

1-16-01

TABLE OF CONTENTS

- Tab A List of the Strategic Planning Team Members
- Tab B Memo on "The Narrative: Renewing American Values for the 21st Century" by Paul Begala, Ann Lewis and Michael Waldman
- Tab C Memo on "Strategic Focus" by Sid Blumenthal
- Tab D Memos on the Priorities by Various Strategic Planning Team Members
- Tab E Memo on Congressional Context by John Hilley
- Tab F Fourteen "Pillars" of the Strategic Process

Ann Lewis

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A

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THE WHITE HOUSE
WASHINGTON

STRATEGIC PLANNING TEAM* **

Paul Begala
Sandy Berger
Sid Blumenthal
Erskine Bowles
Maria Echaveste
Rahm Emanuel
Jack Gibbons
Don Gips
John Hilley
Mickey Ibarra
Chris Jennings
Elena Kagan
Ron Klain
Jack Lew
Ann Lewis
Goody Marshall
Sylvia Mathews
Andrew Mayock
Katie McGinty
John Podesta
Frank Raines
Bruce Reed
Bob Rubin
Doug Sosnik
Gene Sperling
Larry Summers
Michael Waldman
Melanne Verveer
Janet Yellen

*As noted, due to the vacation period attendance of the team varied. While some members made every meeting, other members were on vacation and unavailable for some meetings.

**Also, please note that we are consulting with Mark Penn and Don Baer.

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B

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THE WHITE HOUSE
WASHINGTON

August 29, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Paul Begala
Ann Lewis
Michael Waldman

SUBJECT: The Narrative: Renewing American Values
for the 21st Century

The process of working through the myriad policy proposals, organizing them into "pillars" and then discussing their comparative priorities has been a painstaking but enormously useful process; one that highlights the need for a narrative.

One of the many finite resources we will be taxing in the next three and one-half years is the time and attention of the American people. Constant repetition of a general theme was wonderfully successful in the campaign 1992 (economic change for the middle class) and again in 1996 (building a bridge to the 21st Century). Bringing the same focus and discipline to a non-election agenda is our challenge, and it is a difficult one. This is even more important, now that the balanced budget has removed the one great issue that has always loomed in the background of other initiatives, events and speeches.

From your 1974 congressional campaign, to the 1993 Inaugural Address, to the 1997 State-of-the-Union Address, there is a consistent, coherent, and persuasive narrative -- a coherent vision of what America must do and how you propose to lead it there. That approach should be the basis of the narrative used for the next 3 1/2 years, and can help make sense of the array of possible initiatives before you.

For the purposes of narrative clarity, we suggest grouping the pillars first into three clusters, which ultimately lead to one overarching message: **Renewing traditional American values as we meet the challenges of the 21st Century.**

A. THE OVERARCHING MISSION

Your challenge is to take the enduring values which built this country and apply them to the challenges of this new era.

America, unique among nations, was founded on a set of ideals: Opportunity, responsibility, community. The future preference. "We are all created equal." The American Dream. These are all fundamental American values. For 220 years our ability to hold fast to these ideals have been challenged by changes in the economy, in our social life, and other factors. And at every critical juncture of American history, at every time of challenge and change, it has been the job of the American people to re-animate, revitalize, renew those values so they live on in new and different times. So it was when Lincoln reached back to the Declaration and spoke of "a new birth of freedom" at Gettysburg. So it was when the Progressive reformers and the Populist crusaders brought enduring American values built on an agrarian ideal into the modern era. So it was when FDR rescued capitalism (as he brilliantly articulated his mission in the Commonwealth Club speech of 1936). And so it was when Dr. Martin Luther King, Jr. called on us to "live out the true meaning of our creed" 33 years ago this week.

As America turns the corner into the 21st Century, history has once again presented us with the challenge of change. The transition to the new economy, globalization, technological innovation, social disintegration, and the collapse of the bipolar construct of the Cold War have made this a time of dizzying change. You have argued that this change could lead to a hopeful and prosperous time. But our challenge has been to make the enduring values upon which this country was founded relevant and meaningful in a new era.

You have cited three central challenges in this time of change:

1. **To keep the American Dream alive for everyone who will work for it.** Here is where the values of opportunity and responsibility are reinvigorated. This concept can gather together much of the specific substantive agenda, giving coherence to such diverse pillars as the economy, education, welfare, health care, entitlement reform, and others. On their own, each of these issues is important to our future. But when described as part of a larger mission to restore the American Dream for all who will work for it, the sum becomes greater than the parts. What's more, this narrative draws on the clear storyline of your life's work -- from your earliest days in Arkansas to your announcement speech for the Presidency to so many moments as President, you have returned to this concept again and again.
2. **To keep America the world's strongest force for peace, freedom and prosperity; the world's indispensable nation.** This concept can incorporate both America's leadership abroad and your crucial role in international economic leadership.

3. **To bring us together as one community, reaching across all the lines that divide us; to ensure that America is coming together, not coming apart.** Clearly this speaks powerfully of your lifelong commitment to racial integration and reconciliation. It may also be the best way to discuss your commitment to children and strengthening the American family.

B. THE NARRATIVE THUS FAR

A decade ago, it seemed as if America was stumbling into this new time. The changing economy seemed to put working families on an unprecedented downward slope. The end of the Cold War left America rudderless in the world. Crime, welfare, teen pregnancy, the decline of cities, homelessness, all seemed impervious to action -- problems that could only ever get worse. Washington seemed eerily out of touch with the changing nation. It seemed, as you said in your announcement speech in 1991, as if yours would be the first generation unable to pass on a better life to our children.

During the first four and a half years of your Presidency, America began to take long-overdue steps to rekindle the basic opportunity, faith and family, and respect for hard work that are the core of America's values. You are well aware of the results, from ending the debilitating debates about big government, welfare, and crime, to the reconnection of the Democratic Party with mainstream values. In all this, you began to create a new vision for progressive government: not a government that tries to do everything, or does nothing, but one that gives people the tools to make the most of their own lives.

In sum, during the past 4 ½ years, you began to steer America successfully -- through sometimes rough waters -- into a distinctly new and hopeful era. And you have done it by focusing on those initiatives that would make the founding ideals of opportunity, responsibility, and community real in the lives of ordinary Americans. The balanced budget marks a period of tremendous possibility. Now, building on that success, we have a chance to make those values even more robust.

We hope to flesh out this "narrative" -- and link it to new initiatives -- in a "scene-setter" speech on September 9th.

C. THE USES AND IMPLICATIONS OF THE NARRATIVE

We believe this can not only help guide how to talk about your priorities, but help you choose among them. For example, if we truly believe that equality of opportunity is the key American value -- and we believe that in the new economy, skills and education will be the key to that opportunity -- then that argues for an even more relentless focus on education.

We have no doubt that there will be spirited discussions over which issue fits where. Some may argue that, for example, entitlement reform is better described as essential to community -- so we don't splinter along generational lines as demography threatens to divide us. Others may see other homes for other issues. That's fine. What's essential is that a clear and consistent narrative be repeated relentlessly -- not only by you, but by everyone who works for you.

This effort is common in the business world. Leading corporation spend an enormous amount of time and money developing and disseminating mission statements -- so that everyone from the front-line workers to the senior executives has the same overall goal in mind, the same sense of the big picture. Our goal in developing and delivering this narrative should be bold: to give everyone who works for you, and ultimately every American, a brief, clear and meaningful way to define and defend Clintonism. The calendar's relentless march to the millennium can focus the nation's mind. As Tony Blair has said in England: "We have a thousand days to prepare for a thousand years." Everyone who hears that immediately responds, "Well, let's get busy." The approaching millennium compels a desire for activism that is even more classically American than it is British. You've described us as a restless, questing people, forever young because we're always renewing ourselves. This narrative hopes to capture that sentiment, and empower the American people to make sense of (and support) the bold plan of change you intend to propose and carry out over the balance of your Presidency.p

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THE WHITE HOUSE
WASHINGTON

August 28, 1997

MEMORANDUM FOR ERSKINE BOWLES
SYLVIA MATHEWS
JOHN PODESTA
PAUL BEGALA

FROM: SIDNEY BLUMENTHAL *SB*
SUBJECT: STRATEGIC FOCUS

I. The Moment for Reconstruction

The basic conditions for a new era in American politics have been established through five years of struggle by the Administration. It has not been easy.

