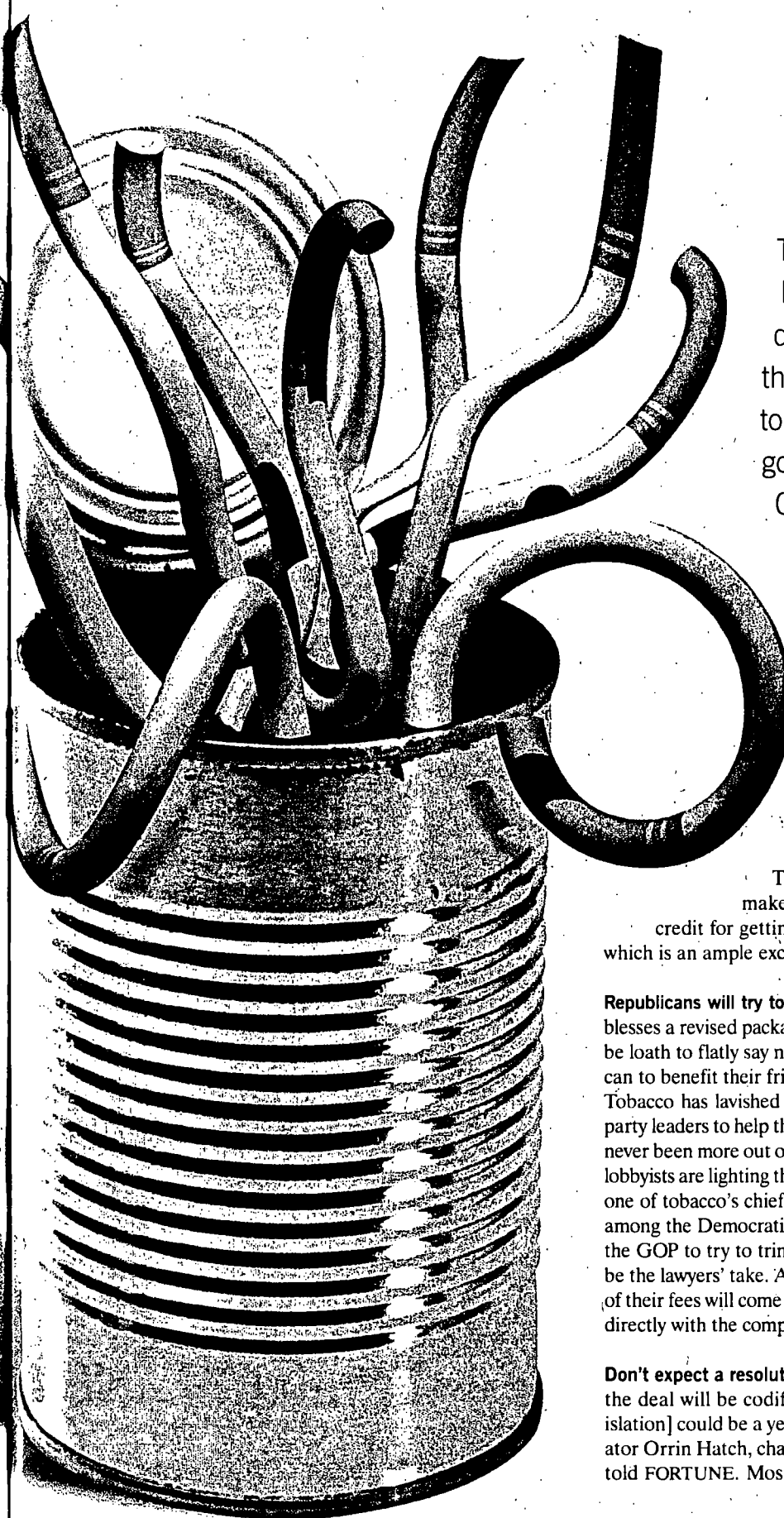
That's bad news for Big Tobacco. As sure as the Marlboro Man is a cowboy, transforming the settlement into a statute will take longer, involve more changes, and probably cost more money than any of its framers imagined, particularly the tobacco companies. For the industry, the exercise is beginning to look like a very long session in a torture chamber from which it might not be able to escape. After all, who in official Washington is going to defend the makers of cancer sticks? So far, no one has. As a result, the agreement is shaping up more as a floor than a ceiling for industry concessions.

The basic accord is a simple trade: The tobacco companies get immunity from class-action lawsuits and a limit on damage claims in exchange for the biggest political payoff ever, the equivalent of a 75-cent-a-pack tax on cigarettes. But neither the U.S. government nor anti-tobacco activists will be satisfied with that. For the next several months, the cigarette makers and to a lesser extent

the trial lawyers and even the do-gooder attorneys general who brokered the arrangement will discover that they have opened a massive can of worms, and that some of those critters bite. Here is a handicapping of the obstacles the settlement must overcome if it is to become the law of the land.

The fight begins at the White House. Without Clinton's approval the pact is dead, and that doesn't make the tobacco industry happy. The President is a devout tobacco-phobe and will demand that the companies give back some of the goodies they won at the bargaining table. Judging from Clinton's brain trust, the give-backs could be substantial; he will seek advice from the like of David Kessler, the former head of the Food and Drug Administration; C. Everett Koop, the former Surgeon General; and Senator Edward Kennedy, one of Congress' most vocal tobacco critics. It's already clear that Clinton will insist that the FDA be given more decisive and immediate authority to regulate nicotine. But that's just for openers. A panel of influential health advocates is pressing for all sorts of changes. Ever the politician, Clinton will hide behind the opinions of as many of these people as he can find. He probably will await the backing of at least Kessler and Koop before he feels comfortable enough to keep the process rolling.

Congress will want more. Lawmakers won't sit on the sidelines when an industry offers up billions they can spend. The attorneys general already secured a share of the loot for their states. Now the feds will bid for theirs. Anti-tobacco Congressmen are angling to win extra aid for children's health programs, anticancer research, and antismoking programs overseas. But the largest additional expenditure will go to tobacco-producing states. Nego-



Tobacco negotiators may have thought they had a done deal, but Washington thinks otherwise. Here's what to expect as the settlement goes to the President and Congress. Hint: It won't be pleasant—for Big Tobacco.

by Jeffrey H. Birnbaum

tiators purposely left tobacco farmers out of the initial settlement, knowing that Southern pols will need a good reason to vote for a plan that whacks an industry so dear to the folks back home.

The omission provides tobacco-state lawmakers a chance to fight for—and thus take credit for getting—economic assistance for their farmers, which is an ample excuse to vote “Aye.”

Republicans will try to undercut the trial lawyers. If the President blesses a revised package, the Republicans who run Congress will be loath to flatly say no. But they will change the deal where they can to benefit their friends and hurt their enemies. Ironically, Big Tobacco has lavished too much campaign cash on the GOP for party leaders to help the industry overtly. Smoke-filled rooms have never been more out of fashion, especially when black-hat tobacco lobbyists are lighting the cigars. But Republicans can still try to clip one of tobacco's chief adversaries: the trial lawyers, who also are among the Democratic Party's sweetest sugar daddies. Watch for the GOP to try to trim the estimated \$3.5 billion that is slated to be the lawyers' take. And watch for the lawyers to claim that none of their fees will come from the settlement; they will be negotiated directly with the companies. Best of luck selling that one.

Don't expect a resolution soon. Wall Street analysts predict that the deal will be codified by year-end. Think again. “This [legislation] could be a year, two years, even three years away,” Senator Orrin Hatch, chairman of the Senate Judiciary Committee, told FORTUNE. Most insiders assume the process will stretch

THE TOBACCO SETTLEMENT

well into next year, and they warn that the enterprise faces at least some threat of being stubbed out entirely. But can the companies walk away? The industry may have made itself into such a whipping boy that it has no choice but to obediently accept whatever abuse is meted out. In the meantime, every corner of the agreement will be scoured for flaws. The White House has launched a 30-day review from which dozens of problems are likely to surface. One already has: Some economists doubt that raising prices and curbing advertisements will dampen cigarette sales as much as has been promised. Harsher actions and stiffer penalties may be called for.

Congress won't even begin to consider the pact seriously until the fall, and no one yet knows how the leaders intend to proceed. The best guess: It will be easier to list the committees that don't claim jurisdiction than to count the ones that do. Lawmakers are expected to examine everything, from the industry's request to have its payments declared tax deductible to an issue that has been delicately called the brother-in-law problem. Both the President and Senate Majority Leader Trent Lott have brothers-in-law who sat in on the settlement talks as trial lawyers, presenting both men with potential conflicts of interest. The one certainty about the coming tobacco wars is that they have only just begun. **E**

WHEN THE HISTORIC TOBACCO settlement was announced on June 20, it was the state attorneys general who took center stage, leaving their allies in the plaintiffs bar to toast the agreement in the privacy of their hotel suites. No surprise there, of course; attorneys general are politicians, and center stage is what they crave. But it hardly reflected reality. For the attorneys general did not bring down Big Tobacco by themselves. It was the plaintiffs lawyers—men like Ronald Motley and Richard Scruggs, who agreed to join forces with the states, for a contingency fee, no less—who ultimately forced the tobacco industry to the table. "The attorneys general are not equipped to bring the kind of pressure that plaintiffs lawyers bring as a matter of course," says New York University law professor Stephen Gillers. "It was plaintiffs lawyers who cornered this industry."

