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Folder Title:
CEA (Council of Economic Advisors) - Janet Yellen [1]

Stack:	Row:	Section:	Shelf:	Position:
S	18	5	5	1

CEA
JANET L. YELLEN

CEA - JANET L. YELLEN

Sarbanes (MD)

Exp @ Fed

Involvement of Residents of Significant Entities

- 6.7 national unemployment rate - Pres on Board

Education, Healthcare - similar to managed care
widespread

Frankel, Jeff

Replaced on Fed (minutes)

Rep B

Economic future

SS → full employment now
Stock market

Bennett

growth - believe in growth even in a mature economy
tax increase, chapter 5 corp.)

K-1 tax form

Tax burden in US vs other countries
fed, state, healthcare

~~Faircloth~~

Treasury/Postal

Consumer debt - credit cards

Bankruptcy law - tightening laws?

~~Comm & Control~~ Environmental regulators

emissions - most efficient way of doing it.

CEQ

tradable permits?

Jim

###

Empr (WY)

* BBA

Judge's

economic shocks

Fed- anti-inflationary

CPI

* Minimum Wage - cost associated w/ $\Rightarrow$ size of effect.

(Student work program) (-)

Long Term effect of Fed rates on economy
growth, low inflation
full employment

Int'l Trade Deficit

Balancing Budget

Consumer Debt

credit card

Bankruptcies rising

Cap Gains
Estate Tax
Supers
fiscal policy

Cardell (Shelby)

Shrinking Debt
exclude Military

Mack

potential growth rate - change w/ productivity - education training
investment in capital - BB

R&D

world markets - free trade

CPI

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Divider Title: _____

CEA Nomination

*Chairman: Janet L. Yellen

WH Legislative Affairs	Andy Blocker	456-6620	112 EW
CEA	Michele Jolin	395-5084	320 OEOB
NEC	Gene Sperling	456-2620	2FL/WW
Counsel's Office	Peter Erichsen	456-7901	125 OEOB
	Kathy Whalen	456-7901	136 OEOB
	Chip Sgrow	456-7026	143 OEOB
Women's Office	Betsy Myers	456-7300	708 Jackson

Senate Committee on Banking, Housing & Urban Affairs

Republicans

Alfonse M. D'Amato (NY), chairman
Phil Gramm (TX)
Richard C. Shelby (AL)
Connie Mack (FL)
Lauch Faircloth (NC)
Robert F. Bennett (UT)
Rod Grams (MN)
Wayne Allard (CO)
Mike Enzi (WY)
Chuck Hagel (NE)

Democrats

Paul S. Sarbanes (MD), ranking
Christopher J. Dodd (CT)
John Kerry (MA)
Richard H. Bryan (NV)
Barbara Boxer (CA)
Carol Moseley-Braun (IL)
Tim Johnson (SD)
Jack Reed (RI)

Staff

Joe Kolinski	SD-545	224-3043	Martin Gruenberg	SD-544	224-1564
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*FBI Clearance/ Background Investigation (BI); (Monday, January 6)

*Office of Government Ethics/ Financial Disclosure (278)

*Formal Nomination (Staff Secretary)

*Hearing Date (TBD)

*Banking Committee Statement for Completion by Presidential Nominee; (Monday, January 6)

*Courtesy Calls with Members of the Committee (CEA)

*Meeting with Committee Staff (WH Leg)

*Briefing Books (CEA/WH Leg)

*Schedule thru February (CEA)

*Review Transcript for past CEA Hearings (CEA/WH Leg)

*Review Transcript for Yellen Federal Reserve Board Hearing (CEA/WH Leg)

*Mock Hearings (CEA/WH Leg/NEC)

*Talking Points (CEA/WH Leg)

Rev.1-29-97

Janet Yellen
Courtesy Appointments with Members of the
Senate Banking Committee

Thursday, January 16:

10:00 am Senator Mike Enzi (R-WY)
 116 Hart
 poc: Jonathan
 224-3424
 fax 228-0359

11:45 am Sention Paul Sarbanes (MD)(Ranking Minority Mbr)
 309 Hart
 poc: Elise
 224-4524
 fax 228-2585

Tuesday, January 21:

4:30 pm Senator Chuck Hagel (R-NE)
 Dirksen Basement 40, Suite 3
 poc: Leslie
 224-4224
 fax: 224-5213

Wednesday, January 22:

1:00 pm Senator Jack Reed (D-RI)
 339 Russell
 poc: RoseAnne
 224-4642
 fax 224-4680

3:15 pm Senator Barbara Boxer (D-CA)
 112 Hart
 poc: Stephanie
 224-9178
 fax 228-4056

Thursday, January 23:

2:00 pm (Tent) Senator Wayne Allard (R-CO)
716 Hart
poc: Wendy
224-5941
fax 224-6471

3:00 pm Senator Richard Shelby (R-AL)
110 Hart
poc: Ann
224-5744
fax 224-3416

Monday, January 27:

3:30 pm Senator Richard Bryan (D-NV)
364 Russell
poc: Carrie
224-6244

Wednesday, January 29:

2:15 pm Senator Robert Bennett (R-UT)
431 Dirksen
224-5444
fax 224-4908

3:00 pm Senator Lauch Faircloth (R-NC)
317 Hart
poc: Allison
224-3154
fax 224-7406

4:00 pm Senator Connie Mack (R-FL)
517 Hart
224-5274

Thursday, January 30:

3:30 pm Senator Tim Johnson (D-SD)
 528 Hart
 poc: Cindy
 224-5842
 fax 228-0368

Monday, February 3:

3:30 pm Senator Rodney Grams (R-MN)
 261 Dirksen
 poc: Cindy
 224-3244
 fax 228-1098

STATUS OF OTHER CALLS:

Senator D'Amato:

Called and left messages on 1-7-97, 1-10-97
Faxed written request to Lecia Corrisarro 1-21 (unsolicited)
Called again 1-24 and left message w/Loric

Senator Moseley-Braun

Called and left message on 1-7
Faxed written request on 1-14 (unsolicited)
Called again 1-17 and 1-21

Senator Dodd

Called 1-7 and 1-17
Faxed written request 1-17

Senator John Kerry "supports her doesn't need to take up her time with a courtesy appointment--
thank you anyway"

Senator Phil Gramm (R-TX) per Joyce "an appointment is not necessary"

To: Michele Jolin

From: Andy Blocker

Date: 1-15-97

Re: CEA Confirmation Issues for Janet L. Yellen
Meeting with Mike Enzi

If she has not already been briefed, please make sure she is familiar with the following area.
Thanks.

1. All of the President's tax proposals.
2. Last year's Small Business Job Protection Act, P.L. 104-188.
3. The President's balanced budget proposal.

Tim Johnson, D-S.D.

Election: Defeated Sen. Larry Pressler, R
Born: Dec. 28, 1946; Canton, S.D.
Home: Vermillion
Occupation: Public official
Family: Wife, Barbara; three children
Religion: Lutheran
Highest Degree: J.D., U. of S.D.
Last Elected Office: U.S. House, 1987-present



Johnson comes to the Senate in a unique position relative to other freshmen who have served in the House: He already is familiar with his entire state's needs as its lone representative and has an instant powerful ally in Tom Daschle, South Dakota's other senator and the chamber's top Democrat.

Although Johnson had long been considered the most likely Democrat to defeat a Republican incumbent this fall, his path to victory was anything but assured. He waged a hard-fought, closely contested battle against Pressler in which he found himself the target of relentless televised attacks branding him a "liberal."

Johnson responded by characterizing Pressler as out of touch and captive to special interests. As an example, he seized upon recent news accounts disclosing that Pressler spent hundreds of thousands of dollars on travel, meals and lodging without fully accounting for their connection to his campaign.

He also countered Pressler's attacks by describing himself as neither liberal nor conservative, but as a "solid" lawmaker devoted to agricultural matters and other issues important to his rural constituency.

With a cerebral, low-key manner, Johnson usually has been a reliable Democratic vote in the House but has had a more moderate record than Daschle.

Since his election to the House in 1986, Johnson has been a tenacious advocate for his state's farms, water projects, bridges and roads.

He will join Daschle in a variety of agriculture-related causes that are important to farm-state senators of both parties, such as the protection of the ethanol industry.

In the 103rd Congress, Johnson assumed the chairmanship of the Agriculture Committee's Subcommittee on Environment, Credit and Rural Development. Much of his work there centered on overhauling the federally backed crop insurance program that he successfully managed despite criticisms over how it would be financed.

A critic of the farm law enacted during the 104th Congress, Johnson voiced concerns about the effect it may have on farmers in drought years. He did play a leading role in the effort to change the contentious "swampbuster" program, which penalized farmers who violated wetlands regulations while receiving government subsidies.

Johnson also is expected to be active on matters involving senior citizens, an important constituency in South Dakota. He sponsored legislation in the House that would have penalized companies found to charge excessive prices for prescription drugs and has vowed to continue working on the issue.

During his campaign, Johnson touted his efforts to protect Social Security from across-the-board cuts and his support of proposals to reduce or eliminate financial penalties imposed on senior citizens who work during their retirement years.

Like Daschle, Johnson has become outspoken on campaign finance reform, calling for a constitutional amendment that would give Congress the power to impose spending limits on campaigns.

Mike Enzi, R-Wyo.

Election: Defeated Kathy Karpan, D. Succeeds Alan K. Simpson, R
Born: Feb. 1, 1944; Bremerton, Wash.
Home: Gillette
Occupation: Oil servicing company accounting manager; shoe store owner
Family: Wife, Diana; three children
Religion: Presbyterian
Highest Degree: M.B.A., U. of Denver
Last Elected Office: Wyo. Senate, 1991-present



He is not charismatic and, until recently, he was a relatively obscure state politician. Such campaign handicaps make Enzi's defeat of better-known opponents in both his primary and general Senate elections all the more striking.

Friend and foe alike characterize Enzi as a deliberate and thorough backbencher in the Wyoming Legislature. He was never in the leadership there, though he rose to chair the Senate Revenue Committee. During his campaign, he proudly adopted someone else's assessment that he is a "workhorse not a show horse."

In the Wyoming Legislature, he preferred to speak from his desk at the back of the chamber, rather than address his colleagues from a podium at the front.

But Enzi was once a shoe salesman. He sold shoes in his parents' store beginning in seventh grade. After majoring in accounting in college and then getting a master's in retailing, he opened his own stores. His first of three "NZ Shoes" stores was in Gillette, an 18,000-person Wyoming town of which he became mayor at age 30.

Enzi apparently knows how to sell. The product he pitched across the state in his bid to replace retiring Republican Sen. Simpson was himself: a conservative abortion and gun control opponent who supports the mineral industry and more tax incentives for small business.

Wyoming voters bought it.

In his primary, Enzi beat John Barrasso, a popular doctor with a television show from Casper, one of the state's largest cities. In the general election, he knocked off Karpan, a well-known former secretary of state known as an effective campaigner.

Enzi, himself, has been a campaigner since second grade when his mother urged him to distribute Dwight D. Eisenhower pamphlets. As a high school student, he brought a tape recorder to a Barry Goldwater speech in Wyoming and later played it back for an all-school assembly.

His first experience as a politician came from a chat with Simpson after a Jaycee's meeting where Simpson spoke. Simpson urged him to run for mayor of Gillette; he won in 1975.

He was elected to the Wyoming House in 1986 and to the Senate five years later. He has drawn fire from some environmentalists for working as the accountant for a company that supplies parts to oil drilling companies and voting consistently with the mineral industry in the state legislature.

In the U.S. Senate, Enzi wants to stay involved with tax issues, particularly small-business tax incentives. He hopes for a slot on the Finance Committee but understands he does not have enough seniority to win one immediately.

Because of the mineral industry's importance to the state, two other natural panels for Enzi are Energy and Natural Resources, and Environment and Public Works. But his senior colleague Craig Thomas is on both.

Enzi may angle for the Commerce, Agriculture, Small Business and Banking panels instead.

He also vowed to continue his vigorous opposition to gun control.



Michael B. Enzi

Biographical Information

State: Wyoming

Birth Date/Place: February 1, 1944, Bremerton, Washington while his dad was serving in the Navy during WWII

Hobbies/Interests: Mike Enzi is a sports fan and he follows his children's extracurricular activities. He's an elder in his church and teaches Sunday School. He was a youth soccer coach. Mike enjoys hunting, fishing and reading.

Education: Mike Enzi graduated from Sheridan High School in 1962. He attended George Washington University where he received a B.S. in accounting in 1966 and completed his M.B.A. at Denver University in 1968.

Professional Experience: Mike Enzi has extensive small business experience. He owned and operated NZ Shoe stores in Sheridan and Gillette with wife Diana for more than 25 years. He was mayor of Gillette, WY at the age of 30, serving two terms. In 1986 he was elected to State House, served five years; served five following years in the Wyoming Senate. He was Wyoming Jaycees State President, President of the Wyoming Association of Municipalities and he served six years in the Wyoming National Guard. He was appointed by the Governor to the Education Commission of the States and appointed as a Commissioner to the Western Interstate Commission for Higher Education. He was on the founding board of directors and was later chairman of the board of First Wyoming Bank of Gillette (today's Key Bank). He has served on the board of Black Hills Corporation and as member of the Energy Council



Executive Committee. Mike worked as an accounting manager, computer programmer and safety trainer for Dunbar Well Service in Gillette before being elected to the United States Senate.