The budgets of 1993 and 1997 are the markers of policy, but the radically different responses to them demonstrate the dramatic change that has taken place since the beginning of the Administration. With the first budget, though it was an obviously reasonable plan, the Republicans opposed it uniformly, acting out a strategy of rejectionism: by frustrating the new President's program across the board, he would fail to gain any credence for effectiveness; and government itself would be discredited, proving an ideological premise. By this year, however, the Republicans have felt compelled to associate themselves with constructive compromise precisely in order not to be tainted for standing on what was their earlier position. Not least of the changes that had made possible this about-face was the unfolding of the effects of the first budget.

But the current moment of public optimism reflects more than a cyclical upturn in the economy, even one that can be traced to the 1993 budget. It is not a bubble. Deeper structural transformations buttress the buoyant mood; they also provide a foundation for a new progressive era, but only if it is built up.

The enactment of the recent budget represents the ratification of the new economy. It is an economy in which unemployment and inflation have fallen simultaneously; government action has been essential in setting in motion the flourishing of private markets; and the goal of policy is not the false choice of either increased productivity or wages but both at once. The new economy as a model is neither laissez faire nor command control. Global in dimension and driven by high technology, the new economy is constantly increasing efficiency; yet it requires equally constant investments in education and training. Quality of life issues are central to quantitative performance. Greater efficiency and greater equity, in short, are not opposites, but complements.

The old rules no longer seem to apply and their inability to describe reality is perplexing to

those who claim to be its savants. "The Puzzling Failure of Economics" reads the cover of the current issue of *The Economist*. Neither the Phillips Curve nor monetarism work anymore; the reigning doctrines of the past appear useless.

For five years, the Administration has endured the harrowing ordeal of conducting the transition from the old to the new economy. Now, the President has finally emerged in the sunlight of popular approval. While the public is at last granting credit where credit is due, the period into which we have entered is not yet perceived as a new era. If Ronald Reagan was the last President to ride the old economy (just as he was the last President of the Cold War) and George Bush was thrown by the transition to the new one (just as he was the President of the transition from the Cold War), then Bill Clinton is the first President of the new economy. But until the President is credited as having been the shaper of structural changes, not simply being carried along on the crest of a cyclical wave, someone who has the good luck to preside over a routine turn of the business cycle, the era will not be acknowledged as such: the Clinton years will not be seen as a Clinton era.

Perhaps the most common and ponderous fallacy of the pundit class is that only overwhelming crises—wars and depressions—can enable a presidency to achieve great things. The evidence of the 20th century, without exception, runs contrary to this assertion. Eras of American reconstruction are products of good times, not hard times. They are times of promise that permit people to feel expansive, positive and forward looking. It is always easier to accomplish reform in periods of relative abundance rather than in periods of scarcity. A secure people is always more open to change than an insecure people. The historian David Potter characterized Americans as typically "people of plenty" (in his 1954 post-war classic of that title), for whom abundance is not a crippling debility, lulling them into lassitude, but the root of their sense of largeness, enterprise, generosity, and possibility. Reform is an expression of this spirit, not its aberration. It follows that the progressive impulse is most fully formed and healthiest when it grows out of social confidence—not resentment, envy or even sacrifice.

To be sure, prosperity can breed complacency as in the 1920s and 1950s. But these may be seen as the truly aberrant interludes, periods of emotional depletion and recovery after world wars, so-called returns to "normalcy," in which, of course, the forces of change went unattended, only to burst across subsequent decades. The Progressive era at the turn of the 20th century took flight after the depression of the early 1890s dissipated (very roughly similar to the 1990s). The title of the most influential book of the period did not contain any of these words: crisis, war or depression. Herbert Croly's pathbreaking volume of 1909 was called "The Promise of American Life," and in it he argued that prosperity and individual happiness was not inevitable if left to the fate of a *laissez faire* economy. Unless personal aspiration and the accumulation of wealth were linked to national purpose, the result would be social chaos that would undermine the mechanism of prosperity itself. Theodore Roosevelt took Croly's book for a Bible, and it became the basis for TR's "New Nationalism." But the era ended with world war and then the embitterment of the Progressives. (Croly, a *New Republic* editor, lost himself in religious mysticism.) The next moment of national reconstruction, the New Deal, was in fact not a period of economic downturn, but one of improvement, which the vast majority attributed to Franklin D. Roosevelt's programs. Unfortunately, the New Deal for all intents and purposes came to a crashing halt with the recession of late 1937 and the effective loss of the Congress to the conservative Southern Democratic-Republican coalition in the aftermath of the disastrous 1938 midterm election. (The Democrats lost 81 House seats and eight Senate seats.) It was not really until the presidencies of

John F. Kennedy, tentative and mostly frustrated, and Lyndon Johnson, bold and ultimately tragic, that another reconstructive moment was possible. Much was gained. It is impossible to imagine that civil rights legislation would have passed in other than a period of prosperity—a period in which plenty was more widely shared than ever.

Only now is it possible to begin to advance after a long slide of more than a generation, from 1966 to the present. The realities have altered, the terms of debate have shifted, but prosperity evokes once again a time of possibility. Many of the conditions that hemmed in the Administration when it entered office in 1993 have been effectively removed. Whatever detritus left over from the 1960s and 1970s, for which Democrats were held responsible, have been largely cleaned up by the President's positive actions and by the passage of time. The Vietnam Syndrome, softness on crime, laxity on the deficit and inflation—all these have disappeared as contemporary factors. The President has moved politics beyond the issues of the past to the edge of a new, but still undefined era. The compensatory politics of the early and mid-1990s that the President was forced by circumstances to conduct have been a success. They were exceedingly treacherous, and having navigated the maelstrom it might be a natural response to pause, or to reiterate them as if redoubled efforts at compensation were a sign of new energy. But this would be a tinny echo of a return to "normalcy," at the very moment when a new phase of the Administration can begin by framing the new era its arduous efforts over the previous five years have brought about. It would be a rare act of political perversity for the Administration, having arrived at this point, to cease suddenly making its own strongest case.

However, a number of the predominant issues selected by the Administration for its fall agenda are fraught with hazard in the short-term, medium-term and long-term. Regardless of their merits and the necessity of taking them up, fast track, global warming and entitlement reform have immense damaging potential that must be realistically acknowledged. If all goes wrong, the fall's gameplan, organized around these issues, may well undermine the spirit of public optimism, promote a politics of pessimism, foster opportunities for an entrenched opposition within the Democratic Party extending into the primaries of 2000, create a story of conflict for the media that would permanently distract attention from the overarching goals of the Administration, and present to the Republicans a political opening that they could not have located on their own.

II. The Politics of Pessimism?

The fall agenda carries within it the potential for accelerating fragmentation. The divisions it will create are predictable, but they also overlap. Taken together they may become greater than the sum of their parts; they can cumulate into a cleavage that can swallow all other issues. By themselves, the major agenda items must bear the burden of harsh arguments in which, in case after case, interest is pitted against interest, necessity against progress. Each of the issues separately is insufficient to provide ground for seriously undermining the Administration, but they may conflate into a poisonously negative view of life in America. The Administration may be perceived as inflicting pain on ordinary people in pursuit of abstract values, insisting on crises people don't see, feel or understand.

Without anticipating the worst pitfalls, they may not be avoided. What follows is the nightmare scenario:

Each of the agenda points alarmingly reintroduces the atmospherics of the politics of 1993-4 or, worse, 1978-80. If unamended, fears of lowered standards of living may be raised; for the issues appear to demand sacrifice, pain and unhappiness. The debates around them will inform the public that they should feel anxious and insecure. Critics will collectively make the case that this is an agenda of limits to growth and opportunity, imposing limits on what the non-college majority can earn, limits on what members of that majority can expect in terms of social mobility during their working years, and then to expect limits on health care and pensions when they are retired but even more active voters. A picture of circumstances beyond our control, suggesting disempowerment, will be painted. As a passivity laced with simmering resentment is induced, the idea of efficacy will be reduced.

Fast track is being negatively depicted as a game of winners and losers; global warming a zero sum game; and entitlement reform subtraction. Fast track is a dystopian vision of the global economy relentless in its downsizing of middle-class dreams. On concrete terms, this issue is about the loss of jobs. Global warming is a politically correct version of declinism, a self-imposed energy crisis in which the affluent may appear insulated and smug. This issue is about the reduction of the GDP in pursuit of statistical targets fixed decades away. Entitlement reform presents a simple message: that a lifetime of hard work will be rewarded with punishment imposed by those for whom a fixed income is a concept, not a common condition. This issue is about the reduction of Medicare and Social Security benefits.