In the wake of the settlement, people have tended to focus on the staggering sums the lawyers are likely to reap: Even if they get only 1% (the amount has yet to be negotiated), that would add up to more than \$3.5 billion—money that will be used, according to some critics, to bring other industries to their knees. "There's a whole corporate world waiting to be ravaged by the plaintiffs bar, and it'll be funded by the money from the tobacco industry," says Paine Webber analyst Emanuel Goldman. That seems wildly overstated. Still, even if you believe that the tobacco companies are getting what they deserve, the triumph of the plaintiffs bar is worrisome for at least three reasons:

- It shows that no industry can outlast the plaintiffs bar. Traditionally, the greatest weapon corporations had in beating back litigation was their sheer staying power: They had the resources and legal talent to wear down their opponents. But even before this latest round of tobacco litigation, that dynamic had begun to change. Plaintiffs lawyers who had feasted on asbestos cases—Motley and Scruggs very much included—had millions of dollars at their disposal, allowing them to go toe to toe with even the most stubborn companies. In attempting to put together a nationwide class action against Big Tobacco—the so-called Castano case—65 plaintiffs firms had each anted up \$100,000. That was petty change for the firms but enough to give the class action effort a sizable kitty. Obviously, any money the plaintiffs bar gets out of the tobacco settlement will only further this trend.
- The big boys are starting to act like one giant law firm. Gillers calls the plaintiffs bar a "virtual law firm," and he's right. Motley, based in South Carolina, worked closely with Scruggs, based in Mississippi—and with dozens of other firms across the country, each of which contributed money, manpower, and expertise. They strategized together and set up a central document depository. Discovery done for the Castano class-action suit was

turned over to the state attorneys general for use in their suits. What's more, the fact that different firms used different tactics—some joining the class-action effort, others working for state attorneys general, and still others bringing individual lawsuits—created a multipronged war that the tobacco industry had trouble fighting. In all, there were more than 150 plaintiffs firms involved in the tobacco litigation. "I came away with great respect



Motley: a big winner

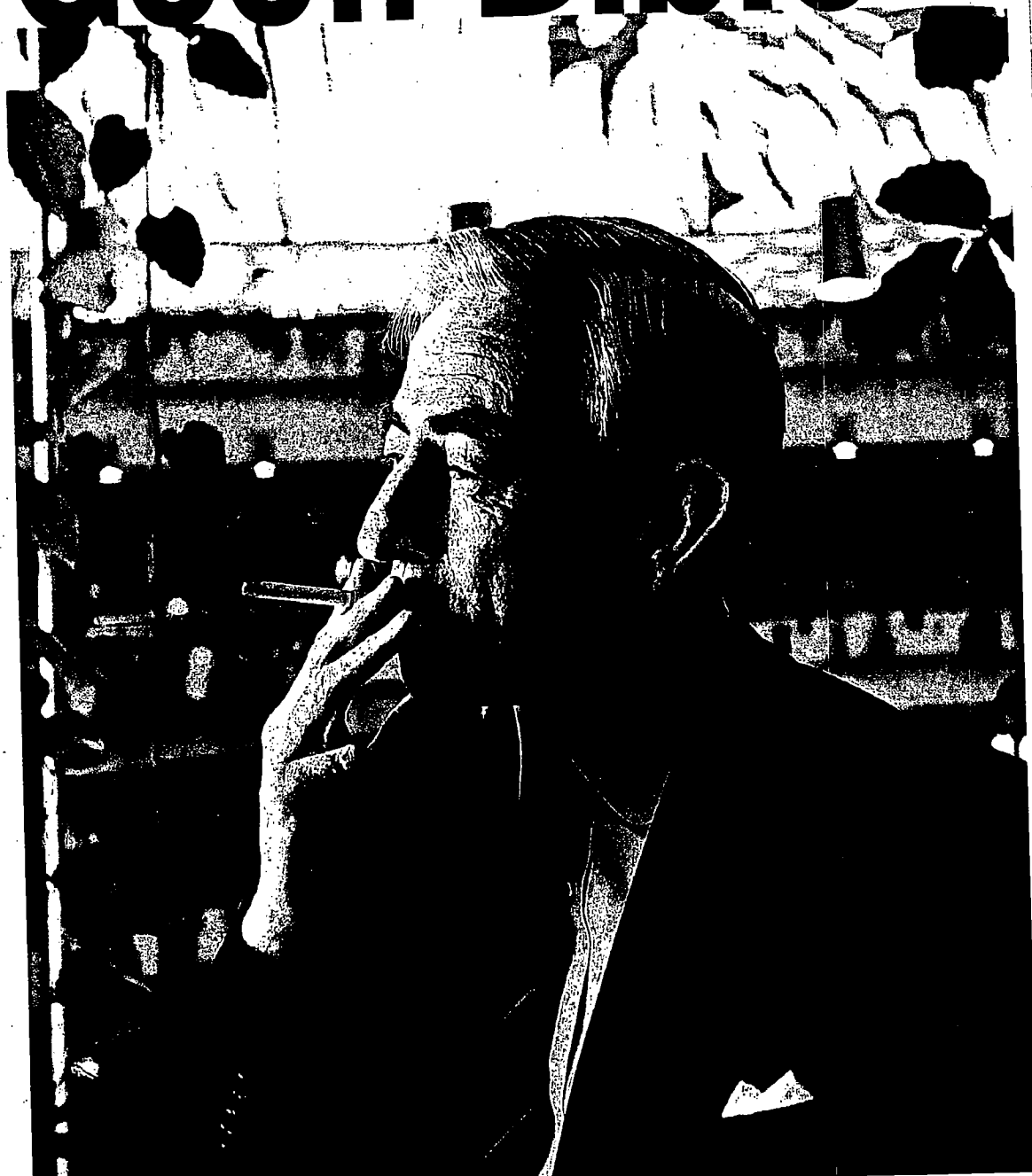
for some of the lawyers I worked with in this litigation," says Motley happily. "I have every intention of working with them again."

• The link between attorney general offices and the plaintiffs bar is not a one-time event. The truly original wrinkle in the tobacco litigation was the teaming up of attorneys general and plaintiffs lawyers. The lawyers, in effect, ran the cases and paid the up-front expenses (Scruggs, who ran the Mississippi case, says his firm is out of pocket \$5 million), while the attorneys general handled the political end of things and lent moral respectability to the whole affair. According to Motley, you'd better get used to the collaboration. Though he won't be specific, he says that right now "we're negotiating with AGs on another disease area. We're also negotiating to take on some business tort cases. And some consumer protection cases."

Uh-oh. —Joseph Nocera

Geoff Bible

Philip Morris CEO Geoffrey Bible has long sneered at tobacco's foes. When the news broke that he was negotiating a settlement with those same foes, most people were stunned.



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The Tobacco



Deal

WHEN GEOFFREY BIBLE BECAME chief executive of Philip Morris, he was, in the words of one Wall Street follower, "the Crocodile Dundee of the tobacco industry." A hyperactive, wiry Australian who had spent a career swashbuckling in treacherous overseas markets, Bible bounded into the CEO job three years ago in typically brash fashion. "We are not going to be anybody's punching bag," he

promised investors. A crusader who thrived on combat, Bible favored Churchillian language in describing tobacco's enemies and even likened Philip Morris' battles against the anti-tobacco forces to World War II. "We shall fight, fight, fight," he pledged, because "when you are right and you fight, you win."

Now, with the unprecedented settlement between Big Tobacco and the states' attorneys general last month, Geoff Bible appears to have done the one thing he vowed never to do: capitulate. It's caused some people to wonder whether the world's most powerful tobacco boss—a man who really stands as the last chest-thumping tobacco chieftain—has lost his legendary fire. Since Philip Morris sells almost half the cigarettes that Americans smoke each year, it's due to pay the most in the tobacco industry's landmark \$368.5 billion settlement—about half that stunning amount, to be spread over 25 years. If the deal gets through Congress—a huge if—Philip Morris also must comply with all sorts of onerous new restrictions on marketing. So long, Marlboro Man.

Why did Bible settle? He's not telling anyone the reason—neither FORTUNE, nor Wall Street analysts, nor anyone else who could possibly affect the fate of what is shaping up to be the most controversial peace agreement in American business history. In fact, the tobacco executives agreed among themselves not to speak publicly about the deal. Obviously, they are fearful that boasting—which has long been a Bible specialty—might signal that the settlement favors the tobacco industry. Even speaking dispassionately about what Big Tobacco is getting—primarily litigation relief, as well as strictures on the FDA's ability to regulate nicotine—is potentially dangerous for the companies. After all, it's becoming increasingly plain that the newly empowered anti-

tobacco forces don't want the tobacco companies to get *anything* out of the deal.

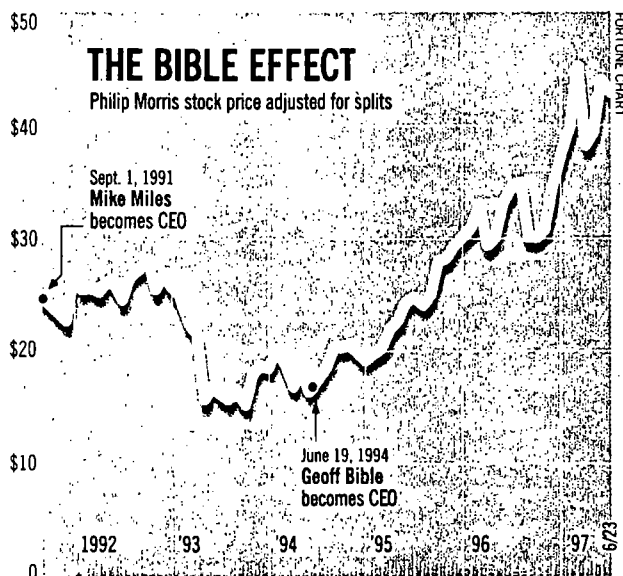
Clearly, Bible did not go gently into this settlement. People who know him say that he was dragged reluctantly into the talks and was consistently skeptical they would reach a successful conclusion. Even now, with the deed done, he is said to harbor major concerns about the outcome. But the threats to Philip Morris and the rest of the industry were mounting so fast and becoming so serious—40 state suits to recover tens of billions in Medicaid costs; the looming prospect that the FDA might prohibit nicotine; class-action suits buttressed by tobacco company documents leaked by whistle blowers—that he came to believe that settling was Philip Morris' only real option. "Crocodile Dundee ran up against a politically ferocious crocodile, and he put down his knife," says Paine Webber tobacco analyst Emanuel Goldman.

"Geoff Bible is buying peace, albeit at an astronomical price."

Of course, the big question is whether Philip Morris really has bought peace—or whether the settlement will backfire on the industry, allowing its critics to impose terms far more onerous than the settlement calls for (see previous story).

Still, there is one thing above all else to keep in mind about Philip Morris: No matter what happens to this settlement—whether it gets approved, shot down, or (the most likely scenario) overhauled—no other company has a better chance of surviving, and even thriving, in tobacco's new and uncertain future. Not only the No. 1 cigarette seller worldwide, Philip

Morris is also the biggest consumer-products company on the planet, and it has plenty of profits—not just from cigarettes but from powerful brands like Kraft, Maxwell House, and Miller beer—to buffer it from any major blow to U.S. tobacco. It had close to \$13 billion in operating earnings last year, a number that far exceeds the \$7 billion or so it would have to pay annually under the terms of the settlement. And Philip Morris' future growth lies in places where tobacco is still accepted, consumers are less litigious, and the CEO is very comfortable: in overseas markets, where Bible's big gambles earlier in his career are now providing Philip Morris with huge profits. As for Bible, it's hard to believe he's lost his willingness to fight back. In many ways, he and the company he heads are very much alike: scrappy, inventive, unconventional—and remarkably successful at turning setbacks into advantages.