Family: Mike and Diana Enzi have been married for 27 years. Their oldest daughter Amy is 24 and is a junior high school English teacher. The Enzis' son Brad is 21, a senior at the University of Wyoming. The couple's youngest daughter, Emily, is 17 and is a senior at Campbell County High School.

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Last updated January 9, 1997

Senator Enzi's Legislative Information

Enzi priorities

- ☐ Tax relief for working families and making the tax system simpler and fairer
- ☐ Regulatory reform and tax relief for small businesses
- ☐ Balancing the federal budget
- ☐ Reducing the role of the federal government giving control back to the state, county and municipal governments, placing the power closer to and with the people who live by the rules that are made
- ☐ Promoting conservative family values

Committee Assignments

- ☐ Committee on Labor and Human Resources
- ☐ Committee on Banking, Housing, and Urban Affairs
- ☐ Committee on Small Business
- ☐ Special Committee on Aging (Subcommittee positions yet to be determined)

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MICHAEL ENZI
WYOMING
SENATOR ELECT

United States Senate
Washington, DC 20510

News Release

Date: Monday, Dec. 17, 1996

Contact: Coy Knobel, phone 202-224-4748

Enzi captures small business committee spot
Senator also earns place on Senate Special Aging Committee



Washington D.C.--Cutting red tape and tax relief for workers involved in small business are at the top of the list for the U.S. Senate Small Business Committee and U.S. Senator Mike Enzi will be able to help lead in the effort thanks to earning a spot on that committee.

"Reducing regulation and providing tax relief for small businesses is vital to Wyoming. Ninety percent of our state's businesses are small businesses," said Enzi. "These are two of my highest priorities and what I talked about during the campaign. I'm elated that I am in a strategic position to act. The Small Business Committee is the prime committee I wanted to be on." As Enzi traveled Wyoming during the campaign he listened to the examples of "nonsense" small business laws that he believes need to be changed.

"A business where the owner is the only employee is still required to do 'surprise' drug tests on his or herself. This includes being the observer and the person who has to fire themselves if they fail the drug test," said Enzi. "I'm looking forward to scrutinizing and eliminating nonsensical rules and regulations, or at least working them over until they make sense. I collected lots of examples during my 44,000 miles of traveling during the campaign."

Enzi has also secured a spot on the Senate Special Aging Committee, which will concern itself, among other important issues, with the solvency of the entitlement programs of Medicare and Social Security. Enzi also looks forward to tackling Medicare and Social Security problems with his colleagues on the Special Aging Committee.



"Medicare will be insolvent by 2001 and by 2020 taxes and fund earnings will no longer be enough to sustain Social Security. We have to find ways of eliminating fraud and abuse of

the system and give people more freedom, responsibility and the means to provide for their own future, while still guaranteeing those in the system get out of it what they deserve," Enzi said.

Enzi believes his placement on the Small Business and Aging committees in addition to his committee assignments on Labor and Human Resources and Banking, Housing and Urban Affairs Committees, puts Wyoming in an advantageous position for the 105' and future Congresses. This is true "particularly in light of the committee coverage given to Wyoming when Senator Thomas and Representative Cubin are factored in."

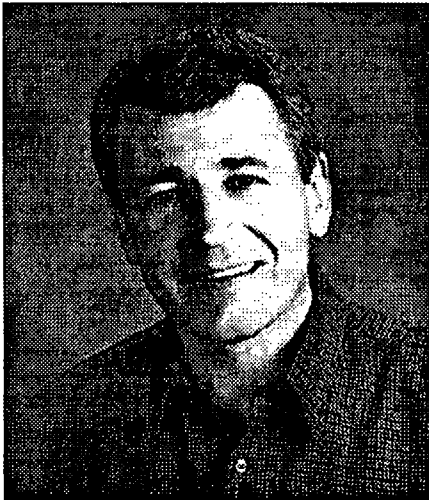
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Last updated January 9, 1997

Senators of the 105th Congress



Senator Charles Hagel

R - Nebraska

United States Senate
Washington, DC 20510-2705

Biography

Charles Hagel, Omaha, NE. Born October 4, 1946, North Platte, NE. BA, University of Nebraska, Omaha, 1971; Attended Brown Institute for Radio and Television, MN, 1966. President, McCarthy & Co, 1991-96 President/CEO, World USO, 1987-90 Founder/Director, Vanguard Cellular Systems Inc., 1980's Deputy Administrator, Veterans Administration, 1981-82, US Army, 1967-68. Omaha Chamber of Commerce, Board of Trustees, Bellevue University, Red Cross, Paralyzed Veterans of America Chair, 10th Anniversary Vietnam Veterans Memorial, Chair, No Greater Love, World USO, American Legion VFW. Married to Lilibet Ziller Hagel, 2 children.

Source: The United States Senate



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Last modified on: January 7, 1997

Susan Collins, R-Maine

Election: Defeated Joseph E. Brennan, D.
Succeeds William S. Cohen, R
Born: Dec. 7, 1952; Caribou, Maine
Home: Bangor
Occupation: Business center director
Family: Single
Religion: Roman Catholic
Highest Degree: B.A., St. Lawrence U.
Last Elected Office: None



Collins has realized the goal of many Hill staffers: She won her old boss' job.

Collins worked a dozen years for retiring Republican Sen. Cohen as an adviser on business issues.

With Collins' victory, Maine became the first state to elect two female Republicans to the Senate. Collins can be expected to join Olympia J. Snowe in the front ranks of moderate Republicans.

A candidate for governor in 1994, when she was outpolled by both Democrat Brennan and winning independent Angus King, Collins has never held elective office. Nevertheless, she has an extensive governmental portfolio.

In addition to working for Cohen and for an investigative Senate subcommittee, Collins spent a year as the New England regional administrator of the Small Business Administration.

She also worked for Maine Gov. John R. McKernan Jr. in the 1980s as commissioner of the Department of Professional and Financial Regulation. More recently, she directed the Center for Family Business at Bangor's Husson College.

She describes small-business protection and job creation as her top priorities. She promises to work to reduce estate taxes to make it easier for families to pass on their businesses.

Collins would also like to make it easier for Congress to repeal burdensome regulations and wants a seven-year expiration date put on regulations in general.

Collins supports a constitutional amendment to balance the federal budget and has come out in favor of a requirement for a supermajority vote in Congress to increase taxes. She also supports a constitutional amendment to limit congressional terms and promises to serve no more than two terms.

During the campaign, Senate Majority Leader Trent Lott, R-Miss., appeared in Maine to assure voters that he and Collins would work together to assure that Maine gets its share of federal shipbuilding contracts. Maine has had to compete with Mississippi in the past for some Navy contracts.

Like Snowe, Collins is a supporter of abortion rights, favoring federal funding of the procedure. She opposes a ban on so-called partial-birth abortions. She also opposes the death penalty and favors protections of gay rights, although she has said she would oppose gay rights legislation at the federal level.

Collins may be liberal about certain aspects of social policy, but she stands with conservatives in some areas. She favors repealing the ban on certain assault-style weapons, for instance, and she initially opposed the 90-cent increase in the minimum wage that was enacted this year.

Collins would also like to put an end to the five-day waiting period on handgun purchases mandated by the Brady law — a stricture unpopular with hunters and other Second Amendment enthusiasts in Maine. She opposes cuts in Head Start and federal job training programs, but remains unsure as to whether she would support an increase in funding levels for these programs.

Collins is also in line with the mainstream of her party in supporting the elimination of the Department of Education; however, she would insist on maintaining student loans.

Chuck Hagel, R-Neb.

Election: Defeated Ben Nelson, D. Succeeds
Jim Exon, D
Born: Oct. 4, 1946; North Platte, Neb.
Home: Omaha
Occupation: Investment bank executive
Family: Wife, Lilibet; two children
Religion: Episcopalian
Highest Degree: B.A., U. of Neb.-Omaha
Last Elected Office: None



With a fervor worthy of Jack F. Kemp himself, Hagel campaigned on the sovereign argument that federal tax cuts would stimulate economic growth — which, he argued, would accomplish the many good things that direct government action was inherently incapable of achieving.

Propelled by that argument to a come-from-behind win over Democratic Gov. Ben Nelson, Hagel now returns to Washington, where he spent nearly two decades as a Republican political operative and a highly successful entrepreneur.

Before that first Washington stint, he spent a hellish year as an infantryman in Vietnam (1967-68), where he was gravely wounded twice, each time receiving the Purple Heart. He returned to Nebraska, worked as a bartender and radio newscaster and finished college. His Washington years began in mid-1971, with a six-year stint on the staff of Rep. John Y. McCollister, R-Neb., (1971-77) followed by four years as a corporate lobbyist, the last year of which he spent working on Ronald Reagan's 1980 presidential campaign.

Hagel became deputy administrator of the Veterans Administration — the highest-ranking Reagan administration job to go to a Vietnam vet. And he was a leading backer of the then-controversial Vietnam memorial in Washington.

In 1982, he resigned from the government because of disagreements with VA Administrator Robert P. Nimmo, a friend of Reagan's who was intent on cutting programs and who complained that veterans groups were too greedy.

Within months, Hagel entered the nascent cellular telephone business which, by early 1987, made him a wealthy man.

He spent two years at the helm of the United Service Organizations (USO) — a nonprofit organization providing assistance to military personnel — followed by two years running a consortium of companies set up to adapt business methods to government problem-solving. In 1992, he returned to Nebraska as president of an investment banking firm.

Three years later, when Jim Exon unexpectedly announced that he would not seek re-election, Hagel was largely a political unknown in his home state. But after a \$1.5 million campaign that ranks as the most expensive primary effort in the state's history, he wrested the GOP Senate nomination from state Attorney General Don Stenberg.

Hagel and Nelson each pitched their campaigns to Nebraskans' traditional low-tax, limited-government views. But Hagel offered the bolder plan. Besides endorsing GOP nominee Bob Dole's 15 percent tax cut, Hagel proposed a package of additional cuts including a phaseout of the capital gains tax, a \$500-per-child tax credit and the elimination of estate and gift taxes.

To pay for those revenue cuts, Hagel called for eliminating the departments of Energy, Education, Commerce, and Housing and Urban Development. He also called for a 25 percent cut in the budget of every regulatory agency.

Hagel endorsed a constitutional amendment requiring a balanced budget and one requiring a two-thirds majority in both chambers of Congress to raise taxes.

The son of two working-class parents, Reed stands in stark contrast to his predecessor, Claiborne Pell, one of the richest men in the Senate. While their backgrounds are different, both are classic liberals, meaning that Rhode Islanders should notice very little difference in their Democratic senator's voting record.

The difference may be more in style: Reed will replace the beloved six-term senator's gentlemanly demeanor of privilege with a cordial persona that is unlikely ever to lose touch with his less-than-privileged roots.

He also starts at the bottom of the seniority ladder with committee assignments. While Pell's interests were in foreign affairs — he was chairman and more recently ranking Democrat on the Foreign Relations Committee — Reed was assigned to the Banking, Housing and Urban Affairs, and Labor and Human Resources committees.

Reed's own Democratic credentials have been impeccable, sometimes bordering on populist. While serving in the House, he voted for President Clinton's 1993 package of spending cuts and tax increases, which passed without a Republican vote. Far from running away from the vote on the campaign trail, he said it proved that he, too, was fiscally responsible.

In 1995 and 1996, he weighed in on some of the biggest debates in the House. On the welfare bill, he tried and failed to ensure that block grants to the states would grow automatically when the national unemployment rate rose above 6 percent. He succeeded in amending the massive immigration bill of 1996 to include a provision that bars people who renounce their U.S. citizenship to avoid paying taxes from re-entering the country.

But his bedrock of support has always come from his background, service to his constituents, and his winning personality. "He's bright, he's decent and he's personable," said Norman Zucker, a political scientist at the University of Rhode Island.

"It's a very compelling personal story. It's worked for six years, and it could work for the next 36 years," said Darrell M. West, a Brown University political scientist. "We elect our senators for a very long time here."

Reed's father was a custodian, his mother a factory worker in South Providence. At his Catholic prep school, he was an overachieving, 124-pound defensive back who won admission to West Point in 1967. He later commanded a company of the Army's 82nd Airborne



**Jack
Reed**
D-R.I.

Born: Nov. 12, 1949, Providence, R.I.

Education: U.S. Military Academy, B.S. 1971; Harvard U., M.P.P. 1973, J.D. 1982.

Military Service: Army, 1967-79.

Occupation: Lawyer.

Family: Single.

Religion: Roman Catholic.

Political Career: R.I. Senate, 1985-91; U.S. House, 1991-97.

Division.

At 29, Reed left the Army for Harvard Law School. He took a job at Rhode Island's biggest corporate law firm and a year later was elected to the state Senate. In 1990, he emerged from a pack of Democratic hopefuls to upset Republican Gertrude M. "Trudy" Coxe, a well-known environmentalist, in the race for the House seat that GOP Rep. Claudine Schneider (1981-91) gave up in her unsuccessful race against Pell.

When Pell announced his retirement, Reed jumped into the race three weeks later. Reed had been well-liked personally, and the state is small enough to give its two representatives broad name recognition. He avoided a potentially contentious primary when Joseph Paolino Jr., a former Providence mayor and former U.S. ambassador to Malta, passed up the Senate race and ran for Reed's open House seat instead. Reed wound up with only token opposition in the primary.