Reactionary populism, an angry politics of us versus them, lies barely dormant since its recent explosion. It might take only a small dose of pessimism to revive it. In the crucible of right-wing populism, pessimism can rapidly corrode optimism. And the Administration can be accused of acting on obscure, perhaps malevolent motives.

The failure to act is an action. If the Administration does not define the changes of a new economy that people already feel in their everyday lives, they will begin to wonder why it is not doing so. At the point at which their anxiety crosses the line into a suspicion that those in power are indifferent to them, a politics of omission will be crystallized (as it was for Jimmy Carter and George Bush). Having allowed this sort of politics to develop, any Administration's responses must appear reactive, disjointed and perhaps even hysterical.

In this nightmare scenario, the President will be gradually disconnected from prosperity. It will all be seen as an accident with which he had nothing to do. In a time of expansion, he will be seen as pleading for austerity. In effect, he will be campaigning against the basis of his own popularity.

Within the Democratic Party, the fall agenda confers disproportionate attention on those who are devoted to undermining the optimism that is the sine qua non of a Clinton era. If the negative story they will tell jells, an opposition will be institutionalized within the party for the rest of the Administration. Whoever the storyteller and whatever his ambition, it will be a viable position. In 1995, one of the President's important political feats was to ensure something that didn't happen: a contested primary battle. The fall agenda points are the equivalent of inviting just such an imbroglio in 2000. Even the most positive programs may fuel a fragmentation. National standards, for example, arouses opposition within the black and Hispanic caucuses. The problem is not reserved that discrete contention, but whether it becomes part of a lowering atmosphere.

The ensuing drama of fraternal conflict will anticipate a polarized primary and highlight an

endless series of skirmishes in the Congress and the party. The space in time that could have gone to establish a period of reconstruction will be filled with this dumbed-down conflict. The media bias is always eager to find the next fight and hand the megaphone to the most vociferous combatant. For the media, the fact that this conflict will not be resolved until 2000 is not a liability but an asset. It will provide a continuing stream of easily covered stories for years, an exciting beat. If the more complicated narrative of a Clinton era is neglected, that will be a relief.

Left to their own devices, the Republican leaders seem incapable of figuring out exactly which issues can undermine the Administration's projection of optimism. They are either too consumed with their civil wars, nursing their curdled ambitions or unable to see past the treeline. But if the virus of pessimism is injected into the political debate and that contagion spreads to the public, it will lead to a new conservative reaction. The history of the Republican right, after all, is based on exploiting resentment and pessimism.

III. The Right's Opening

How can the Republican right deploy the economic issue against the Administration in a time of prosperity?

Modern conservatism, that is, the movement that emerged after World War II, floated upwards in great part on the broad discontents generated by inflation. It was as important a pillar of conservatism as anti-Communism and fear of moral decay. Conservative economic thought is fundamentally a critique of inflation. Milton Friedman's work revolves around the money supply and blames all disturbances in the system (including the Great Depression) on government intervention. With the all-embracing omniscience of a grand theorist, he wrote that "inflation is always and everywhere a monetary phenomenon." Unsurprisingly, the doctrine that developed out of Friedman's thought was called monetarism.

For the right, inflation was more than a dry economic element. It became a unifying political theme--tax and spend. From inflation, conservatives argued, flowed the ever-expanding welfare state, general licentiousness, excessive taxation, the rot of the cities, and the running sores of racial strife. Inflation was also a key point in explaining American politics and the inherent corruption of Democrats. According to the right, Franklin Roosevelt secured majorities for his party by essentially bribing voters through the manipulation of macroeconomic demand. (That FDR did not really understand Keynes, even after meeting with him, and that it was the war that dictated the policy does not fit the conservative version.) Continuing their tendentious story, conservatives contended that Kennedy and Johnson heightened and expanded the system, bringing it to a crisis in 1968. (That LBJ sparked inflation by refusing to raise taxes to pay for the Vietnam War, and that inflation wasn't really a salient political factor doesn't fit in their version.) Then, in the climax of their story, the true crisis came to a head under Jimmy Carter. Indeed, Friedman could indisputably declare that "the experience of the stagflation of the 1970s" produced "the watershed in the abandonment of Keynesian doctrine...the conflict between Keynesian orthodoxy and the Phillips curve." But there were more than doctrinal consequences. From the inflation of the late 1970s came the tax revolt in California and the upsurge behind Ronald Reagan.

Carter responded to the inflationary crisis, brought to a flashpoint by gasoline shortages, by retreating to Camp David, where he was advised by various sages, and emerging on television

on July 15, 1979 with the single most politically disastrous speech of our time. He embraced pessimism and cloaked it with an accusatory sanctimony. The speech was a paean to scarcity and pain, attributing the source of the nation's problems to the people's spirit and described everything else as symptoms of the diseased heart. It is worth recalling his words because the effect was appalling for the Democrats: "The symptoms of this crisis of the American spirit are all around us. For the first time in the history of our country a majority of our people believe that the next five years will be worse than the past five years. Two-thirds of our people do not even vote. The productivity of American workers is actually dropping and the willingness of Americans to save for the future has fallen below that of all other people in the Western world. As you know there is a growing disrespect for government and for churches and for schools, the news media and other institutions. This is not a message of happiness or reassurance, but it is the truth."

A year later, in Detroit, at the Republican National Convention, on July 17, 1980, Reagan delivered his acceptance speech, turning Carter's jeremiad against him and seizing optimism for the GOP. Much of the speech described the ill effects of inflation, with other social problems treated as the pathological symptoms of Democratic pessimism. Against Carter's nightmare scenario, he conflated conservatism with optimism (which he studied from FDR, whose speeches he used to mimic as a party entertainment in his Hollywood days when he was a flaming liberal). It is worthwhile to be reminded of Reagan's words: "We must overcome something the present Administration has cooked up: a new and altogether indigestible economic stew, one part inflation, one part high unemployment, one part recession, one part runaway taxes, one part deficit spending, seasoned with an energy crisis... Ours are not problems of abstract economic theory. These are problems of flesh and blood, problems that cause pain and destroy the moral fiber of real people who should not suffer the further indignity of being told by the government that it is all somehow their fault."

"Inflation more than anything else created the infamous, albeit temporary, 'malaise' of 1979," wrote Seymour Martin Lipset and William Schneider in their study, "The Crisis of Confidence." The effect was to affix pessimism to the Democrats. From Carter onwards, the Democrats were the party of gloom. In Walter Mondale and Michael Dukakis, the Democrats nominated candidates whose personas enhanced rather diminished the image.

With the absence of Communism and the withering of inflation, the Republican attack on the so-called "character issue" has served as the functional equivalent. President Clinton has been demonized as an agent of disorder--the stand-in for the missing enemy and inflationary excess. By convincing the public to doubt the President's person and optimism, the public also mistrusted the outcomes of his policies. In 1994, it was possible to deny that prosperity was stable, that the deficit was falling, that the budget of the previous year had worked, that what the President said would happen was true. By 1997, however, the President is at last in a position to explain how he has managed the transition to the new economy and how it can continue to progress for the benefit of the vast majority.

Why don sackcloth?

IV. New Phase, New Era

Without a larger framing, the fall agenda doesn't correspond to the sequence of the President's success. It appears like a non-sequitur. Yet, if the Administration acts with foresight

to prevent political damage, it may not have to engage in acute care later; nor will it necessarily have to assume a defensive stance on the issues it has already put on the table. But it must organize these issues around the central pole of the new economy. In that way, the momentum of optimism and positive action can be maintained, especially around the issues that cause the most abrasion. And some issues already on the fall agenda can be used to stress the new demands of the new economy, from child care to national education standards to R & D. The nightmare scenario is hardly an inevitability. For now, it is merely a possible permutation. It can be remedied before there is any serious infection. Indeed, the basic conditions for positive action are stronger than for negative regression.

If people feel that the country is moving forward and expanding, they will be willing to make other changes. (Social scientists refer to this as sociotropism.) If people feel relatively secure, even astringent changes seem relatively benign. People are far more willing to accept a particular rough spot if the whole is pleasurable.

The new economy, in a positive scenario, serves as the fundament of a new period of reconstruction. By defining the tenets and advancing the policies of the new economy other policies become possible. The new economy, in the end, is about more than the economy; it creates the social space for a general program as well, from issues of race to health care to the cities. Each of these, too, can be explained as essential to the operation of the new economy.