REPORTER ASSOCIATES Wilton Woods and Thomas Healy

Philip Morris CEO Geoffrey Bible, the last of the tough-talking tobacco chieftains, has done what was long unthinkable: He negotiated a settlement with tobacco's enemies. What finally brought him to the table? And how will he—and his company—survive tobacco's new and uncertain future?

by Patricia Sellers

THE TOBACCO SETTLEMENT

Born in the land of outlaws and castaways, Bible, 59, began his tobacco career not in his native Australia but in Lausanne, Switzerland. He started at Philip Morris' European division as a finance manager in 1968. Bible then left Philip Morris for six years, but upon his return, he displayed the indefatigable spirit that's marked him ever since. In 1981 he was assigned to manage his home territory, Australia, where Philip Morris was getting choked by a competitor, Rothmans. "I was sent down there to turn the business around," Bible once told FORTUNE. "We had a brand called Peter Jackson, and we put 30 cigarettes in the pack," instead of the usual 20. The brand's market share nearly doubled in one year, and Philip Morris' overall sales in Australia came roaring back.

Thus did Bible establish himself as a brand builder in the classic Philip Morris tradition ("Cost cutting is for losers," the die-hard tobacco honchos say). Senior management plucked him from Down Under and promoted him to executive vice president and then president of Philip Morris' entire international tobacco operations. He proved a shrewd and tireless strategist, selecting the most promising emerging markets and working with foreign ministers to secure favorable long-term conditions for Philip Morris. After communism collapsed in 1989, Bible moved faster than his rivals to acquire local cigarette companies and factories in markets like Eastern Europe and the former Soviet Union. Led by Bible's international charge, Philip Morris passed Britain's BAT Industries to become the No. 1 cigarette seller worldwide.

During Philip Morris' dark days in the early 1990s, Bible again showed his ability to overcome obstacles. The CEO at the time was Michael Miles, who was Bible's opposite in almost every way: a nonsmoker with no previous experience in tobacco (he was a food marketer), methodical, dispassionate, aloof. While Bible was lighting up Philip Morris' foreign cigarette business, the company's biggest profit center, U.S. tobacco, was floundering. Greedy for short-term profit gains, the U.S. managers had been raising prices at more than twice the rate of inflation, and as a result, millions of smokers were abandoning Marlboro for cheap, generic alternatives. Philip Morris stock sagged. On April 2, 1993—Marlboro Friday, as it became known—Philip Morris announced it would cut the price of a pack by 20%; shocked investors, in turn, lopped off nearly 20% from the stock. Shareholders vilified Miles.

Two weeks later, Miles put Bible in charge of the U.S. tobacco business. Instead of cutting back on marketing, which is what virtually everyone expected him to do, he increased spending substantially. Rivals such as R.J. Reynolds couldn't afford to compete. Marlboro came roaring back, from 23% of the U.S. market to more than 33% today.

By the time Miles resigned in June 1994, Bible was the obvious choice to succeed him. "The

worry was that Geoff was too type A, too much of a driver, with little tolerance for people who couldn't keep up with him," says Time Warner President Richard Parsons, a Philip Morris board member. "But Geoff turned out to be the perfect leader for the time. He's the type who rolls up his sleeves, gets down with the troops, and helps lay the sandbags as the tide is roaring in. He's a brilliant and committed warrior for an embattled company."

As CEO, Bible went on the warpath, railing against prohibitionist propaganda and staging media blitzes against the anti-tobacco forces. Inside Philip Morris, he has been a prickly and re-

lently demanding boss, but one who inspires the troops and engenders great loyalty. To prepare for his first big meeting with Wall Street, Bible insisted that his top officers hole up at Philip Morris' Park Avenue headquarters for two weeks and work on their presentations. The day before the show Bible ordered a run-through, and he graded each executive. No one got above a D. The analysts' meeting turned out to be a terrific success—Philip Morris' stock market value gained \$2 billion. Afterward, Bible sent handwritten thank-you notes and bottles of expensive wine to all the presenters.

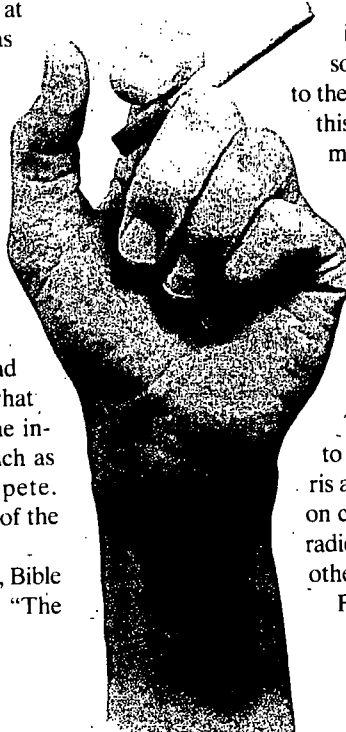
It is precisely Bible's ferocity toward tobacco's critics that caused so many people to be stunned when they learned last spring that the Philip Morris CEO had opened negotiations with its enemies. In fact, those who know him say that the litigation threat, severe though it was, was only part of his rationale. Most important was Philip Morris' stock price. Bible once said about the stock, "Next to my wife and family, it is the most important thing in my life." While Philip Morris has performed admirably during

Bible's tenure as CEO—its market value has risen by some \$60 billion—the shares still sell at a dismal multiple to the company's magnificent earnings. And it's no secret why this is so: The litigation and regulatory threats created enormous uncertainty, and Wall Street hates uncertainty. As news about lawsuits caused the stock to gyrate, investors grew more wary. Bible knew he had to do something to bring investors certainty.

Besides, a peace agreement with the enemies wasn't a completely new idea at Philip Morris. Few people know it, but for at least the past decade, senior executives there had regularly discussed the idea of a negotiated settlement. The thinking was this: Big Tobacco needed to concede something every few years to keep the anti-smoking forces at bay. In 1966, Philip Morris and its tobacco compatriots agreed to put warning labels on cigarette packs; in 1971, they accepted a ban on TV and radio advertising. In following years, the industry caved in to other restrictions and tax levies without enormous fuss.

Finally, Bible came under the sway of a lawyer named

The most
important reason
Bible was willing to
negotiate with tobacco's
enemies was to help the
stock price. "Next to
my wife and family,"
he once said,
"the stock
is the
most
important
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life."



Murray Bring. A former Arnold & Porter partner who serves as Philip Morris' general counsel, Bring believed a negotiated settlement was a viable way to solve tobacco's problems. Bring, 62, has become Bible's most trusted adviser. Indeed, lawyers have become so important to tobacco companies these days that Bring was named vice chairman of Philip Morris a few months ago.

As for Bible, he had the mindset of a foreigner—to him, the American legal system is out of whack, and negotiating with plaintiffs lawyers made no sense. But he was willing to listen to ideas. Early last year he started meeting secretly with another lawyer who was open to settling: RJR Nabisco CEO Steven Goldstone, a former litigator and dealmaker at the New York City law firm of Davis Polk & Wardwell. The wheels really started to turn late last summer when Bible got a phone call from Martin Broughton, the CEO of British-based BAT Industries, which owns Brown & Williamson Tobacco in the U.S. Broughton told Bible he believed the industry needed to do something major to resolve its problems. Bible agreed. He called Goldstone at RJR and Larry Tisch, the CEO of Loews, which owns Lorillard, and during the next six months, the tobacco chiefs convened monthly at various New York hotels, discussing the options. By March they agreed that peace talks were the rational way to end the war.

At the first session of the negotiations in April, Bible was intense and buttoned-up: He read his 90-second opening statement from index cards, saying essentially that Philip Morris was serious about striking a mutually beneficial peace. "We're prepared for fundamental change in the way we do business," he said. As the talks progressed, Bible was briefed daily. Then, at a climactic moment in mid-June when the talks nearly fell apart, he stepped in and showed himself to be the ultimate pragmatist. During a seven-hour meeting with the other CEOs, Bible helped persuade BAT's Broughton to bend on a key issue, the FDA's regulation of nicotine. Bible told Broughton that the deal offered was the best the companies would get. Having shown their cards, there was no turning back. They had to do a deal.

What does the settlement mean for Philip Morris? As currently written, it seems a pretty good deal for the company, despite the incredible price tag. Among the tobacco players, Philip Morris can best absorb the blow to profits and adapt to harsh new realities. Marketing restrictions will hurt the company, but they

probably mean that Philip Morris will be able to lock in its dominant share, since competitors can less afford to pay the settlement costs and spend on their brands.

Most important, Philip Morris has tremendous international growth that can offset hits to profits at home. The company's international tobacco earnings have tripled since 1990, to \$4.1 billion a year. This year they'll probably surpass cigarette profits in the U.S. Overseas tobacco is "our star business," says Bible. Philip Morris' prospects look terrific with him in charge. Bible knows better than anyone else how to operate in regulated for-

foreign markets, a number of which, incidentally, have the sorts of harsh ad restrictions the settlement would impose in the U.S. Litigation is a minor concern in most overseas markets. It's generally difficult to sue companies abroad, and besides, many governments are loath to attack Big Tobacco for fear of losing the huge cigarette taxes they reap. The rapid growth of Philip Morris' international business undoubtedly helped relieve any concerns Bible had about a settlement leading to sales declines in the U.S.

In the event the settlement deal becomes law, Bible's strategy is fairly obvious. He will keep profits puffed up by significantly increasing cigarette prices in the U.S. Consumers will probably pay around 25% more for their Marlboros, Wall Street analysts say. He certainly won't ravage earnings or cash flow to pay the settlement costs—not if he can help it, anyway—nor will he likely cut

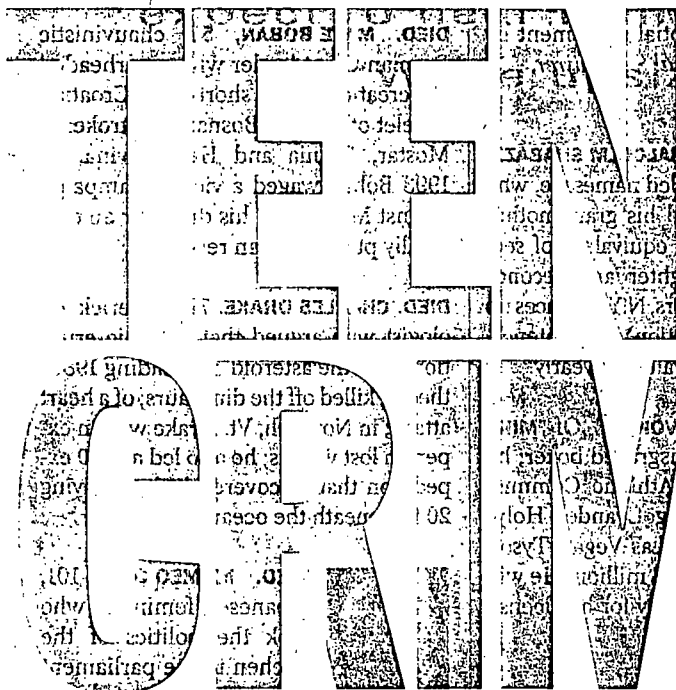
Philip Morris' healthy dividend, which Bible views as sacrosanct. He'll reduce marketing spending but probably not as much as some people hope. Even though the settlement agreement requires the tobacco companies to pay penalties if they don't vigorously try to reduce teenage smoking, some analysts believe Bible might rather pay the fines than quit targeting young adults. (Philip Morris denies this.)