The Republicans put up State Treasurer Nancy J. Mayer, a socially moderate, fiscally conservative candidate in

the mold of the state's senior senator, John H. Chafee, and the type of GOP candidates that traditionally do well in New England.

Mayer said she would bring the fiscal acumen she demonstrated at the state level to Washington and put it to work trying to eliminate the federal deficit and balance the budget.

Her campaign was plagued with problems from the beginning, however. Mayer managed to get the official party endorsement by only one vote over conservative businessman Thomas R. Post Jr., who unsuccessfully challenged Chafee two years earlier. The deciding vote was cast by the state party chairman, John A. Holmes Jr.

Though Mayer trounced Post and an even more conservative challenger, Theodore Leonard, in the primary, her campaign never caught on with voters. Reed got off to an early lead in the polls and stayed out in front throughout the campaign.

Reed stayed in the lead despite hundreds of thousands of dollars of negative advertising paid for by the National Republican Senatorial Committee trying to paint Reed as a tax-and-spend liberal. The commercials did not have the desired impact, in part because Reed has never been ashamed to be a loyal Democrat in a traditionally Democratic state. Attacks on his ties to labor unions also fell flat in heavily union Rhode Island.

In fact, he turned the commercials to his benefit during the first face-to-face debate between the two candidates. Mayer pledged to back an overhaul of the campaign finance system, and called for federal matching funds for small contributions. She also supported banning soft money, the unregulated contributions that both political parties used to run attack ads in the fall campaign. The NRSC efforts against Reed were funded with soft money contributions.

Reed countered that Mayer should have stopped the NRSC's advertising campaign against him if she believed soft money was wrong. "You could have taken a stand," he told her. "You could have stood up and said, 'This is wrong.'"

The Democrat also rode a strong backlash against what Rhode Islanders saw as the excesses of the Republican Congress, excesses that tarnished the centrist image of his GOP opponent. His advertising implied that Mayer would not serve as a bulwark against the Republican revolution. Mayer's moderation was not enough to insulate her from the backlash.

RHODE ISLAND

2 Jack Reed (D)

Of Cranston — Elected 1990, 3rd term

Biographical Information

Born: Nov. 12, 1949, Providence, R.I.

Education: U.S. Military Academy, B.S. 1971, Harvard U., M.P.P. 1973, J.D. 1982.

Military Service: Army, 1967-79.

Occupation: Lawyer

Family: Single.

Religion: Roman Catholic.

Political Career: R.I. Senate, 1985-91.

Capitol Office: 1510 Longworth Bldg. 20515, 225-2735.

Committees

Economic & Educational Opportunities

Oversight & Investigations; Postsecondary Education, Training & Life-Long Learning

Judiciary

Commercial & Administrative Law (ranking)



In Washington: Working-class roots, military service and a cordial personality have been the building blocks of Reed's success. His liberal record, which is in line with traditionally Democratic Rhode Island, made him a rising star when the Democrats controlled Congress. He was a contender

for the next opening on the Appropriations Committee. But with the Republicans in control for the 104th Congress, his ascension is likely to be slowed.

Reed was on four committees in the 103rd, but in the GOP-led House is down to two: Judiciary and Economic and Educational Opportunities.

It was on the Education panel that he was most active in the 103rd. When the panel considered President Clinton's \$400 million Goals 2000: Educate America Act, members adopted an amendment by Reed that angered a number of Republicans.

Clinton's plan established voluntary national education standards and goals for the first time and included "opportunity to learn standards," which outlined what schools needed in order to provide a good education, such as up-to-date textbooks and competent teachers. Reed's amendment asked each state to describe how it would monitor its progress toward putting state and local education plans in place and asked states to describe procedures they would use to ensure that schools and districts met state opportunity-to-learn and content standards.

Reed called it intellectually dishonest not to consider what would happen or what should be done if schools did not meet the standards. But conservative committee Democrats and Republicans said such standards could expose school districts to lawsuits from disgruntled parents. The standards were weakened during a House-Senate conference.

Reed also has demonstrated a dedication to local issues during his two terms in Congress. In 1994, he persuaded members of the Appropriations Transportation Subcommittee to go to Rhode Island to show them that Amtrak's plan to electrify the Northeast Corridor to improve train speeds would hurt the state's freight service. He said Amtrak's elec-

trification design did not permit adequate access or sufficient vertical clearance for freight service.

Reed's solution was to rehabilitate and construct a third track dedicated to preserving and expanding Rhode Island's freight service. His efforts paid off. Included in the bill was a direction to Amtrak to use \$10 million to address the problem.

On most issues, Reed is a loyal Democrat. He supported all of Clinton's economic programs, voted to lift the ban on federal funding of abortions and supported two White House-backed gun control bills.

At Home: Reed emerged from the tumultuous politics of 1990 as the man to watch in his party's statewide future. By reclaiming one of the state's two House seats for his party, Reed not only broke into the big time but positioned himself for statewide office. He twice has won re-election easily but has a new rival in the neighboring 1st District: freshman Democratic Rep. Patrick J. Kennedy.

Reed's life has been a mix of common man and elite opportunity. His father was a school custodian and his mother a factory worker in South Providence. At his Catholic prep school he was an over-achieving, 124-pound defensive back who graduated second in his class. He won a West Point appointment in 1967 and, when commissioned, volunteered for duty in Vietnam. The Army instead sent him to Harvard to learn administration. He later led a company of the 82nd Airborne, which did not see combat during his service, and taught at West Point.

At 29, Reed left the Army for Harvard Law School. He took a job at Rhode Island's biggest corporate law firm and a year later was elected to the state Senate. In 1990, when GOP Rep. Claudine Schneider ran for the Senate, Reed joined a field of Democratic hopefuls. In the primary, he outdistanced a businessman and former 2nd District Rep. Edward P. Beard (1975-1981). Reed entered the fall campaign an underdog to Republican Gertrude M. "Trudy" Coxe, who had run the state's best-known environmental group. But his message of upward mobility found listeners in Democratic neighborhoods and gave him a surprisingly comfortable win.

With Reed's star ascendant at home and on the Hill, the state GOP has been unable to field significant opposition. Reed sailed to victory with more than two-thirds of the vote in both 1992 and 1994.

Stretching from the rolling hillsides of upstate Rhode Island through the Providence metropolitan area and on to quiet fishing villages in the south, the 2nd is reliably Democratic. In the past five presidential elections, the district has gone Republican only once, in 1984 for Ronald Reagan.

The largest concentration of voters in the 2nd is in Providence, the state capital and a Democratic stronghold. The city's population has slid from a high of 268,000 in 1925 to about 161,000 in 1990. As blue-collar ethnics have departed, the minority population has increased; blacks and Hispanics made up one-third of the city's population in 1990.

The 2nd takes in about two-thirds of Providence, including the business district, where pedestrian shopping areas have had some success at reviving downtown. Also included is South Providence, once a mixed Irish and Jewish middle-class neighborhood that is increasingly black and Hispanic; Federal Hill and Silver Lake, where Italian-Americans predominate; and Elmhurst, a middle-class, ethnic community near Providence College.

Outside Providence, there are small GOP pockets. Scituate, to the east of Providence, and East Greenwich, to the south, were the only communities in the state to favor George Bush over Bill Clinton in 1992.

Just south of Providence along Interstates 95 and 295 are the district's next two largest cities, Warwick and Cranston. With significant white-collar populations — especially in Warwick — both cities are swing areas on the few occasions when statewide races are closely contested.

Nearby Quonset Point, in the town of North Kingstown, is home to one of the district's largest private employers, General Dynamics'

RHODE ISLAND 2

West — Western Providence; Warwick

Electric Boat Division (4,300 employees). Workers here assemble the hulls for the *Seawolf* nuclear submarines that are to be completed in Electric Boat's Groton, Conn., facility. Many residents in the southwestern Rhode Island town of Westerly commute to the Groton facility to do the submarine work. Westerly, an old shipping center that now blends light manufacturing with its fishing trade, is more frequently found in the Democratic column than most of the other towns on Rhode Island's western border; many of them are old Yankee enclaves that vote Republican. Westerly, which is home to a large Italian-American population, gave Clinton a comfortable win in 1992.

Westerly, a 40-minute drive from Providence, is located in Washington County, the fastest-growing county in the state in the 1980s. Washington County, with coastal cities and maritime commerce as well as the inland marshes known as the "Great Swamp," grew 18 percent during the 1980s. Much of the growth stems from residential development along the shore line, which has lured city dwellers seeking more pleasant surroundings.

In the Washington County town of Kingston is the University of Rhode Island, the largest in the state (16,000 students) and one of the district's top employers.

1990 Population: 501,787. White 451,776 (90%), Black 22,500 (4%), Other 27,511 (5%). Hispanic origin 26,785 (5%). 18 and over 384,901 (77%), 62 and over 86,417 (17%). Median age: 34.

HOUSE ELECTIONS

1994 General		
Jack Reed (D)	119,659	(68%)
A. John Elliot (R)	56,348	(32%)
1992 General		
Jack Reed (D)	144,450	(71%)
James W. Bell (R)	49,998	(24%)
Thomas J. Ricci (I)	6,715	(3%)
John Turnbull (IT)	3,250	(2%)

Previous Winning Percentage: 1990 (59%)

KEY VOTES

1995		
Approve balanced-budget constitutional amendment		N
1994		
Ban certain assault weapons		Y
Safeguard access to abortion clinics		Y
Approve crime bill		Y
Approve GATT		Y
1993		
Ban federal abortion funding except in certain cases		N
Pass Clinton budget raising taxes and cutting spending		Y
Lift ban on homosexuals in the military		Y
Approve five-day waiting period for handgun purchases		Y
Approve NAFTA		N
Approve Penny-Kasich plan to cut federal spending		N

VOTING STUDIES

Year	Presidential Support		Party Unity		Conservative Coalition	
	S	O	S	O	S	O
1994	90	9	96	3	28	72
1993	82	17	96	4	23	75
1992	14	86	94	5	17	83
1991	29	71	92	7	27	70

INTEREST GROUP RATINGS

Year	ADA	AFL-CIO	CCUS	ACU
1994	85	78	n/a	5
1993	90	100	18	9
1992	90	92	13	4
1991	95	92	20	0

DISTRICT VOTE FOR PRESIDENT

1992		1988	
D	105,597 (45%)	D	110,376 (55%)
R	70,590 (30%)	R	92,308 (46%)
I	57,312 (25%)		

Robert F. Bennett (R)

Of Salt Lake City — Elected 1992, 1st term

Biographical Information

Born: Sept. 18, 1933, Salt Lake City, Utah.

Education: U. of Utah, B.S. 1957.

Military Service: National Guard, 1957-61.

Occupation: Management consultant.

Family: Wife, Joyce McKay; six children

Religion: Mormon.

Political Career: No previous office.

Capitol Office: 241 Dirksen Bldg. 20510; 224-5444.

Committees

Appropriations

District of Columbia; Energy & Water Development; Interior; Legislative Branch; VA, HUD & Independent Agencies

Banking, Housing & Urban Affairs

Financial Institutions & Regulatory Relief; International Finance; Securities

Small Business

Joint Economic



In Washington:

After only a short time in the Senate, Bennett has worked himself into the confidences of Majority Leader Bob Dole of Kansas and into a coveted spot on the Appropriations Committee.

Early in the 104th, Dole tapped Bennett as his point man on congressional

and White House negotiations over whether to offer legislation to rescue Mexico from its economic crisis. Unable to reach a consensus, Congress opted to stay out of the peso crisis, while the administration moved ahead on its own.

Dole had called on Bennett before. In the 103rd, Bennett brokered a compromise that resulted in the authorization of \$65 million in grants over four years for the restoration of significant buildings at the nation's historically black colleges and universities.

Bennett helped to break a deadlock that had lasted for weeks between Dole and the bill's chief sponsor, Carol Moseley-Braun, D-Ill. Dole had sought \$3.6 million in funding over three years for Sterling College, a small liberal arts institution in Kansas that has a student population that is 3 percent black. Dole said the college has historical significance because it admitted blacks at the turn of the century. Using a similar argument, Charles E. Grassley, R-Iowa, sought to add Simpson College in Indianola, Iowa, to the schools eligible for federal money. Most students at Simpson are white.

In a compromise, lawmakers adopted by voice vote an amendment, offered by Bennett for Dole, to include Sterling and Simpson colleges in a separate section of the bill so they would not compete directly against the historically black schools.

And from his new post on Appropriations' Energy and Water Subcommittee, businessman Bennett will have the opportunity to further delve into the natural resource issues that figure prominently in the lives of Utahans.

From the minute he arrived in Washington, Bennett has been mindful of the concerns of his Western constituents: public land use,

regulation and water rights.

At the start of the 103rd Congress, Bennett captured a seat on the Energy and Natural Resources Committee, an assignment that gave him an opportunity to try to check the Clinton administration's regulatory endeavors. He was part of a coalition of Western senators who largely blocked the administration's attempts to overhaul public lands law by amending the 1994 Interior Appropriations bill.

Although he gave up the Energy and Natural Resources seat for Appropriations at the start of the 104th, he remains a reliable opponent of efforts to increase grazing fees and restrict states' water rights. Early on, he won Senate approval of an amendment that would allow non-federal entities to funnel water through the federal water delivery system. The measure was intended, in part, to save local governments money by eliminating their need to duplicate existing systems.