The President has only just begun to get the full measure of credit for what he has accomplished. Early in the formation of the Reagan deficit, a perverse Keynesianism which underwrote his popularity, a disillusioned David Stockman, who had been a charter member of the supply-side "cabal" and the director of the OMB, blamed politics itself for the economic problem. Politics, he asserted, had polluted a naturally pristine economy. (So where did the corrupt interests in politics come from?) His self-flagellating book was entitled "The Triumph of Politics." It was widely accepted as a truism that little could be done. But the lifting of the fiscal burden imposed during the 1980s, as well as other economic successes, can rightly be seen as the consequences of the President's program. The new economy is a product of "The Triumph of Politics," but not in any ironic or cynical sense.

To claim credit, however, the President must, first, explain that the new economy is, in fact, new--a structural change--not just a cyclical turn. Second, its broad benefits must be described. The case is made most convincingly not by resting on the Administration's laurels, but by new programs. Then, it should be stressed that keeping Americans on the upside of the new economy is an unending challenge, which demands a new governmental approach and flexible leadership.

There is an intrinsically protective aspect to this emphasis. I am not arguing on theological grounds that inflation has disappeared for all time, here and forever, as an article of faith, though it is a statement of fact that inflation is minimal, that it has no apparent relationship anymore to the rate of unemployment and, furthermore, that there ought to be serious discussion about whether we are in a period of secular, relative deflation. Nor am I arguing that the new economy is mature or approaching perfection. On the contrary, I am suggesting that it is just emerging and must be shaped deliberately and decisively. Nor I am arguing that the business cycle has been vanquished, though the inventory factor, a chief cause of recession, has been radically altered by computerization, among other changes. Optimism must not be blind. On the contrary, I am suggesting that if there is ever a dip in the cycle, the response must be calculated to adjust the

imbalances within the new economy. That is why it is crucial to use the good news of today to prepare for any eventuality. And that means explaining the structural shifts that are taking place.

Defining the new economy as such deflates an already deflated conservatism. The absence of inflation has already deprived the Republican right of traction. The politics that flow from post-inflationary policy are more than preemptive; they are reconstructive. But the political struggle on this ground is only just being joined. The conventional wisdom is dead, but not defeated.

The President is at the very beginning of articulating what he has accomplished and where that will lead. He must enter a new phase of the presidency to establish a new era. In foreign policy, the Administration has assumed the monumental task of creating a public consensus around a new internationalism. It is not coincidental that the new economy and the new internationalism have converged; they are the deep realities whose shaping defines a new era.

In gaining the understanding and consent of the people, the specific illustration must be related to the general point, the cyclical must be used to make the case for the structural transformation, the anecdote to undergird the political theme, the tactic to uphold the principle. Ultimately, the success of the new era will rest upon the public's grasp of it, for it is the American people who are making it.

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THE WHITE HOUSE
WASHINGTON

September 2, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: ERSKINE BOWLES, SYLVIA MATHEWS, JOHN PODESTA

SUBJECT: Prioritization Memos

Attached find memos from the strategic team members listed below. As noted on the cover memo attached to this binder, we recommend that you read the memos by Sandy, Bruce/Elena, Paul and Gene. Other members in the group are drafting memos, and they will be forwarded to you tomorrow.

Paul Begala
Sandy Berger
Jack Gibbons
Ann Lewis
Katie McGinty
Bruce Reed / Elena Kagan
Gene Sperling
Michael Waldman

THE WHITE HOUSE
WASHINGTON

September 2, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Paul Begala *PB*

Subject: Of Pillars and Priorities

In going through this process, I am struck at the scarcity we face. As Gene points out, we have limited time, (especially of yours), money, public attention and Congressional action. Some variables, like political capital, are quite elastic -- indeed the more we invest it wisely the more we'll have -- sort of political capitalism. But most of the variables we're dealing with are finite in the extreme -- especially your lease on this job. So setting priorities is essential. I now know why President Kennedy said that "to govern is to choose."

So if forced to choose, here's how I would set the highest priorities:

1. **Education:** For the first time in my memory, education is now the Number One issue on the minds of the American people, eclipsing such longtime priorities as crime, health and jobs. This is due in no small part to your success on these other issues, and your strong advocacy of education. The effort to set high national standards is paramount. Additionally, there is a strong sense in the country that we need standards of conduct as well -- discipline, removal of bad teachers, tough curriculum, etc. Disraeli said that a leader must know himself and the times. Both you -- your abilities, inclinations and accomplishments -- and the times demand that education be your top priority. Such a convergence is the stuff of history.
2. **Political Reform/Campaign Finance:** I realize I have this a higher priority than most folks. First, if we don't make real and substantial progress on this front, your legacy will be affected, fairly or not. That would be a tragedy give your longtime record of succeeding in bringing reform to Arkansas and advocating reform in Washington. I support most of the ideas being bandied about to make voting easier, but I do not agree that low turnout per se is the biggest problem in our system. The influence of money, both real and perceived, is. As one who has been running campaigns for a dozen years, I know better than most how the want of money (especially to pay for TV time) is the root of all political evil. And while concerns about big money dominating politics will never rise to the level of public concern of, say, education or crime, I do believe that an important part of the Perot constituency is deeply concerned about reform -- and will probably be even more focused on it now that the deficit is disappearing.

3. **Children and Renewal of Family:** While government may not have all the answers here, disintegration of the family is a huge challenge. People are hungry for leadership here -- just wait until a half-million Promise Keepers show up at your door this Fall -- and I think you and the First Lady are uniquely positioned to lead on these issues.
4. **American Leadership Abroad/International Economic Leadership:** One way in which you have revolutionized the political landscape is by merging internationalism and economic prosperity. Where once American leaders urged us to lead globally out of some sense of noblesse oblige, you've been able to show that a robust American foreign policy is essential to a robust American economy. Politically, there's even hope of making the Democrats the party of growth, internationalism and prosperity. Where once we were protectionist, and secretly dreamed of another Depression to put us back in power, you've been able to give the party and the country more a worthy (and successful) position. So I merge the foreign policy and trade pillars, and make them a very high priority.
5. **Racial Reconciliation:** Bill Bradley is right to call slavery and racial discrimination America's original sin. There's no way you can be you, given your life, your history, your philosophy, and not make racial reconciliation a top-tier item. Your lasting contribution in this regard can be your willingness to challenge all sides of the race issue, as you did as a candidate in Macomb County then at the African-American Baptist Church in Detroit, or as you did as President in Memphis.

The other items are all essential. We couldn't avoid leading on the environment, for example, even if we wanted to. And the notion of using the millennium and its "Gifts to the Future" is, I think, a wonderful organizing tool. (See the memo on the need for a narrative.) But given scarce resources, if I had to choose among competing priorities, these five would have the first claim on those things which are most scarce: your time and the people's money.

THE WHITE HOUSE

WASHINGTON

August 27, 1997

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *P*

SUBJECT: Priorities

The question is where you personally should focus your attention over the next three years of your Presidency. I am assuming that most of the initiatives set forth in the Pantheon of Pillars (including mine) will be carried by others.

First, let me try to define the criteria I think you should use.

1. Passionate Belief. You care about some things more fervently than others; I have seen over the years the difference that makes in your effectiveness, engagement and satisfaction. To take a single example, when you talk about "fast track" (i.e. your conception of how we create jobs for Americans in a global economy), it is stunning.

2. Distinctly Clinton. There are lots of genuinely important objectives for which you will get little lasting credit, even if you are successful. They need to be pushed hard over the next three years, but primarily by others; you should give them your imprimatur/boost when needed. I would put in that category: crime (you could bring it down another 50 percent and governors/mayors/demographics will get the credit); rego (important but should maintain a VP logo); science/technology (you can turn on a computer [which is more than I can] but I have trouble envisioning a year 2000 wrap-up story headlined: "Clinton: the Science President"); campaign finance (the most important reform issue we face and one we should continue to stand for, but at best -- fair or not -- you will get credit for cleaning up the mess we created.)

3. Chipping vs. Driving. There are individual initiatives in all of the areas (e.g. health care, environment, family, etc.) which you should pursue vigorously and identify with personally.

But I believe you should choose 3-4 areas which you own -- the signatures of your Presidency. For those, the impact/input ratio must be high, i.e. their overriding impact on the country and the world must justify the time and risk you devote to them.