And therein lies the rub, for tobacco's foes have already made it clear that they are going to do everything they can to prevent Bible from charging ahead in the cigarette market. They'll do so by attempting to place far harsher restrictions on the deal, and a higher price tag. Which is why Geoff Bible is the right man to be running Philip Morris right now. If his has been a career of meeting challenges and overcoming obstacles, he—and his company—are now facing challenges and obstacles the like of which they've never seen. ■



Philip Morris' general counsel Murray Bring (right), a former partner at a top Washington firm, is Bible's most trusted adviser. His knowledge of the capital should help Bible in the difficult months ahead.

Congress wants to crack down on juvenile offenders. But is throwing teens into adult courts—and adult prisons—the best way?



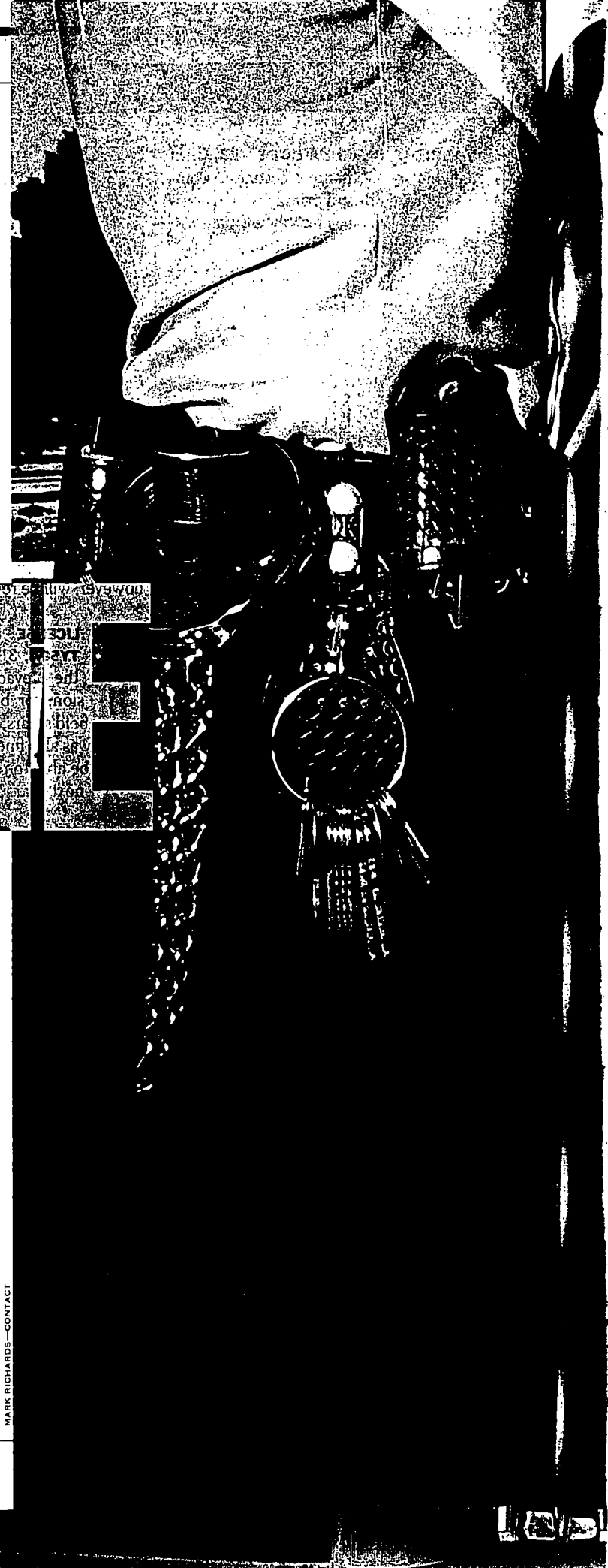
By RICHARD LACAYO

CONGRESS MADE AN AGREEABLE DISCOVERY THREE years ago. Early in 1994, in an abrupt statistical spike, voters in large numbers started saying that crime was their No. 1 concern. So when the House and Senate passed the omnibus crime bill later that year, people actually noticed. Which is one reason why, in a sluggish political summer, when Washington is competing with Mars and Mike Tyson for some quality time with the rest of America, Congress is going after crime again. In May the House passed a bill that would give \$1.6 billion to states that agree to toughen their handling of kids who commit serious felonies, in part by making it easier to try them as adults. Last week the Senate Judiciary Committee was pushing forward on a similar bill, in the hope of bringing it to a vote this month. "People are expecting us to do something about these violent teenagers," committee chairman Orrin Hatch complained as he tried to speed through more than 100 proposed amendments. "We've got to move on this."

In truth, the problem isn't quite as pressing as it was a few years ago. With crime rates dropping, so is juvenile crime. But felonies by kids had exploded over the previous 10 years, a legacy of the crack trade and armed gangs, so the recent decline is still a dip in a high plateau. From 1985 to 1995, juvenile arrests for violent crimes rose 67%. Perhaps a fifth

KID'S STUFF

At a Stockton, Calif., juvenile facility, a teen convict arrives to start serving time



MARK RICHARDS—CONTACT



TIME



GRAB BAG: Rushing for bread and canned goods at a pantry in Newport News last week

Hungry at the Feast

In spite of prosperity and job growth, a new study warns of a festering crisis among the working poor

By ELAINE RIVERA NEWPORT NEWS

THE SHIPYARDS OF NEWPORT NEWS, VA., are no longer the powerful job creators they used to be, but there is still lots of work to be had. The government employs a substantial number; telemarketers and computer makers have moved in; the regional unemployment rate is just 4.2%. But then there's this other statistic: over the past year, the local food bank reported a 69% increase in people requesting help.

Meanwhile, just to the north of Denver is Greeley, site of the state's school of education, strong-boned churches and the richly landscaped homes of Colorado's Front Range technocrats. Yet for the fiscal year that ended June 30, the demand for emergency food in Greeley shot up 50%.

Hunger in America in times of plenty? Second Harvest, the largest food-bank network in the country, says that about half its 183 food-distribution centers have reported increased demand over the past year. In a study the group produced with Tufts University, it says that with government accounting for only 13.4% of publicly distributed food (down from 22.2% in 1991), the private sector will have to make up for the shortfall by distributing a total of 24.5 billion lbs. of food in the next six years—enough to fill 5 million Army National Guard trucks. Second Harvest says it cannot possibly handle that increasing demand. Already some pantries have had to ration their dole-outs

to families and single parents with children. Other organizations feel the impact as well. Share Our Strength, a Washington-based nonprofit organization, provides funding for more than 500 food-based groups. "Many of the agencies we support are seeing big jumps," says Bill Shore, the group's executive director. Phil Shanholtzer, a U.S. Department of Agriculture spokesman, says the federal agency is hearing anecdotal evidence of food-demand increases through its state and regional offices. He says a report will be released by the USDA later this year assessing "food insecurity" in America.

Who are swelling the ranks of the hungry? Many are neither jobless nor homeless. "It's the working poor," says Leona Martens, director of the Weld Food Bank in Greeley. In the Colorado town, those asking for help range from seasonal farmworkers sidelined by bad weather to families hit by sudden expenses like doctor bills or new car batteries. Says Barbara Mocnik, executive

director of a food bank in Newport News: "The job market is there. The income isn't." Many of the new part-time jobs in Newport News pay so little that they cannot cover basic expenses.

The Second Harvest study blames the increases on the onset of state and federal welfare reform. Virginia, Michigan and Wisconsin food pantries reported increases; all three passed welfare-reform laws during the past two years. But the decline in middle-income jobs may be culpable as well. The Bureau of Labor Statistics shows some of the largest gains in job growth among the lowest-paying categories. Poquoson, Va., resident Tim Strickland, 39, makes \$25,000 a year. But last year he hurt his back and temporarily left his job as a water-treatment-plant operator. "I was living penny by penny," he says. Friends at a food pantry learned of his plight and sent groceries. Aledia Johnson of Newport News has a job as a corrections officer for Virginia. But she makes little more than minimum wage. Without the food pantry, she says, she would not be able to make ends meet. Says Johnson: "I have a mortgage to pay. I have to keep my car running. That's what gets me to work. And I have to pay for child care." She receives groceries from a share program at a local church, paying \$14 for about \$40 worth of food.

Some, however, see a freeloader factor at work. Robert Rector, who follows hunger issues for the Heritage Foundation, says, "As long as you are providing aid without requiring anything in return, the demand of that aid will be inexhaustible." Nevertheless,

at least one food-bank manager believes the increased demand is just part of the adjustment that must occur as welfare reform takes hold, a necessary transition to better times. Parke Hinman, who runs a food bank in Montgomery, Ala., has seen demand rise to include families with wage earners. But, he says, "if we can provide them food, we may be the boost they need to work themselves out of the circle of poverty." Well and good, says Ann Eissler, who coordinates the area's food banks, but "we're going to need more agencies, more food, more warehouse space." —With reporting by Leslie Everton Brice/Atlanta and Rita Healy/Denver



MORE, PLEASE A Virginia day-care center using donated food

FOOD-BANK DEMAND UP

Newport News, Va.	69%
Greeley, Colo.	50%
Macon, Ga.	38%
Honolulu	17%
Detroit	14%

Integration Forever?

A new generation of African Americans questions the bedrock beliefs of an aging N.A.A.C.P.

By JAMES S. KUNEN

AFRICAN AMERICANS HAVE BEEN DEBATING the merits of separatism vs. integration for a hundred years, since W.E.B. Du Bois took Booker T. Washington to task for saying that the races could best work together apart, like the fingers on a hand. The argument flares and dampens but never dies. So what's surprising is not that it's flaring up again but that it's flaring up in the N.A.A.C.P., where integration has been the defining principle since the organization was founded by blacks and whites in 1909.

For the N.A.A.C.P. to revise its stance on integration is as likely as, say, the Sierra Club's changing its position on wilderness preservation. But the minority of N.A.A.C.P. members who believe that integration is undesirable or—in cities led by black elected officials—unnecessary will be casting a longer shadow than usual as the organization meets for its annual convention in Pittsburgh this week. N.A.A.C.P. elders prefer to see the airing of these ideas as a therapeutic exercise. "What we're trying to do is give these people respect, let them voice out their frustration, and then we state our position and move on," says Melvin ("Skip") Alston, president of the N.A.A.C.P.'s North Carolina state conference.