While he is usually a dependable conservative vote, Bennett has shown a willingness to cross the aisle on some issues.

In the 103rd Congress, he joined forces with Democrat Dale Bumpers of Arkansas to back a measure to establish a competitive bidding process for concessions contracts in national parks. The committee's now-retired ranking member, Malcolm Wallop of Wyoming, argued that the bill would diminish quality service at national parks and unfairly alter existing agreements between the government and concessionaires.

Bennett split from Wallop and other senior Republicans to craft a compromise with Bumpers and Chairman J. Bennett Johnston, D-La. The revisions were aimed at winning the support of the panel's Republicans, who opposed the original bill. To gain Bennett's favor, Bumpers agreed in the committee draft of the bill to allow concessionaires who currently own "possessory interests" — ownership rights to structures built on federal lands — to continue to hold those and exchange them at fair market value up until their contract expires.

Bennett's seat on the Banking Committee continues a political tradition in Utah, where banks are a growth industry. Bennett's predecessors

UTAH

sor, Republican Jake Garn, served as chairman and ranking Republican on the panel and Bennett's father served on it before Garn. Bennett has proved himself one of the panel's more thoughtful, hard-working members. Bennett participated in the Banking Committee's Whitewater hearings but was not among the Republicans inclined to cross-examine witnesses with great zeal.

However, during the first months of the 103rd Congress, Bennett earned the spotlight and the respect of some of his colleagues when he challenged Ross Perot's views on trade policy when the Texas billionaire testified before the Senate Banking Committee in April 1993.

During the hearing, the former and possibly future presidential candidate reiterated his assertion that ratifying NAFTA would cause a massive job loss in the United States because companies would be encouraged to move to Mexico to take advantage of its lower wages.

Bennett accused Perot of ignoring what he said is the economic reality that business owners place a higher premium on factors such as worker productivity and access to markets than on labor costs.

"The horse has left the barn, and you are securing and hammering on the door," Bennett said. "In my opinion, the factories are in Mexico now. . . . NAFTA is about markets, not factories. NAFTA is about opening markets in Mexico for American goods."

At Home: Although he had never held elective office before winning a Senate seat in 1992, Bennett came to Congress with political

experience, family connections and a successful business career that exposed him to many of the issues and people he would deal with as Utah's junior senator. Bennett's road to the Senate followed a familiar path in Utah, where the biggest hurdle for a Republican seeking statewide office generally is the GOP primary. The outnumbered Democratic Party has an uphill fight in general elections.

Bennett's most serious competition was in the primary against Joe Cannon, a steel company executive. Bennett won the nomination by 2 percentage points, then went on to a 15-point November victory over the Democratic nominee, Rep. Wayne Owens, for the right to replace the retiring Garn.

Though Bennett was making his first try for elective office, his family name is familiar to many people in Utah: He is the son of four-term U.S. Sen. Wallace F. Bennett, who served from 1951 to 1974. Robert Bennett is a millionaire businessman who made his fortune with the Franklin Day Planner, a schedule-organizer.

During the general election campaign, Owens and the media devoted attention to Bennett's connection to the 1972 Watergate break-in. He bought a public relations firm that employed E. Howard Hunt, who was indicted in the Watergate burglary. Bennett said he fired Hunt after the scandal. And at one point, Bennett had to contend with allegations that he was "Deep Throat," the informant who guided reporters to the heart of the Watergate issue. Bennett denied he was the source, as did journalists who covered the story.

SENATE ELECTIONS

1992 General		
Robert F. Bennett (R)	420,069	(55%)
Wayne Owens (D)	301,228	(40%)
Anita R. Morrow (POP)	17,549	(2%)
Maury Modine (LIBERT)	14,341	(2%)
1992 Primary		
Robert F. Bennett (R)	135,514	(51%)
Joe Cannon (R)	128,125	(49%)

KEY VOTES

1995	
Approve balanced-budget constitutional amendment	Y
1994	
Safeguard access to abortion clinics	N
Bar military action in Haiti without Congress' authorization	Y
End U.S. arms embargo on Bosnia	Y
Waive Senate budget rules to allow crime bill vote	N
Waive Senate budget rules to allow GATT vote	Y
Approve balanced-budget constitutional amendment	Y

1993

Pass Clinton budget raising taxes and cutting spending	N
Bar higher grazing fees and other public land reforms	Y
Allow federal abortion funding	N
Bar certain semiautomatic assault weapons	N
Approve five-day waiting period for handgun purchases	N
Approve NAFTA	Y

VOTING STUDIES

Year	Presidential Support		Party Unity		Conservative Coalition	
	S	O	S	O	S	O
1994	35	58	88	9	91	6
1993	31	66	91	6	90	7

INTEREST GROUP RATINGS

Year	ADA	AFL-CIO	CCUS	ACU
1994	5	0	91	100
1993	5	0	100	88

NORTH CAROLINA

Lauch Faircloth (R)

Of Clinton — Elected 1992, 1st term

Biographical Information

Born: Jan. 14, 1928, Concord, N.C.

Education: Graduated from Roseboro H.S., 1945

Military Service: Army, 1954-55

Occupation: Farm owner.

Family: Divorced; one child.

Religion: Presbyterian.

Political Career: N.C. Highway Commission, 1961-73, chairman, 1969-73; N.C. secretary of commerce, 1977-83; sought Democratic nomination for governor, 1984.

Capitol Office: 702 Hart Bldg. 20510, 224-3154.

Committees

Banking, Housing & Urban Affairs

HUD Oversight & Structure (chairman); International Finance; Securities

Environment & Public Works

Clean Air, Wetlands, Private Property & Nuclear Safety (chairman); Drinking Water, Fisheries & Wildlife; Transportation & Infrastructure



In Washington: After knocking off Democratic Sen. Terry Sanford in 1992, Faircloth wasted little time establishing himself as an unrelenting critic of the Clinton administration and one of the most conservative members of the Senate — roles in line with his senior Senate colleague from North

Carolina, Jesse Helms.

In the second session of the 103rd Congress, Faircloth aggressively attacked President Clinton's role in Whitewater, the land investment that Clinton was involved in when he was in Arkansas.

During Senate Banking Committee hearings held on the matter in the summer of 1994, Faircloth was among the most openly partisan of the GOP inquisitors. And he was the only member to aggressively probe into unanswered questions surrounding the suicide of White House deputy counsel Vincent W. Foster Jr. — questions that were too unseemly or uncomfortable for others to ask.

Faircloth attracted a lot of publicity related to the Whitewater controversy that summer after he reportedly met with Judge David B. Sentelle of the U.S. Court of Appeals for the District of Columbia, who had long political ties to Faircloth and Helms. The meeting, which Helms also attended, took place just as Sentelle and a federal panel he led were deciding whether to replace Whitewater special prosecutor Robert B. Fiske Jr., with Kenneth W. Starr, a move the panel made in August 1994. Faircloth had been critical of Fiske. Early in 1995, Starr reopened the probe into the Foster suicide.

Despite Faircloth's pronouncements during his campaign that he would not walk in lockstep with Helms, the two North Carolina senators voted the same on most issues in the 103rd. Faircloth gained visibility early in his term by teaming with Helms to oppose the nomination of Roberta Achtenberg, a lesbian nominated as assistant secretary of Housing and Urban Development.

Achtenberg, a San Francisco supervisor, was apparently the first openly gay person ever

nominated for a senior administration job. At her confirmation hearing, Faircloth questioned her about various state gay-rights initiatives.

He then objected to Achtenberg's role in trying to block United Way grants to Bay Area Boy Scout organizations because of the scouts' refusal to admit gays. "Do the Boy Scouts have the right to say they don't want homosexual scoutmasters teaching children?" Faircloth asked. "If we are going to be a tolerant society, isn't there room for the Boy Scouts to make that decision?"

He was one of four Banking Committee members to vote against her. But her confirmation was affirmed by the full Senate.

Faircloth also took the lead in opposing other administration nominees, including Clinton's pick of Washington banking attorney Ricki R. Tigert to head the Federal Deposit Insurance Corporation (FDIC).

Faircloth said Clinton's acquaintance with Tigert, who was confirmed by the Senate in October 1994, posed a potential conflict of interest because the FDIC would be one of the agencies investigating allegations of financial impropriety at the failed Arkansas-based Madison Guaranty Savings and Loan. Madison's owner was involved in Whitewater. On another occasion, Faircloth was successful in winning approval of an amendment that allows people to work for the White House drug testing program only if the Federal Bureau of Investigation has found they did not have a history of drug use. The measure, which was attached to the 1994 Senate Treasury, Postal Service and General Government Appropriations bill, was directed at Patsy Thomasson, the head of the White House Office of Administration and a friend of Clinton's. She had worked for an Arkansas businessman who was convicted on federal charges of dealing cocaine.

Faircloth also jumped into the welfare reform debate. He and Rep. James M. Talent, R-Mo., introduced identical bills that would have denied public or subsidized housing and all benefits under the Aid to Families With Dependent Children and food stamps programs to unwed mothers under age 21, raising the limit to under age 25 in 1998.

NORTH CAROLINA

Like other welfare bills, the proposal went nowhere in the 103rd Congress.

Faircloth planned to introduce a similar bill in the 104th. Aspects of the Talent-Faircloth proposal influenced the House GOP's welfare reform bill introduced at the beginning of the 104th Congress.

At Home: Faircloth campaigned in 1992 using themes and strategies honed by Jesse Helms' former campaign organization, the National Congressional Club (now called the National Conservative Club), whose operatives helped run Faircloth's race. His campaign against Sanford was billed from the beginning as a grudge match.

A multimillionaire farmer and business owner without a college degree, Faircloth was a lifelong Democrat who had enjoyed a symbiotic political alliance with Sanford, which began in the 1950s. Faircloth backed Sanford's successful bid for governor in 1960 and was named to the highway commission.

In 1984, after serving as state commerce secretary under Democratic Gov. James B. Hunt Jr., Faircloth ran for governor — with the help of Sanford. Faircloth placed third in the Democratic primary.

The political bedfellows parted ways in 1986. Both were eyeing the Senate seat vacated by Republican John P. East, and they apparently gave each other mixed signals about their plans. Sanford's decision to enter the race stunned Faircloth. The two hardly spoke to each other again. After supporting GOP Sen. Jesse Helms' 1990 re-election bid, Faircloth switched parties on Valentine's Day 1991, saying he was too conservative to remain a Democrat.

He immediately began plotting for a race against Sanford.

In the primary, Faircloth outspent his three opponents and had support from allies of then-Gov. James G. Martin, a moderate Republican. For the

general election, Faircloth personally kept a low profile, barring reporters from many of his events and prompting critics to dub him the "stealth candidate." His campaign was based on hard-hitting TV ads against Sanford, financed in part by \$752,000 in loans from his own pocket. He wound up spending nearly \$3 million, about \$500,000 more than Sanford.

Faircloth lambasted Sanford as too liberal for North Carolina, highlighting his votes against the Persian Gulf War and for federal spending. Campaign ads accused Sanford of supporting welfare, while Faircloth said he supported "workfare." Capitalizing on anti-incumbent sentiment, he called Sanford "just another Washington politician."

Sanford, 75, was sidelined by heart surgery for two crucial weeks in October, which followed another hospital stay in the summer. He renewed campaigning after leaving the hospital Oct. 22, but reportedly looked pale and weak.

Faircloth, 65, initially skirted the health issue, announcing that he would pull his attack ads when Sanford entered the hospital in favor of a spot asking viewers to pray for the ailing Sanford. But Faircloth later directly questioned Sanford's fitness after the incumbent abandoned his tactic of ignoring his opponent and ran an ad accusing Faircloth of flip-flopping from past positions to become an anti-abortion, anti-tax candidate in the 1992 race.

On most big issues, Faircloth aligned himself with the conservative wing of the national GOP, supporting school choice, a capital gains tax cut, a "flexible freeze" on spending, a line-item veto and tougher criminal penalties. He opposed gun control, the family leave bill, new environmental protection laws and abortion in all cases except rape, incest and to save the woman's life.

Faircloth ran nearly 104,000 votes ahead of Sanford, posting a 4 percentage-point victory.

SENATE ELECTIONS

1992 General		
Lauch Faircloth (R)	1,297,892	(50%)
Terry Sanford (D)	1,194,015	(46%)
Bobby Yates Emory (LIBERT)	85,948	(3%)
1992 Primary		
Lauch Faircloth (R)	129,159	(48%)
Sue Myrick (R)	81,801	(30%)
Eugene Johnston (R)	46,112	(17%)
Larry E. Harrington (R)	13,496	(5%)

KEY VOTES

1995	
Approve balanced-budget constitutional amendment	Y
1994	
Safeguard access to abortion clinics	N
Bar military action in Haiti without Congress' authorization	Y
End U.S. arms embargo on Bosnia	Y
Waive Senate budget rules to allow crime bill vote	N
Waive Senate budget rules to allow GATT vote	N
Approve balanced-budget constitutional amendment	Y
1993	
Pass Clinton budget raising taxes and cutting spending	N
Bar higher grazing fees and other public land reforms	Y
Allow federal abortion funding	N
Ban certain semiautomatic assault weapons	N
Approve five-day waiting period for handgun purchases	N
Approve NAFTA	N

VOTING STUDIES

Year	Presidential Support		Party Unity		Conservative Coalition	
	S	O	S	O	S	O
1994	23	73	96	2	100	0
1993	12	87	96	3	93	7

INTEREST GROUP RATINGS

Year	ADA	AFL-CIO	CCUS	ACU
1994	5	0	82	100
1993	15	9	67	100

FLORIDA

Connie Mack (R)

Of Cape Coral — Elected 1988, 2nd term

Biographical Information

Born: Oct. 29, 1940, Philadelphia, Pa.