4. Risk Management. I do not think you should seek to slay dragons simply to prove yourself. But I also believe there is a great temptation to sit on your lead in the second-term, a kind of four corners offense that (a) often results in diminished stature (Bush) or (b) leaves you to ponder for the next 38 years why you didn't do more with next 38 months.

So, against those criteria, what are my recommended priorities (a highly subjective and individual judgement):

1. American Leadership Abroad. (Big surprise, right?) I have an offensive and defensive rationale. You genuinely are positioned to fundamentally shape how an integrating world organizes itself for the next generation in order to advance peace, create shared prosperity and solidify democratic values. NATO enlargement. The future of Russia. The U.S.-China relationship. Whether we can alter the self-definition of nationalism in any one of the conflicts where we are seeking to make peace. Closing the gaps between the rules of international trade and the reality of the global economy so that our people continue to benefit. These are big issues and you can make a difference.

The defensive reason is this: bad things inevitably will happen in the world on your watch. Allies will collapse and Americans will die. I am confident we will manage these crises with skill and steadiness. But if we are seeking to shape the world, we will not be seen as being engulfed by it.

2. Racial Reconciliation. This remains the San Andreas Fault of American society. Despite important achievements -- an end to Jim Crow and the emergence of an African-American middle class -- I believe we are just as divided today by race -- in our views of ourselves and our world -- as we were at the beginning of the civil rights movement. (At least then we believed that "we'll walk hand-in-hand, someday.")

No one can make this case better than you. You have made a good start, but there is another level of truth about the way both black and white racism are infecting our society. I am convinced you can discuss that in ways that do not castigate the

American people, but ultimately bring them closer together.
High risk. High dividend.

3. Education. It is integral to your worldview: knowledge is the password to the future. It builds on 25 years of your work. It sweeps from pre-school to worker mobility and income enhancement in a global economy. While there are limits to what you can do programmatically, you can be unrelenting in instilling the decisiveness of excellence.

4. Welfare to Work. Delivering on this is of profound consequence. It will establish whether the welfare bill was a well-intentioned fraud or a bold leap into a new era. And it will define whose vision of government (rugged individualism or engine of change) wins for a decade or more.

5. The Economy. Finally, although it is not a distinct pillar in the basic document (but, rather, implicit to many), almost everything you do should be run through the screen of its potential impact on the economy. Sustained economic health advances all the objectives. Conversely, if the economy turns sour, you could be Woodrow Wilson, Nathan Pusey and Martin Luther King combined and your successes will be obscured.

THE WHITE HOUSE

WASHINGTON

August 26, 1997

MEMORANDUM FOR ERSKINE BOWLES AND SYLVIA MATHEWS

FROM: JACK GIBBONS 

SUBJECT: PRIORITIZING THE PILLARS

The President's early focus on reducing the deficit was brilliant. It shifted national attention toward thinking about fundamental ways to achieve the future economy and environment we want. It underscored the responsibilities of our generation to be considerate of future generations. But the President also makes it clear that, while necessary, budget balancing isn't enough. We must invest in research, education, and children to sustain our economy, create good jobs, etc. We know the return to society from such investments is outstanding. These investments are key components of our national "savings" rate. Knowledge generation and human capabilities are the wellsprings of new options and better ways to achieve and maintain our goals.

We must also use other tools at our disposal to forestall the trends that undercut a strong democracy. The imperative to maintain a dominant middle class lies at the heart of all our efforts. We must continue to adapt public policies to reflect this goal. For example, as we immerse deeper into an era of job turn-over and dislocation, we should assure the transportability of individuals' health protection and retirement credits.

With these observations in mind, I put highest priority on the five "pillars" highlighted below.

1. Science and Technology (pillar 11). As Lewis Thomas observed, S&T doesn't guarantee truly new and improved options for the future, but "... it's the only game in town." It is the most universal means to enable us to maintain economic progress, assure security, and protect health and environment. In the fast-paced technology/information age, any slackening of support for S&T will be very costly. Despite the attention our Administration previously has given to this, we are headed into a retreat of support (with R&D falling as a fraction of GDP and the Federal budget). We cannot afford to quit making our highest leverage investments.
2. Education (pillar 1). To take advantage of our investments in S&T, we must become a society that is well-educated and versatile. Our ability to remain a democracy depends increasingly upon the literacy of our citizens. The imperative to bolster our middle class (the cornerstone of democracy) rests on expanding access to education to enable people to hold good jobs (with good benefits). While families and communities clearly have the lead, the federal government has major responsibilities for educational technology,

national standards, and research on issues such as learning, cognitive science, and early childhood development. It is more important than ever before to aim for a future where each child has a real chance to approach his/her full potential.

3. Children (pillar 5). Humanity's progress depends fundamentally on cumulative wisdom. Each generation needs to stand on the shoulders of preceding generations. We are not lifting most of our children onto our shoulders. We need to learn better and invest more in understanding how we can protect and enhance early childhood development. Our potential leverage is enormous; there is no greater legacy we can offer the future. Of course the federal role is limited, but it is also critical in expanding opportunity and narrowing the gap between career aspirations and achievements. If we do not invest in our children's future, we will pay later for prisons, unnecessary health care costs, and lost tax revenues due to lost wages.

In addition to investing in early childhood development, we must do more to stop the unplanned pregnancies that rob far too many of our young people of their chance to succeed. The challenges -- physical and social -- for children born to teenagers are overwhelming. We should support more programs aimed at avoiding unwanted pregnancies. The U.S. falls shockingly behind other industrial countries (e.g., Canada, Netherlands) in the rates of unplanned pregnancies, even for adults.

4. Environmental Protection (pillar 3). Environmental protection, especially addressing global environmental change (global climate, biodiversity), is key to assuring quality of life, protecting human health, and safe-guarding the planet for the future. Less appreciated is the fact that perhaps 2/3 of all of our global "wealth" in economic terms derives from the services provided by the natural environment, and only 1/3 from all of human inventions.

The new directions in environment (dependence on science and technological innovation) can be an excellent vehicle over the next several decades to induce a broad and timely industrial transformation away from resource-intensive, throw-away economies to technology-elegant, minimal waste economies that are compatible with sustainable development. The country that excels in moving in this direction will also find enormous new international markets. In the recent past, national expenditures in esoteric military areas (e.g., Star Wars) were defended as a general spur to high-tech development. The new direction we propose for environmental protection, including R&D, is vastly more promising and rewarding.

5. American Leadership Abroad (pillar 10). We cannot succeed in the 21st century as an isolated country, but only as a global leader. Fortune and fate provide a perhaps unique opportunity over the next several years to establish a new era where the specter of nuclear and other weapons of mass destruction is finally contained. With careful but aggressive leadership we can achieve CTBT, succeed in sequestering and disposing of nuclear weapons materials, and negotiate START III (or lower) levels of nuclear weapons stockpiles. What a legacy for the future that would be. Carpe Diem!

THE WHITE HOUSE
WASHINGTON

September 1, 1997

MEMORANDUM FOR **ERSKINE BOWLES**
 SYLVIA MATHEWS
 JOHN PODESTA
FROM: **ANN LEWIS** *ALW*
SUBJECT: **THE NEXT THREE YEARS**

The next three plus years present a great opportunity for leadership and action: action that demonstrates the value of progressive government in making a difference for the well-being of American families and communities; leadership that inspires us to face the challenges of a global economy and a changing world. These goals are entwined; as others have commented, it is when Americans have a sense of confidence in their own futures that they are most likely to approve large national efforts, whether to improve the lives of their fellow citizens or to maintain international leadership.

The record to date is strong in three significant areas: consistency, effectiveness and values:
Consistency: The President's commitment to economic opportunity, educational quality and racial reconciliation have been hallmarks of his public career from his earliest days.

Effectiveness: The longest sustained economic expansion in modern history; increased access to health care and higher education; foreign policy agreements; and much more...

Values: He has chosen to lead by appealing to the best in people, never to the worst; to practice the politics of inclusion even as opponents use the tactics of division

(Even a press corps determined to find fault can cite no mean speech or cheap shot.)

The achievement has already been extraordinary. Our goal should be to continue in the same direction, taking advantage of new opportunities for action while demonstrating effective, consistent and value based leadership. While press coverage is dominated by the "horse-race" mentality that regards every action as politically driven (if not duplicitous) we should also be working toward a long term view that will show the larger pattern.

To this end, I believe emphasis should be on policy pillars or clusters that will maintain these principals:

Stewardship of the Economy: Continuing to strengthen the economy and expand opportunity for working families to share in the prosperity.