But these dissenting voices in the N.A.A.C.P. reflect a growing view in the broader African-American community that resources poured into desegregation might be better spent on improving the predominantly nonwhite schools most black children attend. In the past few years black school officials from Seattle, Washington, to the suburbs of Washington, D.C., have called for the end of—or simply ended—busing. That's because a new generation of African Americans sees the whole enterprise of desegregation coming to nothing as whites move to suburbs that the courts have put beyond the reach of busing orders. Only a third of black students now go to majority-white schools—a higher degree of segregation than

existed 26 years ago, when the Supreme Court first upheld mandatory busing. In these circumstances, the N.A.A.C.P.'s insistence on school integration appears antiquated to many young blacks—a situation that an organization with a median age approaching 50 can ill afford.

So when the *New York Times* reported that N.A.A.C.P. chairman Myrlie Evers-



TIMES CHANGE: School desegregation is yesterday's news to N.A.A.C.P. rebel Jenkins

Williams expected the delegates to consider modifying the organization's position on integration, the news of an impending controversy became self-fulfilling. Evers-Williams, widow of the murdered civil rights leader Medgar Evers, maintains she was misquoted. "Any advocacy organization must be open to discussion," she says. "But I see no changes coming about. It is an organization that still believes in integration."

But apostate members like Kenneth W. Jenkins would welcome any attention to their position that the N.A.A.C.P. should concentrate on schools in black neighborhoods. Jenkins was formally removed from the presidency of the Yonkers, N.Y., branch by the national N.A.A.C.P.'s directors last year because he

had proclaimed that "busing may have outlived its usefulness." In Yonkers segregated schools have been eliminated. But that outcome came years into litigation by the U.S. Department of Justice and the N.A.A.C.P., which has cost the city about \$37 million in legal expenses. And today black and Hispanic students still test two grade levels below their white schoolmates.

Jenkins has suggested that Yonkers and the N.A.A.C.P. put the battle behind them, sit down as partners and try to figure out how to improve public education for everybody. "This thing is not working," he says. "The idea is not to make bus companies rich. The idea is to enrich the educational opportunity of every kid going to public school. I support integration, but I

don't think integration is the goal. The goal is quality education." Jenkins, 36, acknowledges that his perspective comes in part from not having lived through the battles that followed the *Brown v. Board of Education* decision of 1954. "The people who were there ... saw kids having to get marched into a school building by the National Guard. They saw a Governor standing in the front door. They felt things that I can't comprehend."

If murmured support for separate-but-equal education is growing more audible within the N.A.A.C.P., it may be because so little progress has been made since those historic days. Says Ted Shaw, associate director-counsel of the NAACP Legal Defense and Educational Fund: "You're beating your head up against the wall until it's bloody. At some point you have to ask, 'Should I continue to beat up against this wall?' To ask that question is not a terrible thing."



LEADER Evers-Williams wants to hold the line

Parks in peril

The views are still spectacular,
the wildlife abundant. Everybody loves
America's national parks.
So why are they under siege?

One hundred and twenty-five years ago, Congress established Yellowstone as the first national park. Today, there are 375 units in the national park system. They range from magnificent wilderness preserves and large urban recreation areas to wild rivers and unspoiled seashores, from archaeological ruins and historical sites to commemorative monuments and cultural collections. But this national tapestry is rapidly unraveling. Impoverished, mired in political gamesmanship, and beset by troubles within and without, the parks face an uncertain future.

On the night of Sept. 19, 1870, members of the Washburn expedition exploring the Yellowstone region in Wyoming Territory gathered around a campfire on the banks of the Firehole River. They marveled at the "grandeur, majesty, novelty, and wonder" all around them and talked of how they might profit from their discovery. But Cornelius Hedges demurred. This land is too important for commercial gain, he argued. It should be protected as a park for the nation. His companions solemnly agreed. Two years later, Yellowstone National Park came into being.

The campfire accord has long been enshrined as a seminal moment in the history of conservation. But according to Paul Schullery, author of the newly published history *Searching for Yellowstone*, the truth is a bit more complicated, the campfire story a romantic fable rather than an accurate recounting. In fact, the legislation signed in 1872 by President Ulysses S. Grant to create America's first national park was the result of lobbying by a host of competing interests. The park fed the dreams of pres-

JIM LO SCALZO FOR USNEWS & WORLD REPORT



COMMERCE IN THE TREES. Great Smoky Mountains is the nation's most popular big park. But this rugged idyll is increasingly squeezed by development, like that of Gatlinburg, Tenn., at the park's northern entrance.

ervationists but also served the interests of railroad owners, who were eager to transport tourists, and state officials, who hoped it would attract commerce. Yellowstone began life squeezed between altruism and exploitation.

More than a century later, this same philosophical and practical struggle continues—with higher stakes and fiercer fighting. There is little doubt that the preservationists are losing ground. The ills that beset the nation's first and still most magnificent park afflict the park system as a whole: underfunding, overcrowding, pollution, encroaching commercial development, invasion of exotic species, and the decline of natural, historical, and cultural treasures. "We've crested: We can no longer offer the quality of experience we once did," says Yellowstone's resource chief, John Varley. Adds Superintendent Michael Finley: "I see us as barely treading water."

Congress created the National Park Service in 1916 to "conserve the scenery, natural and historic objects, and wildlife" and to keep them "unimpaired for the enjoyment of future generations." Despite the efforts of a work force as dedicated as any in the federal bureaucracy, however, the agency is failing this core mission of preserving a patrimony as rich as that of an earlier era. Throughout the parks system, reduced budgets have spurred the steady deterioration of roads, buildings, sewers, and other infrastructure. Campgrounds are being closed, operating hours shortened, interpretive programs trimmed, seasonal rangers laid off. Priceless natural and historical assets are deteriorating steadily. Base-line scientific knowledge vital to the parks' long-term protection is lacking, and the shortage of funds has drastically reduced research (box on Page 28).

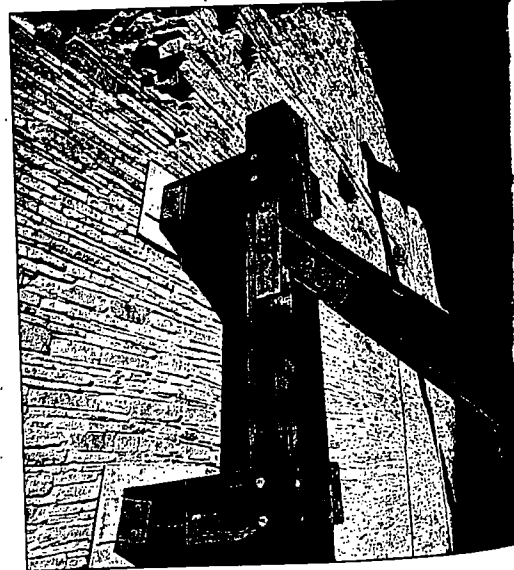
Beautiful face. Three million people visit Yellowstone each year, and what they see remains wondrous and reassuring: the world's finest geothermal features, the nation's most varied and abundant wildlife, scenery both primordial and sublime. What they don't see is the rapid, largely uncontrolled development within the 18 million-acre Greater Yellowstone Ecosystem, encroachment that is having an impact on the park's wildlife and posing a long-term threat to fragile geothermal attractions that could sputter or dry

up as the water table is lowered.

With the park at the ecosystem's core, the surrounding buffer zone spreads over 20 counties and includes Grand Teton National Park, seven national forests, three national wildlife refuges, and more than 3 million acres of private land, where the heaviest development is occurring. The region's population has increased by over 12 percent since 1990, to more than 322,000 people, and the area attracts a wide variety of new arrivals, from trust fund cowboys and well-off retirees to telecommuters and dropouts living on welfare.

Ranchettes, subdivisions, motels, commercial strips, golf courses, and tourist attractions sprawl into the lowland stream valleys, robbing bison, elk, antelope, grizzlies, and other wildlife of vital winter habitat. The planned expansion of

CHRIS ANDERSON—AURORA FOR USN&WR (2)





RICHARD FREAR—NATIONAL PARK SERVICE



DAMAGED TREASURES. Ancient Indian monuments, like those in Chaco Culture park (N.M.), are victims of neglect and vandalism. Left, steel braces a 30-ton wall. Above, bullet holes pock Colorado rock carvings.

eight ski resorts surrounding the park, and proposals to lease 2.7 million national forest acres for oil and gas development, will exacerbate this loss. "We're being nibbled to death," says Mike Clark, executive director of the Greater Yellowstone Coalition. "If we can't protect our first national park, what can we protect?"

Clark might well ask Congress the same question. Yellowstone's annual operating budget of around \$20 million was cut by \$2.2 million in 1996 and by \$3 million this year. The NPS hopes funds from entrance fees—doubled to \$20 per car this year—will stave off more campground closures and other forced economies. But the park's \$600 million backlog in infrastructure repair and construction is now visible in everything from gaping potholes to rangers housed in World War II trailers.