Education: U. of Florida, B.S. 1966

Occupation: Banker.

Family: Wife, Priscilla Hobbs; two children.

Religion: Roman Catholic.

Political Career: U.S. House, 1983-89.

Capitol Office: 517 Hart Bldg. 20510; 224-5274

Committees

Appropriations

Defense; Foreign Operations; Interior; Labor, Health & Human Services & Education; Legislative Branch (chairman)

Banking, Housing & Urban Affairs

Financial Institutions & Regulatory Relief, Housing Opportunity & Community Development (chairman); International Finance

Select Intelligence

Joint Economic (chairman)



In Washington: Mack has a reputation for speaking his mind, and his outspokenness was evident early in the 104th as he led a putsch by junior Republican senators that aimed to oust Oregon's Mark O. Hatfield as Appropriations Committee chairman because Hatfield voted against the balanced-

budget constitutional amendment.

At the start of the 104th, Mack grabbed a rung on his party's leadership ladder, taking the post of conference secretary that Mississippi's Trent Lott vacated when he moved up to whip. Mack's first high-profile act in his new job was joining with Pennsylvania freshman Rick Santorum in seeking to dump five-term veteran Hatfield from his chairmanship. In the Senate's March 1995 vote on the balanced-budget amendment, Hatfield was the only Republican to vote no, and the measure fell just one vote short of the two-thirds majority required for passage. Shortly before the vote, Hatfield had seen that his opposition would doom the amendment, and he tendered an offer of resignation to Majority Leader Bob Dole, R-Kan. Dole declined to accept, but in the days following the defeat of the amendment, he did nothing to discourage Mack and Santorum from pursuing an effort to punish Hatfield. In the end, they backed down from forcing the question to a vote of all Republican senators, and Hatfield kept his seat. "I made it pretty clear that my objective was to see that Senator Hatfield was to step down as chairman," Mack said after a meeting of all GOP senators. "It ought to be equally clear that that's not going to occur."

In some respects, Mack seems a bit ill-suited to the role of defender of the conservative faith. When he was first elected to the House in 1982, he had an image as a centrist on social issues; in his first term, he voted for the Equal Rights Amendment. And on home state concerns, he works cordially with Florida's Democratic senior senator, Bob Graham.

During the 103rd, with Floridians deeply concerned about the influx of Haitian refugees, Mack

joined Graham in arguing vigorously for U.S. military intervention to restore ousted Haitian President Jean-Bertrand Aristide to power. Most Republicans were highly skeptical about sending American troops to Haiti, and many of them sharply criticized President Clinton for contemplating an invasion of the island.

But as the Hatfield episode illustrated, Mack is a particularly fervent conservative on economic issues. In February 1992, as George Bush's re-election campaign was in full cry against a challenge from Patrick J. Buchanan on the right, Mack fired a shot at one of the president's closest and most trusted aides. In a letter to Bush followed up by a speech on the Senate floor, Mack denounced Treasury Secretary Nicholas F. Brady for giving Bush "bad economic advice" and called on him to resign.

At a scheduled appearance before the Banking Committee a day after Mack's floor speech, Brady had to listen to Mack lecture him for allowing the economy to fail.

Brady dismissed the episode as political gamesmanship, but for Mack it was not the first time he had challenged Bush over a departure from Republican economic orthodoxy. A staunch fiscal conservative, Mack was one of the most disappointed Republicans when Bush broke his no-new-taxes pledge in 1990. Within hours of Bush's announcement, Mack led a number of conservative Republicans in holding a news conference urging the president not to retreat from his promise.

Mack did not leave a long legislative trail on his way to the Senate, but he did leave a mark. In the House, he made his reputation as an outspoken member of a group of Republicans with an aggressive approach to the Democratic majority. Like many younger-generation Republicans, he was far more prone to castigate the Democratic majority than to look for ways to cooperate with it. "In politics, you gain energy from confrontation," Mack once said, capsulizing the philosophy of the Conservative Opportunity Society, in which he was active.

In the 103rd, Mack threatened to hold up conference action on a measure to provide financial aid to Russia unless the Senate would

agree to a provision requiring the president to certify that Russia had cut off support to Cuba. Mack's insistence on this matter won him the inclusion of a modified version of the provision, with language tacked on that would allow the president to waive the requirement if he deems it "in the national interest" to do so.

Yet on matters of strong personal or parochial interest, Mack's moves are not dictated by party lines. In October 1993, he shocked his colleagues with an intensely personal floor speech backing a controversial attempt to earmark funds for a breast cancer study on Long Island. Mack explained that he found it difficult to argue about earmarks when his brother had died of cancer after a 12-year battle; his mother and his wife are breast cancer survivors; his daughter has fought cervical cancer; and Mack himself was diagnosed with and treated for melanoma, the same type of cancer that killed his brother.

In early 1992, Mack broke with the Bush administration over the controversial use of fetal tissue for medical research. The possibility that such research might provide new treatments or even cures for degenerative ailments such as diabetes, Parkinson's disease and Alzheimer's disease was of obvious interest to Florida's large population of retirees.

The administration had imposed a ban on fetal tissue research, which Congress was moving to repeal. Mack voted against an administration-backed compromise that would have established a registry of fetal tissue from miscarriages. Scientists said the registry was unlikely to supply a sufficient quantity of usable tissue.

After his narrow election to the Senate in 1988 over a well-respected Democratic opponent, Mack faced a skeptical reception upon his entry into the chamber. He made his way to the Banking and Foreign Relations committees. The former gave him an opportunity to put to use his professional background — he was a bank president at age 35 — and the latter provided him a forum to air his hawkish views on the United States' role in world affairs. When Panama became engulfed in a political and economic crisis in early 1989, Mack introduced a resolution calling for an abrogation of the Panama Canal treaties. "We should not take one step further toward the transfer of the canal," he said.

After serving on Foreign Relations during his first two years, he relinquished the seat for one on Armed Services for the 102nd Congress; he used both panels to highlight his conservative views. He successfully pushed legislation in 1990 and 1991 tightening the economic embargo on Cuba — a position likely to curry favor with the large anti-Castro segment of the Florida electorate. He also led the Senate's call on Bush to suspend talks with the Palestine Liberation Organization — then a popular stand in Florida's sizable Jewish community.

In the 103rd Congress, Mack continued his game of musical chairs. He left Armed Services for a coveted seat on the Appropriations Committee,

where he could continue his efforts to revise the allocation formulas for federal programs to account for Florida's large and growing population of refugees. Mack has introduced multiple bills to have federal aid apportioned on the basis of adjusted census data, which employ mathematical formulas to account for illegal aliens and others not picked up in the formal census count.

On Banking, Mack got involved in the effort to address the crisis in the savings and loan industry. When the Senate in early 1989 passed a bill overhauling the savings and loan regulatory structure, it adopted a Mack amendment requiring national standards for the selection of auditors by thrift institutions and for the conduct of such audits.

In the 103rd, Mack, along with Richard Shelby of Alabama, won legislative points for shepherding a measure into law that helped the banking industry roll back what it perceived to be layers of excessive regulations adopted as part of Congress' 1991 banking overhaul bill.

During debate on the original bill in 1991, Mack positioned himself as a key roadblock to enactment of provisions that would have required banks to cash government checks and to provide consumers low-cost checking accounts.

Mack also used his position on Banking to play a role in cleaning up the scandal-ridden Department of Housing and Urban Development; he was ranking Republican on the HUD investigative subcommittee.

At Home: It is no small feat to win a Senate seat in a state as large and diverse as Florida, but if Mack's victory in 1988 had impressive elements, it was still a little surprising that the contest was so close given the factors working in his favor. Despite a significant head start, a financial advantage, Democratic infighting and an extremely strong GOP tide at the presidential level, Mack's victory was so narrow that the outcome was settled only by the count of absentee ballots.

Mack, a telegenic candidate in a state where media is extremely important, seemed to be charmed for much of the Senate contest. He entered the Senate race as an underdog against Democratic Sen. Lawton Chiles, but Chiles, who is now governor, surprised his party by announcing his retirement in late 1987. That boosted Mack, who had already nailed down enough Republican support to ward off a serious primary challenger. But it still did not make him the favorite; popular former Democratic Gov. Reubin Askew decided to make a comeback and was considered a likely winner. But then Askew got skittish and backed out, which helped create a Democratic nomination fight that lasted until a month before the general election. The winner, Democratic Rep. Buddy MacKay, emerged bruised, although with a degree of momentum.

Throughout the general election campaign, Mack framed the voters' choice as one between a conservative and a liberal. He maintained a theme

FLORIDA

of "less taxing, less spending, less government and more freedom." Even before the October runoff was settled, he ran ads with the tag line: "Hey, Buddy, you're liberal."

But even some Republicans considered Mack's message too simplistic and narrow. MacKay was highly regarded among political insiders for his legislative work, both in the House and previously in the state Legislature, and his voting record put him closer to the center of the political spectrum than to the left. Some prominent environmentalists in the Republican Party said they could not support Mack because he had not addressed environmental issues crucial to fast-growing Florida. In his campaign, MacKay said the choice was "mainstream vs. extreme."

On election night and for a few days following, the race was too close to call, but absentee ballots ultimately put Mack over the top. MacKay considered challenging the results, suggesting that the state's computerized voting system might have failed in some key counties, but he soon abandoned that plan. Two years later, MacKay was elected lieutenant governor.

In 1994, Mack won re-election with a resounding 70 percent of the vote against Democrat Hugh Rodham, the brother of first lady Hillary

Rodham Clinton.

Mack may have inherited his desire to serve in Congress. His great-grandfather, John L. Sheppard, was a Democratic House member from Texas; his grandfather, Morris Sheppard, also served in the House, then moved on to a 28-year tenure in the Senate. Mack's step-grandfather, Tom Connally, also served Texas in the Senate, from 1929 to 1953.

But it was another forebear who provided Mack with enviable name recognition when he got into politics: His paternal grandfather was the original Connie Mack, the legendary owner and manager of the Philadelphia Athletics baseball team. Like his grandfather, Mack uses the familiar rather than the given version of his name: Cornelius McGillicuddy III. (Mack's baseball past and his free-market beliefs came together in early 1993, when he embraced an end to the national pastime's congressional exemption from antitrust laws.)

After Republican Rep. L. A. "Skip" Bafalis decided to run for governor in 1982, Mack's name gave him a winning edge over four GOP primary opponents for the 13th District House seat. Once nominated, he was guaranteed election and re-election in the solidly Republican constituency.

SENATE ELECTIONS

1994 General
 Connie Mack (R) 2,894,726 (70%)
 Hugh E. Rodham (D) 1,210,412 (29%)

Previous Winning Percentages: 1988 (50%) 1986* (75%)
 1984* (100%) 1982* (65%)

* House elections.

KEY VOTES

1995
 Approve balanced-budget constitutional amendment Y
1994
 Safeguard access to abortion clinics N
 Bar military action in Haiti without Congress' authorization N
 End U.S. arms embargo on Bosnia Y
 Waive Senate budget rules to allow crime bill vote N
 Waive Senate budget rules to allow GATT vote Y
 Approve balanced-budget constitutional amendment Y
1993
 Pass Clinton budget raising taxes and cutting spending N
 Bar higher grazing fees and other public land reforms Y
 Allow federal abortion funding N
 Ban certain semiautomatic assault weapons N
 Approve five-day waiting period for handgun purchases N
 Approve NAFTA Y

VOTING STUDIES

Year	Presidential Support		Party Unity		Conservative Coalition	
	S	O	S	O	S	O
1994	40	60	89	11	94	6
1993	25	75	94	5	98	2
1992	83†	16†	91†	8†	82	13
1991	86	14	88	11	90	8
1990	88	12	86	14	95	5
1989	86	14	90	10	82	18

† Not eligible for all recorded votes.

INTEREST GROUP RATINGS

Year	ADA	AFL-CIO	CCUS	ACU
1994	10	0	82	96
1993	10	0	100	92
1992	10	18	100	96
1991	15	50	70	90
1990	0	11	100	96
1989	5	10	88	96

Rod Grams (R)

Of Anoka — Elected 1994, 1st term

Biographical Information

Born: Feb. 4, 1948, Princeton, Minn.

Education: Anoka-Ramsey Community College, 1970-72; Carroll College, 1974-75.

Occupation: Contractor; television journalist

Family: Wife, Laurel Servaty; four children.

Religion: Lutheran.

Political Career: U.S. House, 1993-95.

Capitol Office: B34-3 Dirksen Bldg. 20510; 224-3244.