Managing economic progress is the first job description of the American president, the single most important factor in building public confidence in national leadership. As the current who-gets-the-credit debate illustrates, we must continue to advocate vigorously the efficacy of our economic policies; both in macro-economic terms and for the positive impact on family income.

Economic policy for the next three years will include maintaining the path to a balanced budget in the face of a Republican push for another tax cut --or at least a fight about a tax cut; as well as such issues as welfare reform, investing in technology and other support for American industry, continuing to increase exports and open markets, and next steps toward entitlement reform.

This is not a question of whether to proceed (each of these is already underway or will be soon) but of how we describe our policy priorities. I believe it important that our agenda continue to have as one significant feature/pillar Expanding the Economy. If we do not define our economic agenda, others will define it for us, and the most difficult issues (fast track, entitlement reform) will overshadow one of the most significant achievements of this administration: an economy that is again working for working people.

Education: Ensuring access to quality education for every child from every family, and lifelong opportunity to learn for every adult.

We have the right agenda, and it seems the opposition is now giving us the chance to fight for quality and accountability, i.e. high national standards. This may take longer, but can also be seen as demonstrating consistency and values while working effectively to meet a significant national goal.

America's Leadership in the World: Furthering our national interest by strengthening democracy and human rights, and reducing conflict around the world; building the structure necessary to meet the new, transnational dangers to our national security; and building consensus among the American people for international engagement.

There were other American presidents with serious interest in foreign policy. (Richard Nixon comes to mind.) But none in a long time who combined this President's commitment to leadership abroad and at home. As the rise of the global economy and the end of the Cold War combine to encourage an ever present strain of isolationism, it will be even more important during the next three years to make the case for international leadership in terms of our national interest and values.

Strengthening Families and Communities: Giving parents the tools they need to meet their responsibilities at work and at home.

This will be one of the signatures of this administration: a realistic, effective approach to the new issues of a society in which parents face economic and cultural pressures as they try to do their best for their children. FMLA and the v-chip are obvious examples. So are cleaning up toxic waste, food safety, and community policing; no matter how good a parent I am, I cannot protect my children from such dangers by myself.

It is also a strong frame for national educational standards: giving parents information they can use to improve the quality of education for their children.

Racial Reconciliation: Appreciating the strength of our diversity and the values that unite us.

By every standard of consistency, values and making a difference, this will be one of our most significant contributions. It is important that we enlarge this debate, so that it is not carried out only among those already committed to the issue. One way to achieve this, and to meet our goal

of building One America, is to look for opportunities to focus on common values as well as differences.\

Such administration initiatives as National and Community Service, the religious expression guidelines for schools and workplace, and the Millennium program all play an important role in helping us appreciate -and live up to -the values that we share. These are the values that -with this President's leadership - will enable us to meet the challenges of the 21st century.



EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
WASHINGTON, D.C. 20503
August 26, 1997

MEMORANDUM FOR ERSKINE BOWLES

FROM: KATHLEEN A. McGINTY

WPN FRK AM

RE: RATING OF POLICY PILLARS

Most of the issues that I have rated in the top half of the 14 pillars are those that support the relationships of individuals to the most fundamental values of civil society. Those relationships are: to one's mind (education); to one's physical condition (health); to one's sense of place and security (cities/welfare/underclass); to one's dealings with others (race); and to nature (environment). The other two issues in the top tier are important to the vitality of the system of civil society as a whole, namely, a strong global economy and faith in government.

The remaining issues are also important, sometimes critically so. However, many of these are in some ways offshoots of the more fundamental issues listed in the first tier or are capable of being addressed by the Administration without being made into a defining feature for the President.

1. Education -- This issue is of the utmost importance to hardworking families across the country: the President has rightly identified it as a priority; he has delivered in important ways both as governor and as President; and he should continue to push the issue and his profile on it.
2. Racial Reconciliation -- This issue continues to be one of the most deeply felt and divisive in our country. The POTUS has a rare and powerful ability to address the issue in a way that can succeed in bringing people together. Furthermore, such reconciliation is essential to the revival of the Democratic Party in the South.
3. REGO/Effectiveness of Government -- Improving the effectiveness of government needs to be one of the highest priorities of the Administration since it increases the efficiency with which all of the initiatives can be executed and strengthens the support of Americans for government generally. Restoring in Americans a sense of pride and commitment to their government is essential to the future of the nation. Support must be earned through effective performance.
4. Environmental Protection -- The economy cannot be healthy in the long-run unless the environment is properly protected so as to provide sustained growth. Environmental protection also provides a positive vision of a society that cares about its children and their future. This positive vision helps unite Democrats with independents while splitting Republican ranks. The environment also yields one of the biggest returns for the amount of Presidential time required.
5. International Economic Leadership -- The economy cannot be healthy in the long-run unless the U.S. can compete in a world market. International trade also helps to promote international peace by bringing nations together into shared prosperity. This is a very new agenda for Democrats, and an area in which the President has accomplished more than perhaps any President. The President is singularly responsible for adding this dimension to the equation for a healthy economy, so he should continue to highlight this issue and secure credit for his success.

6. Cities/Welfare/Underclass -- Restoring the quality of life in urban areas is a critical priority. Urban distress and disinvestment have consequences that ripple beyond the borders of cities, sprawling into suburban areas and reaching into small towns and rural areas. Furthermore, it is important that the concerns of urban residents, including the underclass, be addressed in concert with other priority initiatives such as education, a strong economy, crime, and health care.
7. Health Care -- Good health is highly prized by all Americans, but many threats to public health exist and affordable health care is often not available. The Administration has already made significant progress in improving health care in this country, especially in the last Congress, but could still make more progress. Moreover, Administration focus and attention will be essential if the issue is to remain in the spotlight.
8. Science/Technology -- Science and technology contribute greatly to the continuing well-being of humanity. In addition, there are important policy issues that need to be decided concerning the future direction of science/technology (e.g. genetic screening). Moreover, these issues are important for how they are applied, and therefore should be handled as an integral part of other priorities, such as education, environment, or health.
9. American Leadership Abroad -- With the U.S. as the only remaining Superpower, the march of history against authoritarianism and toward global cooperation continues at a steady pace. The President has many accomplishments in this area and his attention to these matters will continue to be essential. However, domestic issues continue to be most salient to the American people and, therefore, most demanding of the President's attention.
10. Crime/Drugs/Prisons -- Fear of crime is one of the great insecurities afflicting Americans, and, because of the President's initiatives, Democrats have managed to take this issue away from Republicans. However, many of the newer initiatives related to cities, welfare, and the underclass can also be used to help address crime-related issues.
11. Savings/Entitlement Reform -- Entitlement reform remains as one of the main unresolved issues of the Federal budget and will affect the resources that are available for programs such as health care until it is resolved.
12. Gifts to the Future -- This area includes some of the most distinct and unique objectives that the Administration could accomplish and should be pursued. However, many of the key initiatives could actually be subsumed by major initiatives previously listed.
13. Children and Renewal of Family -- These initiatives have great merit. However, many of them could be subsumed by major initiatives that have been previously listed. In fact, protecting children and renewing the family are reasons why we do many of the other initiatives on the list.
14. Campaign Finance Reform -- Reform is important to preserving the basic integrity of the political system to promote a sound democratic process. However, the public does not believe that meaningful reform will occur, and the Congress is not likely to pass reform of any kind. On the other hand, REGO provides an opportunity to shore up public confidence in government.

THE WHITE HOUSE

WASHINGTON

August 26, 1997

MEMORANDUM FOR ERSKINE BOWLES
SYLVIA MATHEWS
JOHN PODESTA

FROM: Bruce Reed
Elena Kagan

SUBJECT: Long-Term Strategic Planning

In thinking about priorities for the remainder of the President's term, we think it is useful to ask five kinds of questions:

1. What are the most serious problems facing the nation today -- the issues of most genuine importance to the country's future?
2. What does the President most deeply care about? What issues speak to him and arouse his passion? What are his most intense and personal commitments?
3. In what areas can the President actually accomplish something? Where can he show real and measurable achievements? Where can he most make a difference?
4. What will he get credit for, now and in the future? What successes will people notice and care about? What successes will they attribute to the President?
5. What commitments has the President already made and what priorities has he already set?