Penury has closed down Yellowstone's

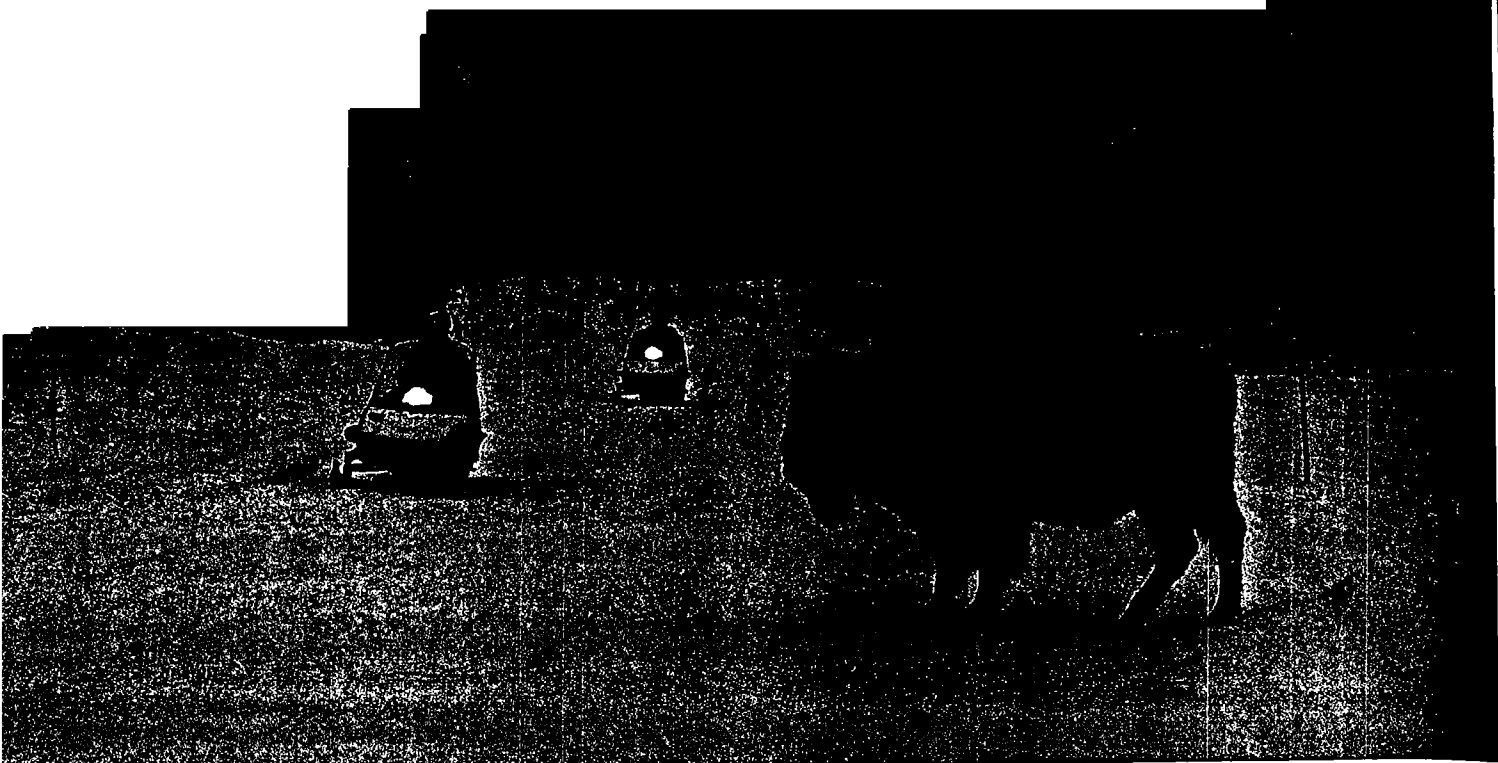
Conservation Data Center, leaving it unable to track the condition of vegetation and wildlife. Monitoring of geothermal features has also ended. A decade ago, the park had 11 scientists and a \$4 million research program. Today, both scientists and budget are gone, leaving resource chief Varley pessimistic about controlling the invasions of damaging exotic species. Voracious lake trout, for example, threaten to wipe out native cutthroat trout, a vital seasonal sustenance for grizzlies, bald eagles, and white pelicans.

Catalog of ills. Coast to coast, many other parks are, like Yellowstone, being slowly strangled by development and degraded by forces largely beyond their control. A major new airport is planned near Everglades and Biscayne national parks. Ground-level ozone exceeds federal and state health standards in Maine's Acadia National Park. Proposed development 5 miles from the Grand Canyon's south rim includes 5,000 hotel rooms, 450,000 square feet of retail space, and 2,600 homes. In New Mexico, where Petroglyph National Monument protects Native American religious rock art dating to 1000 B.C., a proposed six-lane highway that would carry 24,000 vehicles a day threatens to destroy the park's integrity.

Great Smoky Mountains National Park, straddling the Tennessee-North Carolina border, is the country's most popular big park—and is arguably in the worst shape. Last year, more than 9 million visitors clogged the main road. For some, Great Smoky was their principal destination. Others were drawn by the attractions surrounding it. At the park's north entrance are Dolly Parton's Dollywood theme park and the booming vacation mecca of Gatlinburg, Tenn. Outside the south entrance, a new \$82 million Harrah's casino, scheduled to open in November on the Cherokee Indian reservation, is expected to draw up to 4 million gamblers annually. Park officials worry that this will turn the serpentine, two-lane park road into a bumper-to-bumper parking lot filled with choking exhaust fumes and angry drivers.

From the summit of Clingman's Dome—on top of Old Smoky—visitors gaze over a ravaged vista: a forest of dead trees, the result of an invasion by a tiny European insect pest. On many days tourists stare through a thick brown haze produced by factories and power plants: Summer visibility has been reduced from 65 miles to 12. Today, Great Smoky is just that—an experience more akin to visiting a polluted industrial landscape than the pristine wilderness it once was.

Elsewhere, the snarl and whine of snowmobiles, personal watercraft like



JIM BRANDENBURG—MINDEN PICTURES

Jet-Skis, all-terrain vehicles, and sight-seeing overflights are destroying the solitude and marring the scenic beauty in dozens of parks. In wintertime, as many as 1,000 snowmobiles a day roar into Yellowstone, spewing nitrous oxide and hydrocarbons equivalent to the tailpipe emissions of 1.7 million cars. At the Grand Canyon, 800,000 of the park's 4.5 million visitors last year viewed the chasm by plane or by helicopter. The result was a droning mantle of noise over a park whose views are already degraded by industrial haze, and whose parking lots and roads are gridlocked through most of the summer. The NPS hierarchy could ban or restrict most noisy intruders, and it could pressure the Federal Aviation Administration to restrict flights, but it has chosen not to fight the economic interests driving such industrial recreation.

Yellowed and torn. For the parks to protect cultural and historical assets, on the other hand, the solution is usually just a matter of money—but that is in short supply. Nowhere is the effect more visible than at Gettysburg National Military Park in Pennsylvania, home to the park service's largest collection of Civil War memorabilia. On a typical day this spring, 16 Mathew Brady prints of battlefield carnage were spread on a desk to dry. Warped and stained, they had been soaked by rain leaking through a roof in the archives building. The prints are

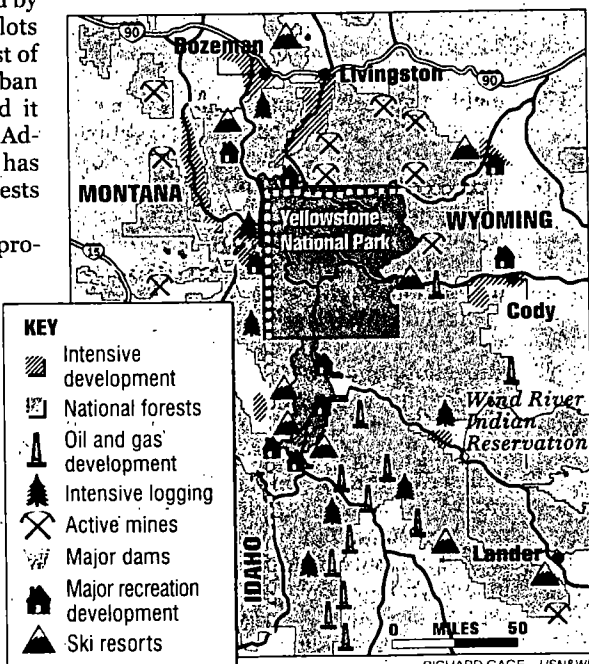
DO THEY BELONG? On some days, snowmobile emissions in Yellowstone leave parts of the park more polluted than downtown Denver. Below, Yellowstone is besieged by mining, logging, and resorts.

among 350,000 photographs, maps, military orders, battle reports, letters, newspaper clippings, and other records at the archives. Many are yellowed, fading, or torn. None are cataloged, and all are vulnerable. The documentary history of the

Civil War's bloodiest and most important battle is housed in the park's maintenance complex in a storage room that has no sprinkler system, no humidity controls, and little security. Gettysburg's artifact collection is no better off. Crammed into a catacomb of cinder block rooms with no temperature controls, a \$25 million trove of flags, banners, uniforms, swords, pistols, long guns, and other items is beginning to tatter, mildew, and rust.

Few if any of the park's annual 1.7 million visitors see these problems; other damage cannot be concealed. The famed 1884 cyclorama of Pickett's Charge, painted on a football-field-size canvas, is rippling and fading. The park's more than 400 cannon are rusting. Many of the 1,300 stone and metal monuments are crumbling and corroding; a few are closed to visitors. Atop Cemetery Ridge, where President Abraham Lincoln delivered the Gettysburg Address, a marble obelisk points skyward. Pitted by acid rain, its chiseled inscription to a Union artillery unit is illegible. Laments curator Michael Vice: "We have a major failing of the infrastructure, and we can only respond to crises."

Virtually all the park system's roughly 250 cultural and historical units are suffering some deterioration. At Colorado's Mesa Verde National Park, rising damp



RICHARD GAGE—USN&WR



CHARLIE ARCHAMBAULT FOR USN&WR (2)

and eroding mortar are causing walls and foundations to collapse and roofs to sag, slowly destroying many of its 585 pre-Columbian cliff dwellings. In New Mexico, nine structures at Chaco Culture National Historical Park—including the 35-foot tall ancient Indian great house—are collapsing. Wooden ships anchored at San Francisco Maritime National Historical Park are rotting. Thousands of wax cylinder recordings at New Jersey's Thomas Edison National Historical Site are cracking and crumbling.

More visitors, less money. Many of the parks' operating problems can be traced ultimately to Congress, which has been steadily cutting the system's budget even while dictating the creation of new parks. Annual appropriations since 1977 have doubled to this year's nearly \$1.6 billion. But since 1983, they have actually declined by \$202 million in constant dollar terms. Over the same 20-year period, visits to national parks have increased by 55 million to last year's 265.7 million, and 79 new park units have been added.

New parks are frequently championed by members of Congress, who override agency funding priorities in favor of parochial economic development projects. Parks pump \$10 billion annually into local communities, and lawmakers line up at the "park barrel" to establish units in their home districts. Many of these new parks are unwanted by the NPS because of their marginal value and the drain on the budget—especially when Congress fails to

DISHONORED LEGACY. Opposing Gens. Robert E. Lee and George G. Meade might turn over in their graves if they knew the pathetic state of preservation at the site of their epic Civil War battle at Gettysburg.

provide adequate funds to operate them.

The new Boston Harbor Islands National Recreation Area, for example, a potential \$40 million project called unnecessary and too expensive by the park service, was rammed through Congress by



the Massachusetts delegation as a farewell tribute to retiring Rep. Gerry Studds. Pennsylvania's \$66 million Steamtown National Historic Site, a collection of second-rate locomotives and rolling stock, was touted to attract up to 500,000 visitors a year and revitalize rust belt Scranton. Last year, 200,000 tourists visited Steamtown, but only 60,000 paid to see the museum displays. America's Industrial Heritage Project, also in Pennsylvania, features old factories, railroad artifacts, hiking trails, and a flood museum that have already cost taxpayers \$60 million. The project will cost even more if Congress adds it to the park inventory.