Committees

Banking, Housing & Urban Affairs

Financial Institutions & Regulatory Relief; HUD Oversight & Structure; Securities

Energy & Natural Resources

Energy Research & Development; Parks, Historic Preservation & Recreation

Foreign Relations

East Asian & Pacific Affairs; International Economic Policy, Export & Trade Promotion; Near Eastern & South Asian Affairs

Joint Economic



The Path to Washington: The Republican high tide of 1994 reached all the way to Minnesota, sweeping committed conservative Grams into the Senate and giving the state a pair of senators at opposite ends of the political spectrum.

Grams has devoted his public career to reducing the government's role in the economy and in society. He was so in tune with the "Contract With America" that he was preaching it, item for item, years before it acquired its catchy name.

In the Senate, he will be joining his state's first-term Democratic Sen. Paul Wellstone, one of the chamber's most liberal members, whose causes have included a single-payer, Canadian-style health insurance system.

For Grams, the 1994 election capped a well-timed, three-year charge from anchoring a local TV newscast in the Twin Cities to statewide office. He had first come to Washington as a member of the House's big Class of 1992, a beneficiary of the House bank scandal and other vulnerabilities afflicting five-term incumbent Democrat Gerry Sikorski. He made congressional reform a focus of his brief House career and saw one of his early suggestions, a three-term limit on House committee chairmanships, adopted by his party.

Grams also departed from the generally moderate voting pattern of Republicans from his state, opposing the Clinton administration about two-thirds of the time and creating a sharp contrast with the man he replaced in the Senate, the delegation's senior Republican, Dave Durenberger.

Durenberger was one of the most moderate Senate Republicans, a regular vote for abortion rights and a supporter of such other social legislation as the Family and Medical Leave Act of 1993. Grams voted against family leave and has been closely associated with his state's strong anti-abortion movement. In 1993, he opposed a measure aimed at ensuring women's

safe access to abortion clinics.

Grams also voted against the 1994 crime bill on grounds that it financed too many social programs instead of sticking to tougher sentences for prisoners. He noted for particular criticism a midnight basketball program for inner-city youths that other Republicans (including former President George Bush) had praised. Grams also opposed the bill's ban on assault weapons; he opposed each of the gun control measures to come before Congress in the 103rd Congress and enjoyed enthusiastic support from the National Rifle Association (including a campaign visit from its celebrity spokesman, actor Charlton Heston).

Grams never really settled into the House. A court-ordered readjustment of the state's districts after the 1992 election made his future look problematic at about the same time Durenberger was announcing he would retire from the Senate. National party figures encouraged him to run statewide and helped clear the field of competition once he had declared. He was endorsed by the state party convention in June (which was dominated by religious activists) and was an easy winner in the September primary, staying clear of the intraparty struggle over the governorship between the convention's choice (former state Rep. Allen J. Quist) and the incumbent, GOP Gov. Arne Carlson.

Grams ran a tightly focused campaign, pledging to make government smaller and to crack down on crime. He capitalized on Minnesotans' growing disaffection with President Clinton and the state's history of favoring politicians who regard Washington with skepticism. In 1992, 43 percent of Minnesota's electorate voted for Clinton (equal to the national average) —while a whopping 24 percent supported independent candidate Ross Perot (making it one of Perot's 10 best states).

Grams also gained ground in the campaign's final weeks due to stumbling by Democratic nominee Ann Wynia. A 12-year veteran of the Minnesota House, Wynia was vulnerable to Grams' attacks on her as a career politician. It could be argued that neither Grams nor Wynia

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Conservative Coalition	
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5	95
8	92
8	88

VOTING	
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9	4
10	4
10	0
20	5

MINNESOTA

fit the state political profile: He is more conservative on social issues (receiving a 100 percent rating from the Christian Coalition in 1994) and more rigidly anti-government than most Minnesota Republicans, while Wynia proved more liberal than most Minnesota Democrats.

Wynia may have suffered from her party's disappointing turnout: Carlson was re-elected handily over weak opposition, and Wynia received about 130,000 fewer votes than Wellstone had in 1990. But Grams also succeeded by coaxing more of the independents his way. Exit polls showed Grams received the votes of roughly two-thirds of those who had voted for Perot in 1992.

The results were not immediately clear on election night, as Grams was slow to overtake Wynia's vote totals from the Twin Cities and their suburbs.

The Democrat carried Hennepin (Minneapolis) and Ramsey (St. Paul) counties, but

her margins there were thin compared with Wellstone's in 1990 and Clinton's two years later. Clinton had carried Hennepin by nearly 100,000 votes in 1992; Wynia had only about 18,000 for a margin. And while she also managed to carry St. Louis (Duluth) County, Grams took control in suburban Anoka, Dakota and Washington counties outside the Twin Cities and cruised to victory in the smaller cities and rural venues.

Grams served on the Banking Committee in the House and was assigned to the Banking, Housing and Urban Affairs Committee in the Senate. He also serves on the Energy, Foreign Relations and Joint Economic committees. He has expressed hopes of carrying many of the items from the House Contract With America to the Senate. One he has talked up in particular is the \$500-per-child tax credit, which he would pay for by limiting the federal budget's annual growth to 2 percent.

SENATE ELECTIONS

1994 General		
Rod Grams (R)	869,653	(49%)
Ann Wynia (D)	781,860	(44%)
Dean M. Barkley (I)	95,400	(5%)
1994 Primary		
Rod Grams (R)	269,931	(58%)
Joanell M. Dyrstad (R)	163,205	(35%)
Harold Edward Stassen (R)	22,430	(5%)
John J. Zeleniak (R)	8,467	(2%)

Previous Winning Percentage: 1992* (44%)

* House election.

KEY VOTES

1995	
Approve balanced-budget constitutional amendment	Y
House Service:	
1994	
Ban certain assault weapons	N
Safeguard access to abortion clinics	N
Approve crime bill	N
Approve GATT	Y
1993	
Ban federal abortion funding except in certain cases	Y
Pass Clinton budget raising taxes and cutting spending	N
Lift ban on homosexuals in the military	N
Approve five-day waiting period for handgun purchases	N
Approve NAFTA	Y
Approve Penny-Kasich plan to cut federal spending	Y

VOTING STUDIES

Year	Presidential Support		Party Unity		Conservative Coalition	
	S	O	S	O	S	O
House Service:						
1994	36	56	88	1	81	3
1993	33	65	95	4	95	5

INTEREST GROUP RATINGS

Year	ADA	AFL-CIO	CCUS	ACU
House Service:				
1994	0	0	0	100
1993	0	0	91	100

White House Appointments

As of January 1, 1997

STATE:	Ambassador Madeleine Albright
DEFENSE:	Sen. Bill Cohen
CIA:	Tony Lake
NSA:	Sandy Berger
COMMERCE:	Bill Daley
U.N. AMBASSADOR:	Rep. Bill Richardson
TRANSPORTATION:	Rodney Slater
ENERGY:	Sec. Federico Pena
LABOR:	Alexis Herman
HUD:	Andrew Cuomo
CEA:	Janet Yellen

White House Personnel

Chief of Staff:	Erskine Bowles
Dep. Chief of Staff:	John Podesta Sylvia Matthews
Counsel to the President: For Political Affairs	Doug Sosnik
Senior Advisor:	Rahm Emanuel
Domestic Policy Advisor:	Bruce Reed
Special Envoy to: Latin America	Mack McLarty



BROPHY_S @ A1
12/18/96 01:13:00 PM

Record Type: Record

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

cc:

Subject: Confirmations

I want to reiterate some of the points I made yesterday about your role in the confirmation process. First, the 12 nominations we discussed will be run out of the White House with support from the cabinet agencies.

When the candidates are selected, I will give them your names as the point person. You should then contact the person and give them an idea of what to expect and the timetable (you can gather some of this information now from the committees). Then you should meet with them as soon as possible to discuss pulling together a confirmation team. You should also be in contact with the agency and provide them with the same information and guidance.

Also, as I mentioned, our office will be the central repository for all information related to these nominations -- their schedules; the outcome of their Congressional meetings and conversations; and the timeline and strategy for their confirmations. Leanne will not be detailed to our staff and therefore the coordinating function will be held by Jay. Having completed many nominations himself, Jay can be a valuable asset for all of us.

Inevitably there will be special issues that will arise with each candidate. I will be happy to help you resolve any of these issues. Thank you for your help.

Message Sent To:

Janet Murguia
Paul R. Carey
Barbara Chow
Tracey E. Thornton
Alphonse J. Maldon
Ananias Blocker III
Dainel C. Tate
james heimbach
Stacey L. Rubin
DANVERS_W @ A1@CD@LNGTWY



JOLIN_M @ A1
12/27/96 09:54:00 AM

Record Type: Record

To: Ananias Blocker III
cc:
Subject: Janet's confirmation

Andi --

I am going to be out of the office until Jan 2. Sandy, in my office (5-5084), will be able to reach me, however, if anything comes up regarding Janet's confirmation.

Otherwise, let's touch base when I get back.

Thanks.

Michele



JOLIN_M @ A1
12/27/96 10:47:00 AM

Record Type: Record

To: Ananias Blocker III
cc: FRANKEL_J @ A1@CD@LNGTWY
Subject: Another CEA hearing

Andi--

As you begin to think about Janet's hearing, I wanted to be sure that you know that the CEA needs another confirmation hearing too. The President nominated Jeff Frankel to be a Member of the CEA in September, but, for obvious reasons, a confirmation hearing was not held. We would like to have his hearing the same time as Janet's, if possible. Would you please check into whether this could happen?

Thank you, Thank you. And, have a Happy New Year. I'll talk to you when I get back.

Michele

Confirmation Issues for Janet L. Yellen

1. Abortion Article (Republicans & Democrats)
2. CPI (Republicans)
3. Economic Growth -- Interest Rates (Sarbanes)
4. Economic Growth -- Business Cycle/Larry Summers Article (Republicans)
5. Banking Reg B (Shelby)
6. Balanced Budget (Faircloth)

CRS Report for Congress

Congressional Research Service • The Library of Congress

Tax Provisions of the Small Business Job Protection Act of 1996 (H.R. 3448; P.L. 104-188)

David L. Brumbaugh
Specialist in Public Finance
Economics Division

SUMMARY

On August 2, 1996, Congress approved H.R. 3448, the Small Business Job Protection Act of 1996. President Clinton signed the measure on August 20; it became Public Law 104-188. Along with an increase in the minimum wage, the Act contains numerous tax provisions, including both revenue-losing and revenue-raising items. Its tax cuts are expected to lose about \$20.6 billion over approximately 10 years, and consist of tax reductions for small businesses and pensions, extension of several expired tax benefits, and a tax credit for adoption.¹ The revenue-raisers are a diverse set of measures including business taxes, individual income taxes and excise taxes; they are estimated to gain about \$25 billion over about 10 years. The Act's net revenue effect is an estimated 10-year revenue gain of \$4.4 billion.

Many of the Act's provisions were previously approved by Congress as part of the Balanced Budget Act of 1995 (H.R. 2491), which was vetoed by President Clinton. However, the most prominent tax cuts in the 1995 bill -- a tax credit for children and a tax cut for capital gains -- are not in H.R. 3448.

TAX REDUCTIONS

Small Business Provisions

The Act's small business provisions account for about one-third of the gross revenue loss from its tax cuts. Among them is the single largest revenue-losing item in the bill: an increase in the first-year **expensing allowance** for equipment investment. Under current law, small firms are permitted to deduct

¹This and subsequent revenue estimates are from: U.S. Congress. Joint Committee on Taxation. *Estimated Budget Effects of the Conference Agreement Relating to the Revenue Provisions of HR 3448, the Small Business Job Protection Act of 1996*. JCX-47-96. Washington, 1996. 8 p.



up to \$17,500 of equipment purchases in the year of acquisition rather than spreading the deduction out over several years as depreciation. This confers a tax benefit because newly acquired assets usually do not lose their value in the acquisition year, and thus do not impose a cost on the acquiring firm. The Act increases the allowance gradually to a new level of \$25,000 in 2003 and thereafter.²

The bill also contains a set of provisions that generally relax rules related to **S corporations**. S corporations are firms with a limited number of stockholders that -- having met certain tax-code requirements -- are not subject to the corporate income tax. Instead, S corporations are taxed like partnerships: their income is apportioned among the shareholders (whether it is actually distributed or not) and taxed to them under the individual income tax.

To qualify as an S corporation under prior law, a firm was permitted to have no more than 35 shareholders; probably the most important of the Act's changes is to increase the shareholder limitation to 75. Other of the Act's more prominent S-corporations changes are: removal of prior-law prohibition on S corporations owning more than 80 percent of other corporations; relaxation of restrictions on ownership of S corporations by trusts; general removal of the prohibition on banks from qualifying as S corporations; and relaxation of restrictions on ownership of S corporations by tax-exempt entities.

Renewal of Expired Tax Provisions³

A number of temporary tax provisions have been enacted in recent years; the provisions, when enacted, were set to expire on specific dates. Most of these so-called "extenders" have both expired and been reinstated on numerous occasions. (Indeed, prior to H.R. 3448's enactment, some of the provisions actually had expired.) The provisions consist principally of a number of revenue-losing income tax benefits, along with several revenue-producing excise tax provisions.

The Act renews a number of the temporary provisions for various lengths of time. Most of the renewals are retroactive but in a limited way; many of the renewals begin only a short time prior to the bill's enactment and leave a period of non-applicability between when the provision last expired and its renewal. The extenders addressed by the Act are listed the table below. While the table appears in this report's section tax reductions, note that it includes both revenue-losing and revenue-gaining items.