These questions often point in different directions. An extremely serious issue may not be one the President can do anything about; an issue on which he can make real progress may not be one that moves him; an issue he cares about deeply may not be one on which others give him deserved credit; etc. In setting priorities for the remainder of his term, the President should try to determine the few issues where everything comes together: urgency, passion, the potential for accomplishment, the likelihood of recognition, and consistency with prior commitments.

Among domestic priorities (any President must and should make "American Leadership Abroad" a top priority), we think these questions point to a focus on (1) education, particularly standards and school reform initiatives; (2) health care, including entitlement reform, coverage expansion, consumer protection, and biomedical research; (3) children and family, particularly child care programs; and (4) welfare reform. We should continue to push our agenda on crimes and drugs -- especially with respect to community policing -- but should recognize that we

probably will be playing defense in this area for the next two years. We should take the President's commitment to racial reconciliation seriously -- but largely by focusing not on race itself, but on the problems of education, health care, crime, etc. felt by people in poor rural areas and inner cities.

1. Education: The President already has said that education -- particularly national standards -- is his first priority, and he has credibility in this area. The state of the nation's public schools demands action, and the President speaks with knowledge and feeling about these issues. The only question is whether he can make significant progress on this front, given the traditional preeminence of state and local governments over K-12 schooling. We think he can, so long as he chooses his targets with some care. He must continue to fight for voluntary national testing, recognizing that progress in this area will be measured in the long term. And he should combine this campaign with its natural complement -- a program of school reform, designed to foster a new "ethic" of education involving high expectations, accountability, and public school choice. We recommend, in particular, a program to select a number of inner cities (the places of greatest educational need) as "Educational Opportunity Zones," in which schools would receive special assistance in exchange for adopting policies of no social promotion, public school choice, reconstitution of failing schools, removal of bad teachers, etc. In addition to standards and school reform efforts, the President should continue to emphasize education technology and should propose increased mentoring and support services for poor middle- and high-school students to encourage minority enrollment in higher education.

2. Health Care: We are very well-positioned to make continued progress in health care, building on the gains we made in the budget. A sustained focus in this area -- where federal action is the norm and where bipartisan action is often feasible -- will leave a record of strong accomplishment. Entitlement reform is the surest route to credibility and perhaps the greatest need, but it is also the area where tangible accomplishment will be most difficult. We should work hard there, but should not ignore the rest of our health care agenda: further coverage expansions (for the 55-65 age cohort or workers in-between jobs), consumer protection reforms (to ensure quality, prevent discrimination, and protect privacy), and increased biomedical research (taking advantage of Republican support and perhaps using money from a tobacco settlement). By the close of the President's term, he can have amassed a substantial record in this area, which will make people view in an entirely different light our lack of success in passing the Health Security Act.

3. Children and Families: For a number of reasons -- including the passage of welfare reform, recent discoveries about early childhood development, and increased understanding of the difficulties of balancing work and family -- the issue of child care is ready to burst onto the national scene, and the President and First Lady should be in the vanguard. There is a great need for leadership (although, as in education, some resistance to *federal* leadership) to ensure that child care of decent quality is available and affordable for working Americans. Given their commitment and credibility in this area, the President and First Lady have an opportunity to push through significant reforms, perhaps including changes in the dependent care tax credit,

increased child care subsidies, and quality enhancements. An especially important feature of this package of reforms (even a promise of universal access, if we can manage it) should be after-school (but generally in-school) programs that give school-age children enriching and activity-filled afternoons.

4. *Welfare Reform:* Whatever else the President does during his term in office, he will be judged in significant measure by the success or failure of welfare reform. Welfare reform has the potential to be the greatest social policy achievement of our generation -- or to be a terribly harmful social experiment. For this reason, welfare reform must remain near the top of the President's agenda, even though actual control of the welfare system is now largely in the hands of state and local governments. The President should be actively engaged in promoting private sector hiring of welfare recipients and implementing our new \$3 billion welfare-to-work program. He should push Congress to invest more in welfare reform efforts (for example, by passing our initiative in NEXTEA for welfare-related transportation services); he should push states to make good use of TANF monies. In short, for the remainder of his term, he should maintain continuous and relentless involvement in this area.

THE WHITE HOUSE
WASHINGTON

August 26, 1997

MEMORANDUM FOR ERSKINE BOWLES, SYLVIA MATHEWS

FROM: Gene Sperling

SUBJECT: Prioritizing the Pillars

Attached is my two pager on prioritizing among the pillars. I proposed five areas in order. These do not perfectly fit the identified pillars, but part of my focus was to look for areas that addressed several key issues of importance to this President. As Sylvia and I discussed, I tried to consider not only the importance of each area, but to keep in mind how specific initiatives in each major area would draw on an area of inherent relative scarcity: 1) Presidential time; 2) funds; 3) White House staff time; 4) political capital and 5) Congressional time and capital.

[Sperling Draft: August 28, 1997]

1. **A Children's Opportunity Agenda:** The most important moral, economic and social focus for the President to lead the nation on at this time is to create a national imperative that regardless of a child's race, economic condition, background, or place of birth, he or she should have a decent opportunity to learn and succeed. This is more than a set of programs: it is about this President using his moment in the White House to further our national commitment to true opportunity and the understanding that perhaps the most essential role for a limited but active government is to ensure that opportunity is determined by character, talent and effort and not simply the accident of birth. This also merges with our Entitlement Reform/Deficit Reduction Message -- Invest in Children today instead of Borrowing from their Future.

Strong Focus for Race and Urban/Rural Poverty Pillars: Universal application of our key goals may be one of the most fruitful programmatic response to our concerns of addressing negative legacies of race and urban initiatives. If we consider children to include older teens, it allows us to focus on Hispanic drop-out rate and admissions to colleges as part of youth opportunity initiative.

Clear Focus that Cabinet Could Rally Around: This would provide a clear focus that would allow Cabinet to stress initiatives that would further children's agenda: e.g., Andrew Cuomo/homeless children's initiative; Reno/youth violence initiative; Shalala/implementation of children's health initiative.

Framework that Could Draw Bipartisan Support: Congressional Republicans may want to support: Republican Governors a possibility if strengthening existing state efforts.

Key New Component: A New Universal 0-5 Early Childhood Education Challenge. A major initiative that would have all 50 states have a major 0-5 proposal that would include some combination of 0-3 challenge funding, expansion of early Head Start, parent-as-first teacher funding, expansion of Head Start and successful state effort. One way of promoting this could be that as we are saying that every young person should have two years of higher education, every child should also have at least two years of quality pre-school education.

"College is Accessible to All" Campaign. One-year national campaign to inform every family about the new opportunities to attend college and improve job skills. This could be an effective vehicle for describing everything the Administration has done on higher education. This effort could include a "promise" of aid aimed at the highest poverty schools; (Chaka Fattah proposal and Middle School mentoring initiative and Hispanic Drop-out initiative)

Key Additional Areas: 1) America Reads/Standards. Succeeding on our goal of every child reading and standards in every school is large, compelling and Presidential. 2) Educational Technology. Ensuring that we made the technology revolution increase equality rather than be a new source of inequality would be a historic achievement.

2. Leadership on Long-Term Entitlement Reform.

Social Security: The President should be seen as the driving force for preparing America for the challenge of the retirement of the baby boom generation. A reform of lasting importance to the economic health of the nation and the success of progressive government is reform of major entitlement programs that preserves progressivity and longterm solvency. This is important enough to take significant political risks, because leadership in this areas will be eventually rewarded. Announcing our own whole proposal may be too explosive and backfire: yet driving hard for a bipartisan commitment for a solution or putting forward one or two controversial partial proposals will be worth doing -- but may entail temporary political costs. By articulating this issue in terms of "ounce of prevention now is worth a pound of pain later," the President will be credited, at worst, with alerting America to a long-term challenge and, at best, with fixing Social Security.

Note on Savings: While leadership on Social Security will be key, there is a strong opportunity for national education on private savings. Rubin and I feel that Roth would join us in this effort.

Medicare: Make progress on rationalizing Medicare without setting goal of longterm solvency. We need to begin to look at additional reform efforts on Medicare, particularly 1) making serious progress on Medicare fraud and consumer protection: 2) increasing coverage for people 55-67 as part of structural reforms that might consider increasing the full retirement age to 67 while increasing coverage.

3. International Economic Leadership:

Vital to the President's distinctive three-part economic strategy is continuing commitment to free trade as part of a new progressive growth agenda. Continuing efforts on fast track, FTAA and trade liberalization through the WTO are critical for economic growth and leaving a lasting vision of a progressive growth strategy for the 21st century. We should look for new ways of showing our commitment to workers: increases in adjustment assistance and I have been working to organize internally to see if we can expand our sweatshop initiative in international areas to allow Americans to see you in this international leadership role.