The park service has accumulated a \$5.6 billion deficit for construction and maintenance, \$2 billion for protection of resources, and \$1.5 billion for land acquisition. Congress's response to this \$9.1 billion shortfall was to appropriate \$199 million this year. "The parks are like a patient in chronic condition that will only respond to expensive miracle drugs," says Laura Loomis of the National Parks and Conservation Association. "Congress is the HMO administrator that doesn't want to cover the bill."

Ranger Rick. Part of the park service's plight is its own fault, reflecting the personality of an agency that traces its roots to the U.S. Cavalry. The quasi-military, ranger-focused culture has served visitors well but has failed to encompass long-term preservation or imaginative planning. "The leadership has become very

SCIENCE VOID

Invaders: Register at park entrance

Monuments may be crumbling and development encroaching on the wilderness, but the ultimate threat to the national parks is lack of knowledge: Scientific research has been severely crimped by budget cuts. "We have been very successful providing a good experience and good facilities for visitors," says National Park Service Associate Director Michael Soukup. "At the same time, we have neglected the science that's vital to protect our natural and historical resources."

The agency has never had a strong research agenda, but it has lost 168 of its 1,000 scientists in the past three years. Without an aggressive program to monitor natural and historical assets, it's hard to detect problems early enough. By the time conditions reach true crisis—dry rot in ancient timbers, the invasion of fragile ecosystems by exotic plants or critters—the remedy is often too expensive or comes too late.

At Hawaii Volcanoes National Park, for example, park employees discovered a single fire tree in 1961. Five years later, the fast-spreading exotic from the Azores covered 50 acres. Today, 37,000



Jackson's chameleon, a Hawaiian park intruder

park acres have been invaded by the towering trees, whose large canopies shade out native species.

Nationwide, 269 parks have significant natural resources. Of these, only 86 possess comprehensive data on their plants and wildlife. Only 130 have de-

tailed topographical maps of their open lands, 65 have water quality reports, and 142 have soil maps. Montana's Glacier National Park knows little of its glaciers, and Alaska's Denali knows little of its abundant wildlife. At Yosemite, the last comprehensive mammal survey was completed in 1920.

The challenge of protecting cultural assets can be measured by their sheer volume: The park system has an estimated 1.5 million archaeological sites, 34 million museum objects, and archival and manuscript collections that would stretch 4 miles. Only half the museum items have been cataloged; only a third of the archives have been inventoried. About 35 percent of the museum collections on display do not meet professional standards, and roughly 55 percent of the

system's historic and prehistoric structures are in less than good condition. This last number would be lower if staff shortages did not keep many park artisans busy performing routine maintenance on visitor facilities, instead of skilled restoration. —M.S.

tired, conventional, and unwilling to take risks," says George Frampton, who recently stepped down as the Interior Department's assistant director in charge of parks. "It's a good old boy network with a go-along-to-get-along mentality," Paul Pritchard, until recently head of the NPCA parks lobby, blames a recent string of ineffective NPS directors appointed, he says, for political connections rather than park savvy. Says Pritchard: "Money is short, but equally important is the broad intellectual deficit and the lack of strong leadership."

With budgets flat, needs rising, and crises erupting with the regularity of Old Faithful, NPS officials are scrambling to find new revenue sources. They have increased entrance fees at nearly 100 parks and cut more profitable deals with concession owners. Public-private partnerships for low-profile commercial sponsorship of parks are being explored, along with park revenue bonds that would work much like U.S. savings bonds. These initiatives may raise a few hundred million

dollars, but they won't be enough to stem or reverse the system's downward trend.

The irony of the parks' decline is that most people who visit them have a wonderful time. In a recent *Consumer Reports* reader survey, 93 percent of those polled said their trip to natural areas "mostly" or "completely" lived up to expectations, and 95 percent rated park personnel as "good" or "excellent." But tourists may not feel that way for long if park service projections are any indication. In 1963, there were 100 million visits to national parks. By 1976, that figure had doubled. Officials expect visits to total 271 million this year, and the millennium is expected to draw 340 million tourists. In 2010—a little more than a decade from now—the park service expects a half-billion visitors.

As a result, future visits to the big parks are likely to be a far different experience from today's spontaneous, freewheeling excursions. Popular destinations will require entrance reservations months in advance, and they will cost more. Certain hiking trails and interpretive programs

will need reservations and perhaps fees. Visitors will have to pay to be bused into parks that will be noisier, dirtier, and more crowded and have fewer visitor facilities. "Right now, we're holding things together with string and baling wire," warns NPS Acting Director Denis Galvin. "It's pay now, or pay later, and the longer we wait, the worse things will become."

The national parks—from Yellowstone and Gettysburg to Mesa Verde and beyond—are often described as America's alternative to Europe's grand cultural treasures, inviting an obvious comparison of priorities. Would Great Britain let Westminster Abbey fall into neglect? Would France abandon a crumbling Versailles? Would Italy sacrifice Florence to help balance the national budget? The responsibility for restoring the luster to America's crown jewels lies in the hands of a complacent public, and the Congress it elects. ■

For more information, see *U.S. News Online* at <http://www.usnews.com> on the Internet.

come congressional aides or even run for political office. To date, however, no evidence has publicly emerged of either outcome. Fong compared suggestions of Chinese-American disloyalty to the racist thinking that led to the internment of Japanese-Americans in World War II.

China's efforts to influence the political system, whether legal or illegal, were probably not unique. The FBI agents are looking to see if the governments of Taiwan, Korea, India, and others tried to influence the American elections by illegally laundering money into campaigns. Last year, a Maryland political activist, Lalit Gadhia, admitted to using Indian-American donors to launder \$46,000 given by an Indian Embassy official. Gadhia was sentenced to three months in prison.

Even if the amount of illegal money was small, the principle wasn't. It's improper for a foreign government to muck around in American elections, no matter how ineffectively. But so far, in severity, the alleged Chinese plot pales, compared with the compromises domestic political parties apparently made in their frenzy to raise money. ■

With Kent Jenkins Jr.

Multicultural foreign policy in Washington

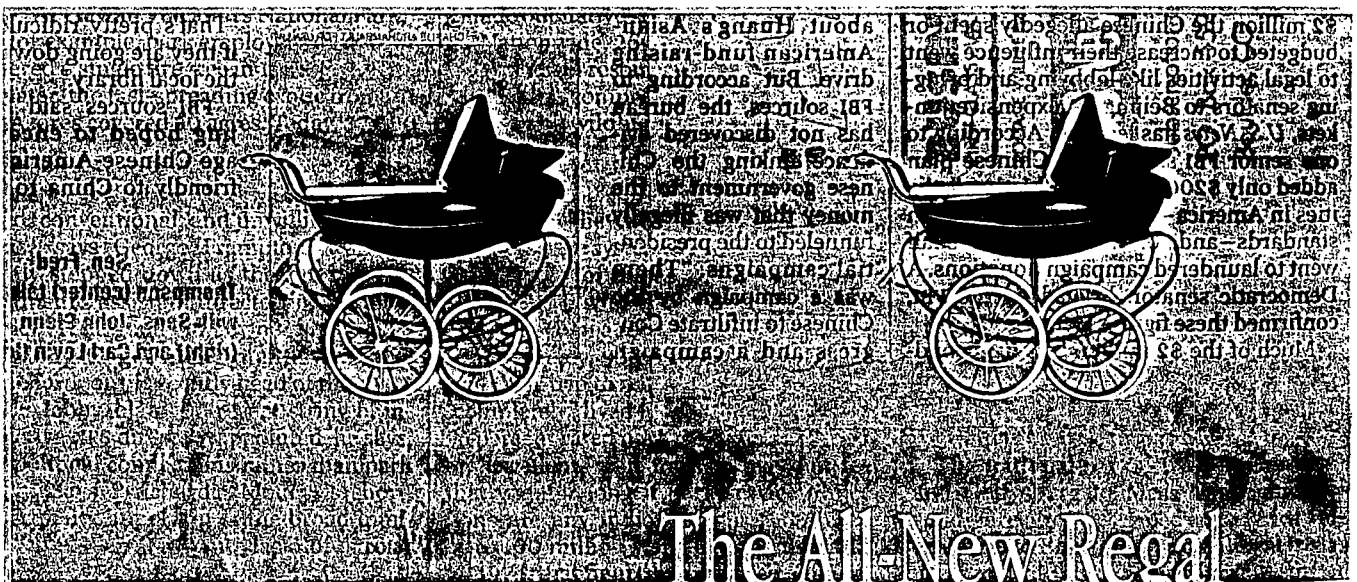
The ship of state is more likely to be tugged by U.S. ethnic groups than by foreign money

BY PAUL GLASTRIS

Around the time that Sen. Fred Thompson was evoking the creepy specter of "foreign influence" on America, the prime minister of Canada was in Madrid offering a different theory on how U.S. foreign policy gets manipulated. In private remarks that were picked up by a nearby microphone at last week's North Atlantic Treaty Organization conference, Jean Chrétien grumbled to European leaders that Bill Clinton's efforts to bring the Baltic States into NATO in 1999 had "nothing to do with world security. It's because in

Chicago, Mayor [Richard] Daley controls lots of votes for the [Democratic presidential] nomination."

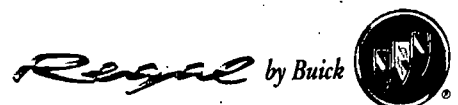
While there were certainly factors affecting policy other than the presence of Lithuanians in Chicago, Chrétien had hit on a point neglected in the current focus on foreign campaign money. Even if these hearings were to lead Congress to tighten laws governing foreign influence, that wouldn't diminish the impact of some of the most effective advocates for foreign governments: the ethnic compatriots and their descendants who have immigrated into the United States. In an era of increased immigrant flow, ethnic