²For further information on expensing, see: U.S. Library of Congress. Congressional Research Service. *H.R. 1215 and the Expensing Allowance for Smaller Businesses*. Report No. 95-528 E, by Gary Guenther. Washington, 1995. 6 p.

³For further information, see: U.S. Library of Congress. *Expiring Tax Provisions*. Issue Brief 95064, by Sylvia Morrison. Updated regularly.

Temporary Tax Provisions (Extenders) in H.R. 3448				
Provision	Prior Expiration	HR 3448 Effective Dates	Extension	Notes
Research and Experimentation Tax Credit	6/30/95	7/1/96-5/31/97	11 months	The Act makes several modifications in the credit's design.
Deduction for Contributions of Stock to Private Foundations	12/31/94	7/1/96-5/31/97	11 months	
Work Opportunity Tax Credit	12/31/94	10/1/96-9/30/97	12 months	Redesigned version of prior law's Targeted Jobs Tax Credit
Exclusion for Employer Provided Education Assistance	12/31/94	12/31/94-5/31/97 (see note)	29 months	A shorter extension applies to graduate courses, whose exclusion expired on 6/30/96.
Orphan Drug Tax Credit	12/31/94	7/1/96-5/31/97	11 months	
Transition Rule for Public Partnerships	12/31/97	1/1/98-12/31/99	24 months	
Nonconventional Fuels Tax Credit for Biomass and Coal	Binding contracts before 1/1/96; facilities in service before 1/1/97	Binding contracts before 1/1/97; facilities in service before 7/1/98	12 months	The credit is extended for fuel from a facility placed in service before 7/1/97 pursuant to a binding contract entered into before 1/1/97
			18 months	
Excise Tax on Motorboat Fuel	12/31/99	Suspends, 8/27/96-12/31/97	Approx. 16 months	The Act suspends a temporary excise tax beginning 7 calendar days after date of enactment.
Exemption of Alien Agric. Workers from Unemployment Tax (FUTA)	12/31/94	Permanent from 1/1/96	Permanent	
Airport and Airway Trust Fund Excise Taxes	12/31/95	8/27/96-12/31/96	Approx. 4 months	Beginning date of renewal is 7 calendar days after date of enactment.
Excise Tax on Luxury Automobiles	12/31/99	1/1/00-12/31/02 (see note)	36 mos. (see note)	The tax is extended, but is also gradually reduced beginning in 1996.

Pension Changes⁴

The Act's pension changes grew out of congressional concern over the growing complexity of pension plan administration -- concern that the complexity of rules has inhibited some firms from starting plans, and has contributed to keeping the proportion of the work force covered by plans stagnant for many years. The Act's changes lets plans avoid complex nondiscrimination tests, which serve to keep plans from favoring the highly paid, if they adopt specified levels of employer contributions. Small firms are encouraged under the Act to begin "simplified pension plans." In addition, in terms of revenue loss, the Act's single largest change is an expansion of Individual Retirement Accounts (IRAs) for married couples. The net revenue loss from all the pension provisions is estimated at \$4.9 billion over 10 years.

Many of the Act's most prominent changes fall into 4 broad groups along with some miscellaneous changes: simplified distribution rules; measures intended to increase pension plan access; changes in non-discrimination rules; changes in rules for government plans; and miscellaneous changes.

Unlike most of the Act's pension changes, the changes in distribution rules are revenue-raising provisions and include:

- elimination of 5-year income averaging for lump-sum distributions;
- repeal of the \$5,000 tax exclusion for employees' death benefits;
- simplification of the method for determining the taxable portion of annuities.

Among the bill's measures intended to increase pension plan access are:

- expanded IRAs for couples with only one wage-earner. The expansion increases the current combined limit for deductible contributions from \$2,250 per couple annually to \$2,000 for each spouse;
- a new type of simplified pension plan (called a "SIMPLE" plan) for firms with 100 or fewer employees;
- extension of 401(k) plans to nonprofit organization (but not to state and local governments).

The Act relaxes the nondiscrimination rules by exempting salary deferral pension plans from the tax code's nondiscrimination tests if they adopt one of two "safe harbor" designs. (The tax code's nondiscrimination rules for pension

⁴The information in the present report is largely an abridgement of parts of a more complete CRS report on the pension changes, entitled: *Pension Proposals for Simplification and Increased Access*. Report No. 95-1028 EPW, by James R. Storey. Washington, 1996. 6 p.

plans generally are aimed at ensuring they are not overly favorable to highly paid employees.) The bill's changes for government plans include easing rules under section 415 of the tax code that restrict benefits plans can pay and contributions they can receive. Among other alterations, the Act relaxes several rules relating to code section 457's rules for governmental deferred compensation plans.

Adoption Credit and Exclusion⁵

The Act provides both a tax credit for adoption expenses and an exclusion from income for benefits received from an employer-sponsored adoption assistance program; the provisions are intended to foster and facilitate adoptions. The credit can be claimed for up to \$5,000 of qualified expenses (\$6,000 for children with special needs.) Qualified expenses include adoption fees, court costs, attorney fees, and other expenses directly related to adoption. The Act contains provisions prohibiting double benefits.

Both the credit and exclusion are phased out over adjusted gross incomes between \$75,000 and \$115,000. Both provisions are effective beginning January 1, 1997; however, except in the case of the credit for special needs children, both are scheduled to expire after December 31, 2001.

REVENUE-RAISING PROVISIONS

Possessions Tax Credit

By far, the single largest revenue-raising provision in the bill is its 10-year phase out of the possessions tax credit provided by section 936 of the tax code. The provision would increase revenue by an estimated \$10.6 billion over 11 years -- about 40% of the total estimated revenue from all the bill's revenue-raising measures. The credit was enacted as a means of attracting employment-producing investment to Puerto Rico and the possessions. Prior to 1994, the tax credit, in effect, provided a full tax exemption for business income earned by firms in the possessions. The Omnibus Budget Reconciliation Act of 1993, however, imposed a gradually phased in cap on the exemption -- in part to reduce the provision's revenue cost, and in part to link the measure more closely to a firm's actual economic activity in the possessions. A firm could choose one of two alternatives for its cap: either a limit linked to its wages and tangible investment in the possessions, or a cap equal to a fixed percentage of prior law's full exemption.

For some firms, the Act repeals the possessions tax credit completely at the end of 1995. Beginning in 1996, only corporations who are already using the provision ("existing claimants") can continue to claim the credit, but the credit

⁵For additional information, see: U.S. Library of Congress. Congressional Research Service. *Adoption Credit and Exclusion*. Louis Alan Talley. Washington, 1996. 6 p.

would be phased out. The exact phaseout that applies depends on whether a firm used the economic activity limit under prior law or the percentage limitation. For firms using the economic activity cap, the credit can be claimed at prior law's rate for 6 years (1996 through 2001); the allowable credit then diminishes over the next 4 years (2002-2005) and is completely eliminated thereafter (after 2005). For percentage limitation firms, the full credit applies for only 2 years (1996-1997), with gradual phaseout occurring over 1998-2005.

Other Revenue-Raisers

The remaining revenue raisers are varied, and consist of both individual and corporate income tax provisions as well as excise tax provisions. The most prominent of the remaining income tax provisions are:

- repeal of the 50% interest income exclusion for bank loans to Employee Stock Ownership Plans (ESOPs);
- more stringent penalties for taxpayers who report incorrect taxpayer identification numbers (TINs) for dependents;
- repeal of the bad debt reserve deduction for thrift institutions;
- modified rules for taxing foreign trusts; and
- repeal of the exclusion for energy subsidies received from public utilities.

The Act's revenue-raising excise tax provisions are generally extensions of temporary provisions. In terms of revenue, the largest by far is the Airport and Airway Trust Fund taxes that was previously listed in the section on expiring tax provisions.

CEA HEARING TOPICS

1. Balanced Budget Amendment

Why do you oppose the amendment when you admit that balancing the budget is good for the economy?

2. Economic Growth

Can the economy grow faster?
Is the business cycle over?

3. Minimum Wage

How many jobs will our increase in the minimum wage cost us?

4. Economic Philosophy

In reviewing your literature, I noticed that you wrote an article in defense of Keynesian economic philosophy. I presume that you consider yourself a Keynesian?

5. Consumer Price Index

Do you think that there needs to be a legislative solution to the CPI problem?

6. Abortion

In reviewing your literature, I noticed that you wrote an article on how out-of-wedlock births have risen since the advent of birth control and the legalization of abortion. Isn't this one more reason for us to stop condoning the killing of the innocent unborn?

7. Reg B

During your stay at the Fed I noticed that you voted not to allow banks to release racial lending information. I would assume that you agree that allowing this information to be released would lead to banks being held hostage by community groups?

8. Environmental/Health/Safety Regulations

Congress has been considering legislation which would make cost benefit analysis a part of the criteria for regulations. Wouldn't you agree that such analyses are critical to determining the effect of regulations on the economy?

Other issues

Privatization of SS

S Corp tax status

Tax Burden in U.S. vs other countries

Consumer Debt - Does it inflate our economy?
Should we tighten bankruptcy laws?

International Trade Deficit

Capital Gains Tax Cut

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JANET L. YELLEN
MEMBER OF THE BOARD

February 10, 1997

The Honorable Alfonse M. D'Amato
Chairman
Committee on Banking, Housing, and
Urban Affairs
Washington, D.C. 20510-6075

Dear Mr. Chairman:

I am pleased to provide my responses to the additional questions which you forwarded to me following my nomination hearing before the Committee.

I would like to express my appreciation to you, to Senator Sarbanes, and to the other Members of the Committee and to Committee staff for the courtesies extended to me.

Sincerely,

Janet L. Yellen

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR D'AMATO
FROM JANET LOUISE YELLEN**

Q.1. How does the role of the Council of Economic Advisers differ from that of the National Economic Council? Are there redundancies, are we duplicating valuable resources?

A.1. The major function of the Council of Economic Advisers is to provide the President with objective, professional economic analysis and advice on a wide range of domestic and international economic policy issues. The CEA also analyzes current economic events for the President, prepares the monthly "Economic Indicators" for the Joint Economic Committee of the U.S. Congress and produces the annual *Economic Report of the President*. In contrast, the National Economic Council serves as an "honest broker" in the economic policymaking process, bringing together members of the economic team and presenting their views to the President. The Chairman of the CEA serves as one of the six Principals on the NEC. The NEC also monitors implementation of the President's economic agenda. Finally, the CEA is staffed by professional economists. In contrast, the NEC is staffed primarily by lawyers and policy experts: at the present time there are only 2 Ph. D. economists on the NEC staff. I do not think that there are redundancies resulting in a duplication of valuable resources.

Q.2. Recently, the Federal Reserve has been criticized for the way it has been run, especially with regard to its expenses. What is your opinion of the Federal Reserve and its operations?

A.2. During my tenure at the Federal Reserve, I have found it to be an extremely well-run organization that takes its responsibility to control expenses very seriously. I believe that one of the hallmarks of a well-managed organization is its ongoing efforts to identify areas for continuing improvement and to effectively address these areas. In my experience, the Federal Reserve is managed in this manner. The GAO, in its 1996 report on the Fed's operations, raised a number of interesting and important questions. These issues are being seriously reviewed and GAO's recommendations are being carefully considered. Prior to the publication of this report, the Federal Reserve already had efforts underway to evaluate a number of the issues raised by the GAO. Subsequently, it has initiated additional efforts. For example, a committee has been established to conduct a fundamental review of the Federal Reserve's participation in payment services. Overall, I am confident that the Federal Reserve operates in a cost conscious manner and has the management and mechanisms in place to carry out effectively the responsibilities entrusted to it by the Congress.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR ALLARD
FROM JANET LOUISE YELLEN**

- Q.1.** What do you believe are the effects on the economy of unbalanced budgets, and, in particular, of large federal deficits? (Do you believe that we are passing on to our children and grandchildren a lower standard of living than they otherwise would have because of higher interest rates and lower total savings rates?)
- A.1.** A deficit in the federal budget constitutes a form of dissaving, likely reducing total national saving. With lower national savings, real interest rates are likely higher and investment spending lower. The impact of lower domestic savings on domestic investment is mitigated to the extent that higher American interest rates attract foreign capital to our shores, providing an alternative source of finance. The counterpart of such capital inflows is a deficit in a country's current account balance with the rest of the world. A reduction in domestic investment implies that our children and grandchildren will enter workplaces which are less well equipped than otherwise, thereby lowering their productivity. With foreign capital inflows, our children and grandchildren face a continuing stream of payments to service our foreign debt. In either event, large federal deficits mean that their standard of living is lower than it would be without these deficits.
- Q.2.** From our discussion in my office, I know that you oppose the Balanced Budget Amendment. My six years in the House of Representatives before moving over to the Senate have convinced me the federal government has lost all sense of accountability. We have racked up in excess of \$5.3 trillion in debt at the expense of our children and grandchildren, and most frightening of all, the entitlement crisis is threatening to send our deficits out of control. What entitlement reform policies would you advocate the President to pursue so that we can keep our federal budget balanced in the years beyond 2002?
- A.2.** I believe that the most urgent task for the Administration and Congress right now is to complete the work of deficit reduction and to enact changes in Medicare so that the Hospital Insurance Trust Fund, currently projected to be exhausted by 2001, remains solvent for another decade. The proposals contained in the President's budget accomplish these objectives. The Social Security Trust fund can pay full benefits well into the next century. However, over the longer term, I would agree that we will confront a major challenge as the baby boom generation retires and the proportion of the elderly in the U.S. population rises sharply. Although long term forecasts entail considerable uncertainty, it appears quite likely that without some policy changes, entitlement spending, especially for health care under Medicare and Medicaid, will rise much more rapidly than social insurance taxes and contributions, resulting in growing Federal budget deficits. It would be advantageous to tackle these issues in a timely fashion because deficits in the early years, funded by borrowing, entail mounting interest outlays later. The issues involved in entitlement reform are complex; many

key questions require further study; and a variety of options are available and deserve consideration to guarantee the financial solvency of these important programs. For example, the Quadrennial Advisory Council on Social Security recently presented not one but three alternative plans to put Social Security on a sound financial footing for the next 75 years. I would advocate a bipartisan process to address these long term issues.