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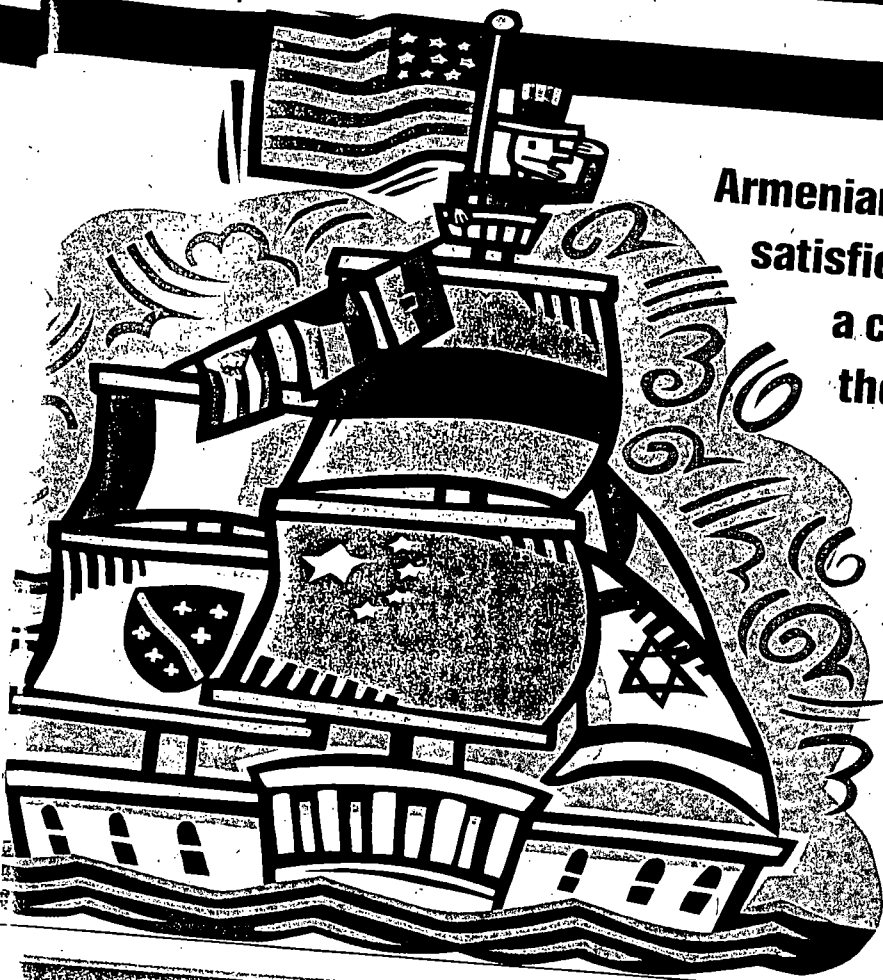
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Armenian-Americans used to be satisfied just getting an intern in a congressional office. Now they shape foreign policy.



lobbying is a growing political force. Like immigration itself, ethnic lobbying is as American as apple pie (and sushi and corned beef and spanakopita). Ethnic groups have pressured the U.S. government to favor various nations of origin throughout history, with mixed results. German- and Irish-Americans pushed hard to keep the United States from supporting England during World War I, sparking President Woodrow Wilson to accuse these "hyphenated" Americans of disloyalty. Later, American Jewish and Greek-American organizations had more success in shaping U.S. policy toward the Middle East and Turkey.

What's different today is chiefly a matter of scale. Efforts by ethnic groups to influence U.S. foreign policy have reached "a



historic high-water mark," argues Tufts University political scientist Tony Smith, who is writing a book on the subject. One reason is that recent immigrant groups, particularly Asians, are learning to play the same fund-raising and lobbying games that more established ethnic groups do. Another is that the cold war has ended. Foreign-policy decisions once made strictly for geostrategic reasons (Will this policy help or hurt the Soviet empire?) are increasingly being complicated by narrower considerations, including the demands of domestic ethnic groups (How will this policy play with African-Americans, Pakistani-Americans, or Polish-Americans?). Sometimes such groups coordinate their lobbying with governments or political parties in their ancestral homelands. Even when they don't, they typically operate with a perfectly understandable sympathy for the welfare of those who live in such countries.

An Albanian liaison. Examples abound of the growth of ethnic lobbying. The invasion of Haiti was mounted after heavy pressure from African-American leaders, who argued that democracy was as important for blacks in the Caribbean as for whites in Eastern Europe. These black leaders acted as emissaries between the White House and then exiled Haitian President Jean-Bertrand Aristide. The Clinton administration became engaged in and helped jump-start the Northern Ireland peace process—which has lately fallen apart—largely to please Irish-American groups and politicians. Many of them coordinate their strategies with politicians and groups in Northern Ireland, including Sinn Féin, the political arm of the Irish Republican Army. The Mexican government coordinated with Mexican-American groups to drum up support for the North American Free Trade Agreement.

The growth of ethnic politicking is illustrated by the number of congressional caucuses (informal issue groups) devoted to ethnic interests. In 1987 there were six; today there are 15. In addition to the old-line black and Hispanic caucuses, there is now a Congressional Caucus on India and Indian-Americans, a Caucus on Armenian Issues, and a Portuguese-American Caucus, which is engaged in such vital matters as "raising congressional awareness" of the Expo '98 world's fair in Lisbon.

Another measure is the growing diver-

The Clinton campaign even designated a staffer for outreach to Albanian-Americans.



sity of ethnic campaign contributions. During the last election cycle, the Democratic National Committee set up formal steering committees to tap contributions not only from Asian-Americans but also from Poles, Greeks, Irish, Lithuanians, Hungarians, and Croatians. Even Albanians had their own designated ethnic outreach coordinator on the Clinton-Gore campaign. By contrast, in 1988 the DNC focused mainly on getting money out of Jewish groups and Greek-Americans, interest in the latter stemming from the ethnicity of presidential candidate Michael Dukakis. In 1988 there were 20 ethnic-oriented political action committees listed in the Almanac of Federal PACS; last year, there were 51.

There are always lawmakers available

to defend various exotic ethnic causes—ten lawmakers with few ethnic constituents back home. For example, you'd have a hard time scaring up a decent plate of tandoori chicken in South Dakota. Yet Indian-Americans were major contributors. Sen. Larry Pressler, Republican of South Dakota and author of an amendment banning U.S. military aid to India's enemy Pakistan. Pakistani-Americans became big donors to the Democrat who unseated Pressler last year, Sen. Tim Wirth.

The most conspicuous category of newly empowered ethnic groups is the called white ethnics of Eastern and Central European descent—Ukrainians, Hungarians, Balts, Armenians, Croats and so on. These groups aren't new to America's shores, nor to Washington.

ways. But the fall of communism has stimulated their activity and often given them power they never enjoyed before.

Armenian-Americans first opened a Washington lobbying office in 1973. But back then there wasn't much to lobby for. Armenia wasn't even a country; it was a tiny Soviet Republic, wholly subservient to Moscow, whose fate Washington could not directly affect. "We considered it a big deal when we placed an Armenian-American intern in a congressman's office," recalls Ross Vartian, the longtime executive director of the Armenian Assembly of America. Things began to change in 1988, when a devastating earthquake hit Armenia. Money for the victims poured in from Armenian-Americans, much of it funneled through the Armenian Assembly,

and at the assembly's behest, Congress locks in that aid with budgetary "earmarks," requiring that money be used for favored projects, despite the Clinton administration's opposition. Congress has also banned U.S. aid to the government of Azerbaijan until that country drops its trade embargo against Armenia. The administration argues that the aid ban impedes the U.S. relationship with oil-rich Azerbaijan. The Armenian lobby counters that the embargo is a major obstacle to peace in the region. In any event, Azerbaijan is at a disadvantage because, as its ambassador to the United States, Hafiz Pashayev says, "We don't have an American diaspora."

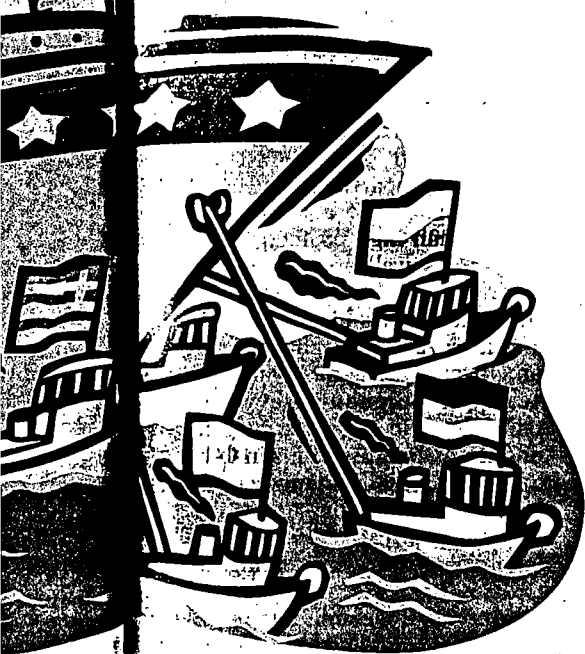
Irritations. As the volume of ethnic lobbying goes up, both its good and bad effects become more evident. The apparent success of the Haiti invasion shows the best face of ethnic lobbying: Thanks in part to domestic ethnic pressure, the United States helped desperate people restore some measure of democracy, against the advice of the State Department and the Pentagon.

The impact of Cuban-Americans arguably demonstrates the other extreme—policy that elevates the interest of a fac-

tion over the larger strategic factors. During the last election campaign, Clinton, eager for Cuban votes in electoral-rich Florida, signed the Helms-Burton Act, which penalizes foreign firms that trade with Cuba, despite objections from key American allies. Ironically, the Cuban-American lobby has become more powerful domestically in part because Cuba has become less powerful internationally. Impoverished and without Soviet backing, Cuba is no longer a hemispheric threat and so, "it's easy to surrender to the Cuban-American lobby," notes Dario Moreno of Florida International University.

Yet for all the headaches they cause, ethnic lobbies have come to be seen by some members of the U.S. foreign policy establishment as occasionally useful players. "It used to irritate the hell out of us," says Lawrence Eagleburger, secretary of state in the waning days of the Bush administration. "But it did remind us that this is a democracy and that you must be able to explain your policy to the American people."

With Kevin Whitelaw, Bruce Auster, and Barbra Murray



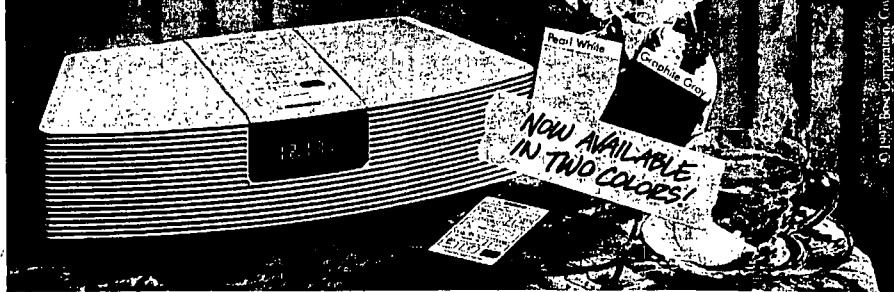
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which opened the first Western aid office in Armenia. Then the Soviet Union collapsed, Armenia declared independence, and a civil war broke out between the government of neighboring Azerbaijan and its Armenian-ethnic enclave of Nagorno-Karabakh. As the United States got more involved in Armenia—opening an embassy, mediating the civil war—the Armenian Assembly got more involved in Washington; more than tripling its staff from five to 18 and beefing up its grassroots organizing.

Today, from its fashionable suite of offices near Capitol Hill, the Armenian Assembly holds tremendous sway over U.S. policy toward Armenia, much to the consternation of the Clinton administration. Armenia is the fourth-highest of per capi-

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