Q.3. I believe that the American people are overtaxed. They work until the beginning of May of each year just to pay their various tax obligations. Individuals are much better judge of what to do with their hard-earned money than the federal government, and these enormous tax bills serve as a disincentive to work. Were you in favor of the 1993 tax hike? Do you believe that high marginal tax rates and high tax burdens in general are harmful to the economy? Are there any forms of tax relief that you would support?

A.3. I supported the President's 1993 Budget package, which was a balanced mix of spending cuts and revenue increases. The main income tax increase in the 1993 Budget package consisted of higher marginal rates on the highest income groups (approximately the 1.2 percent of American taxpayers with the highest incomes). The evidence to date does not indicate that these taxpayers reduced their work effort or otherwise shifted income to tax-favored forms to avoid the increased tax burden. Instead, those with the highest incomes have enjoyed steady income growth since the 1993 tax increases were enacted. Moreover, the entire economy has grown consistently since 1993, in contrast to the dire predictions made by critics during the debate over the 1993 budget package.

While high marginal tax rates and high tax burdens can, if excessive, be a drag on the economy, the evidence suggests that tax burdens in the United States are not so high as to be detrimental to the overall economy. As a percentage of GDP, Federal tax burdens of the past few decades have been remarkably stable, mostly fluctuating in the narrow range of 17-20 percent. And overall tax burdens (including Federal, State, and local taxes) also have been relatively stable, fluctuating between 26 and 30 percent of GDP, despite extensive changes to major tax structures over that time. Moreover, international comparisons consistently show the U.S. to have among the lowest tax burdens of all industrial countries. These factors, along with the steady growth of the U. S. economy, indicate that the tax burden for Americans is not so high as to negatively affect the economy.

While the Federal tax burden as a share of the economy is not overwhelmingly high, there are instances where families feel burdened by financial obligations. It seems appropriate to target tax relief toward these families. This is precisely what the President has proposed in the FY 1998 Budget, with a tax credit for families with children, a tax credit/tax deduction plan for post-secondary education, and expanded access to IRAs, all targeted to middle-income families. These are the types of tax

relief that I would support.

**RESPONSE TO WRITTEN QUESTIONS OF SENATOR ENZI
FROM JANET LOUISE YELLEN**

- Q.1.** The Federal Government is replete with duplicate programs. For example, the United States Department of Agriculture, Small Business Association, Department of Housing and Urban Development, and Department of Commerce all provide assistance in some shape or form to small businesses. The funding of the various programs is not maximized because there is not a coordinated effort among agencies. How might your leadership serve to bring about a coordination of efforts so that more could be done with the limited funding available? Have you thought about establishing an Interagency Working Group to address issues of duplication in funding and program goals to maximize the leverage of scarce federal funds?
- A.1.** One of the major objectives of Vice President Gore's "reinventing government" initiative is to enhance coordination among agencies to eliminate duplication of effort, to improve the effectiveness of programs, and to achieve cost savings. These efforts have already produced results, but more undoubtedly remains to be done. One example of successful coordination is the joint effort of Commerce, SBA, the Ex-Im Bank and USAID to work with state agencies to create jointly staffed Export Assistance Centers that provide one-stop service to exporting businesses. Treasury, IRS, Social Security and Labor have signed a memorandum of understanding to collaborate on a streamlined wage and income reporting system, aimed at a one-stop electronic filing system for federal and state governments. I appreciate your suggestion concerning an Interagency Working Group to identify additional possibilities for coordination of effort. If confirmed, I will pass your suggestion along to the NEC, whose job it is to manage the interagency process.
- Q.2.** Did you support the minimum wage increase recently put into effect? What criteria do you use to determine if and when to raise the minimum wage?
- A.2.** I supported the minimum wage increase recently put into effect. The increase was the first since 1991 and the second since 1981 when the minimum wage was increased to \$3.35. Over this long period, inflation had eroded the real value of the minimum wage significantly and even by next September, when the minimum wage is raised to \$5.15, its real value will still be roughly 16 percent below its 1981 level in real terms. I supported the minimum wage increase because it had fallen so much in real terms and because I believe it provides a powerful tool, combined with the Earned Income Tax Credit and other benefits, to make work pay enough so that hard working families are lifted above the poverty line. Given the size of the minimum wage increase and the existing evidence concerning the impact of the minimum wage on employment, I

would not expect it to have significant effects on employment.

Q.3. I am particularly interested in growth, particularly for small business. Do you have in mind any incentives for small business growth? If small business and families are strengthened, I think our country will be strengthened. Do you have any financial policies that might reduce family financial stress that you would suggest to the President?

A.3. Over the past several years, the Administration has proposed and supported numerous incentives for businesses, with special emphasis placed on the situation faced by smaller businesses. Several provisions that seem particularly appropriate are: increasing the maximum amount of equipment that can be expensed by smaller businesses in the year purchased from \$10,000 to \$25,000 (in steps through 2003); substantially reducing the paperwork burden for small businesses applying for loans guaranteed by the Small Business Administration; establishment of the Community Development Financial Institutions program, which will provide access to capital for borrowers who may be overlooked by the larger banks; and the expanded access to low-interest installment loans to pay estate taxes that the President proposed in the FY 1998 Budget. These incentives include both spending and tax initiatives, depending in part on which delivery mechanism is more efficient.

The President's FY 1998 Budget contains several tax cuts targeted at middle-class Americans that should help relieve financial stress for those whose burdens are the largest. For example, the proposed tax credit/tax deduction for post-secondary education costs will reduce tax burdens on families who are undertaking large financial obligations to pay for education. This financial aid (provided through the Tax Code) will help relieve stress on these families.

Q.4. Exports of the United States are not always on a level playing field with other countries because of the subsidies that many foreign nations give their companies. This can put American companies and goods at a disadvantage. The Export-Import Bank plays an important role in leveling the playing field for U.S. companies. In light of balancing the budget, should the Ex-Im Bank raise its exposure fees to increase subsidy savings?

A.4. Foreign nations do subsidize their companies and exports through a variety of means and this has negatively affected the competitiveness of U.S. exports. Rather than engage in an expensive export subsidy race, the U.S. has pressed its allies/competitors to reduce their own subsidy programs. In this vein, the U.S. has worked diligently through the OECD's Export Credit Arrangement to level the playing field for U.S. firms by encouraging other nations to rely on market terms for official export financing. From 1993-1995, U.S. negotiations with the Export Credit Arrangement successfully reduced the levels of OECD tied aid by \$18 billion. Assistance to developing countries in the form of tied aid has often worked to the detriment of U.S.

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exporters, and its negotiated reduction is estimated to have resulted in about an extra \$1 billion a year in U.S. exports.

Currently, the United States is negotiating through the Export Credit Arrangement to raise exposure fees charged to foreign governments. If an agreement is reached, the Export-Import Bank can raise its exposure fees without harming the competitiveness of U.S. exporters. I favor the continuation of these negotiations with the Export Credit Arrangement.

Q.5. The Administration wants to offer grants to students for the first two years of college. I strongly believe in the importance of education, but will the administration's proposal drive up the cost of education and make it more difficult for students to continue college after those first two years? Will this be a new entitlement program put in place before we have the problems with the existing entitlements solved?

A.5. The Administration's proposal to provide \$1500 tax credits per year for the first two years of college is designed to make two additional years of education the norm for students graduating from high school. Encouraging students to pursue additional schooling beyond that point is obviously desirable and the tuition deduction for post-secondary tuition and fees up to \$5,000 in 1997 and 1998, and \$10,000 starting in 1999 will help reduce the cost for those who attend college, including their third and fourth years. Some analysts have suggested that the tuition tax credit could conceivably induce states to reduce their own subsidies to higher education, resulting in higher tuition. This is a hypothesis--not an observed outcome of actual experience. Because the avowed purpose of state subsidies has been to expand access to college education, I find it hard to envision how any offset of this type could be large enough to actually endanger access to education beyond the first two years. At most, there could be some substitution of federal for state spending.

Tax breaks for college are not an entitlement but instead, a tax cut designed to benefit the middle class. They are given to those who are willing to make investments in their own human capital, enhancing their own productivity and that of the nation. Accordingly, the proposed tax policy towards higher education is an investment, not an entitlement program. The need to address problems with existing programs is very strong and the Administration needs to work with Congress in a bipartisan manner to tackle these tough problems, regardless of our education policies.

Q.6. If the economy is doing well, what is the reason for the increase of the number of personal bankruptcies, delinquent loans, and consumer debt?

A.6. With strong job formation, a falling unemployment rate, rising personal income and a dramatic rise in the stock market, economic conditions in the United States in recent years have been extremely favorable to growth in spending and borrowing by the household sector and to strong growth in consumer lending by U.S. banks. In

addition, declining residential mortgage rates have enabled many households to lower their monthly payments on mortgage debts. Combined, these favorable developments may have laid the foundation for many households to incur additional debt to finance major purchases. The rapid rise we have seen in nonmortgage consumer debt is not unusual for a period of economic expansion. However, the Federal Reserve's Survey of Consumer Finances suggests that the proportion of low-income households with an unusually high fraction of their income absorbed by debt repayments has been rising--and rising loan delinquency rates and personal bankruptcies suggest that some households may have let their debts build to the point where they are having difficulty servicing them.

An independent factor contributing to the growth in consumer loans and rising delinquencies is the increasing competition among lenders to make consumer loans, reflected in falling rates and fees on consumer financing products, including credit card rates. Commercial banks and other credit card lenders have been aggressively marketing credit cards with pre-approved lines of credit based on the results of credit scoring models that statistically evaluate an individual's creditworthiness. Because credit card lending has been highly profitable, some lenders have been willing to take on greater risk in the interest of increasing loan volumes. This competitive process may have attracted weak or marginal borrowers with higher probabilities of delinquency or bankruptcy. Personal bankruptcies have been trending upward since the early 1980s. Changes in the bankruptcy law in 1978 made the consequences of bankruptcy less onerous for individuals; moreover, the stigma associated with personal bankruptcy has undoubtedly declined, leading to greater social acceptability of the practice. Perhaps the trend is also fueled by the willingness of banks and nonbanks to continue to lend to individuals whose credit history is dubious.

Q.7. You have said that the monetary policy put in place affects the economy for a "very long time into the future." How would you say that the monetary and economic policies of past administrations and the Clinton Administration are affecting the economy today?

A.7. A "narrow" sense in which monetary policy affects the economy for a "very long time into the future" is that monetary policy operates with long lags. Large scale econometric models of the American economy suggest that less than 10% of the impact of a change in the federal funds rate, the Federal Reserve's primary monetary policy instrument, is experienced during the first six months and only about half during the first year. This explains why the Federal Reserve seeks to be forward looking, sometimes acting to tighten monetary policy in advance of observing any increase in inflation. For example, between February 1994 and February 1995, the Federal Reserve raised the federal funds rate from 3% to 6%. The objective was to moderate the growth of demand enough to avoid pushing against capacity constraints in labor and product markets, with inflationary consequences. This policy, implemented before the economy's slack had been exhausted, was successful in

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achieving a "soft landing" with the American economy now operating in the vicinity of its potential, with most forecasters predicting sustainable growth going forward, and with inflation stable or, according to many broad measures, continuing to decline.

There is also a broader sense in which monetary and economic policies affect the economy for a "very long time into the future." Over the very long term, the Federal Reserve's monetary policy primarily affects the overall rate of inflation in the economy, while fiscal policy, particularly the level of the federal budget deficit, affects saving, investment, and long-term growth. In this sense, the monetary policies initiated by Chairman Volcker succeeded in bringing inflation down from unacceptably high levels in the 1970s. The Greenspan Fed has solidified those gains and achieved further progress toward the goal of price stability. An environment of price stability, in my view, provides a favorable climate for growth-creating investments in capital, in people and in R&D. The Clinton Administration's fiscal policies have also promoted growth. Most importantly, the federal budget deficit has been reduced from 4.7% of GDP in 1992 to 1.4% in 1996--the lowest ratio in any major industrialized country. The ratio of federal debt to GDP has finally stabilized and the national saving rate has increased. With less federal government drain on the private savings pool more has been available for investment. We have consequently enjoyed an extraordinarily robust pace of investment spending with the most rapid pace of expansion in industrial capacity we have seen in decades. These developments will have favorable consequences for productivity and growth for decades to come.