4. Technology Commitment:

- **Environmental technology:** Because a longterm agreement will be controversial and may be long in coming -- and we need significant political capital for Social Security -- a technology commitment will be a realistic, good first step we can do on our own for CC.

- **University Based -- Basic Medical Research:** We should favor basic R&D; university oriented where it will be widely disseminated and with longterm time horizons. We must try to capture public imagination while stressing basic R&D -- unless scientific community thinks directed research it is more justified than basic R&D.

5. Poverty Agenda -- Stress on Labor Markets:

While implementing EZ/EC, CRA and CDFI, we need further policy development to stress helping disadvantaged urban workers. Need to explore what works best across nation and VP's ideas for metropolitan solutions. The concentration of urban poverty is still one of nation's greatest problems, and we should continue economic development in addition to education focus.

THE WHITE HOUSE
WASHINGTON

September 2, 1997

MEMORANDUM FOR THE PRESIDENT

THROUGH: ERSKINE BOWLES
 SYLVIA MATHEWS

FROM: MICHAEL WALDMAN *MW*

SUBJECT: Strategic plan

This is the first period of your presidency that lacks an obvious, overarching goal (i.e., the 1993 economic plan, then health care, then the balanced budget). As an overall matter, I would recommend two approaches to choosing among the set of possible priorities.

First, your priorities (not only the way we talk about them) should flow from the theory of the case that you have already set forth before the American people. As you have repeatedly said, America is now undergoing dramatic change -- changes in technology, in the globalizing economy, in the fractious world after the Cold War, racial tensions and demographic changes. If we do not act, these changes could render those core American values lifeless into the 21st Century. So the focus should be on those initiatives that will carry those basic values (equality, freedom, democracy, family, etc.) into a very different time.

Second, within that theoretical framework, the administration should focus on whether the specific approaches and initiatives are bold enough to truly meet these objectives. In many respects, this is as important -- even more important -- than choosing among topics.

All that said, here are the priorities that I would group at the front rank.

1. **Education** -- The greatest single transformation to occur during the your Presidency is the stunning rise of computers and computer networks. If equal opportunity is to have any meaning in this new era, then the nation must place a significantly greater emphasis on education and skills. (Plus, you have already told the American people this is our top priority.) However, I am not convinced that our current array of educational initiatives are ambitious enough to carry that heavy weight. In particular, I would ask: Are we really making college universal? Is our school reform proposal sufficiently dramatic? Is there more to do than is outlined on training?

2. **Political reform** -- The priority you have consistently stressed to the public that needs the most new attention, I would argue, is political reform. If we want our democratic values to remain vibrant at a time when elections cost more and more money and attract fewer and fewer voters, then we must finally act to finish this piece of unfinished business.

First, you have already publicly identified this as a central goal. At every key moment of your presidency, you have told the American people that this is in the front rank of your priorities: on election night 1992; in your first press conference as President-elect; in your first Inaugural Address; on election night 1996; and in this year's State-of-the-Union, when you identified campaign finance reform as the number two piece of unfinished business. The American people have heard this as a central promise and premise of your presidency.

Second, unfortunately, a case can be made that this is one of the few social problems to have grown markedly worse in recent years, accelerating the withdrawal of trust from government and public solutions. Consider these trend lines: At the current rate, the next Democratic nominee for President will be forced to raise over \$400 million in soft money for the Year 2000. And voting in the presidential election was at its lowest rate since 1924, nearly as low as 1824, roughly tied with the level after Teapot Dome and the lowest since before Jacksonian Democracy expanded the electorate. And as you have said, the fundraising arms race forces lawmakers to spend too much time and raises too many questions.

Third, I believe that a focused and full-throated Administration effort will make a difference. You have spoken out for reform. But it is also true that the White House has never allocated staff, scheduling time, or political capital to this. Some argue that a push from the Administration will not make any difference, but this is a self-fulfilling prophecy.

I believe the successful enactment of campaign reform would be one of the most significant achievements of your presidency. Conversely, the failure to enact reform will be seen as perhaps the greatest missed opportunity of this presidency.

3. International economics -- The third great gust of change has been the globalization of the economy. America's leadership to open world markets is a truly significant achievement. But most breakthroughs came at the beginning of the term: NAFTA and WTO. We are pushing forward with fast track, as we should. But, again, I would urge that bolder steps be taken, as contemplated in the "international economics" memo, such as a "Clinton Round" of trade talks.

4. International relations generally -- It goes without saying that this should be in the front rank of priorities. The record of achievement is so significant -- and the potential for further achievement is so vast -- that the most important task may be setting priorities.

5. Family -- Within the "family" set of issues, I believe the area deserving most attention is child care. Pressures on parents are very much related to the changes in the nature of work and pace of the economy (which is, in turn, related to technology, trade, etc.). Again, I would ask: does our proposed remedy match the scale of the problem?

Other -- The other issues are all important. But they can be better addressed, in many instances, by being folded into larger, thematic approaches. For example, as important as the race initiative is, many racial divisions will best be bridged through education, health care, jobs, and other things that unite Americans.

THE WHITE HOUSE
WASHINGTON

September 4, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: ERSKINE BOWLES, SYLVIA MATHEWS, JOHN PODESTA

SUBJECT: Prioritization Memos

As noted in the cover memo we sent you yesterday, attached find memos from the following strategic team members.

Maria Echaveste
Rahm Emanuel
Mike McCurry
Frank Raines
Bob Rubin / Larry Summers

MEMORANDUM

September 3, 1997

To: Erskine Bowles
✓ Sylvia Mathews
John Podesta

From: Maria Echaveste 

Subject: Ranking of Pillars

Having had an opportunity to consider more carefully the ideas set forth in each of the pillars and having had the benefit of discussing these pillars with others, I would like to revise my ranking of the priorities for the next three years.

First, as others have expressed, the Children's pillar is, for the most part, a prism through which we view many of the proposals and ideas emanating from the policy councils. That is, the President has articulated over time his belief that every child in America should have an equal chance to live up to his or her potential. From that premise, the President's themes of opportunity, responsibility and community flow.

It is in that context that I would rank the Education pillar as first among important and competing priorities. If the President's vision of a quality education for every child regardless of race, income or family circumstances were to be realized, many of the vexing social problems we face would be reduced. For example, many of the difficult questions facing this country regarding race relations would be minimized or altogether eliminated if there were equal educational opportunity for **all** children.

I think of Education as the core priority where the President's leadership from the bully pulpit becomes even more important than the budget commitments that some may seek. Even so, the Education pillar must be supported by ideas and proposals from three other pillars because we cannot ignore current problems and place all our bets on the future success of the President's education initiative. Those three supporting pillars would be: Race, Renewing Our Cities and Crime. For example, while the President has committed himself to leading the country in confronting the difficult issues of race relations, much can be done through the Education, Crime and Renewing Our Cities pillars, possibly leaving only the actual impact of race on human relations, when all other things are equal, for consideration and discussion. By taking the best ideas (as determined by policy and political considerations) within the Crime and Renewing Our Cities pillars, we could begin to address the racial overlay that obscures rational discussion of many of these troublesome issues.

In sum, I see Education as the first priority, to be supported by the best ideas from the Race, Renewing Our Cities and Crime pillars. In a way, this can be thought of as a limited but strategic domestic agenda to address the seemingly overwhelming problems of race, inequality and

poverty but does so in a way that reminds us all that we are part of one community.

As the second priority, I would rank American Leadership Abroad. This is not only because it is important, but also because we have no choice. It is not purely American nationalism that requires the President to be involved continually in matters not normally thought of as protecting American interests; it is that there are no other international leaders with the stature and authority than the President of the United States.

I would rank as a third priority--International Economic Leadership. The President's vision of a world at peace because of a thriving international economy is a vision worth pursuing. There are opportunities to lead by example. There is also the challenge of addressing labor standards, environment and human rights issues in a global economy. These issues are always tied to trade disputes and, perhaps, the time has come to address these issues on their own merits and develop the best ideas for grappling with these issues in light of a shrinking world.

The fourth priority would be Renewing Families and that aspect of the Children's pillar relating to child care. The President has been consistent in analyzing policy ideas by asking whether the proposed policy helps or hurts families. That resonates with so much of the public. The problem here, however, is that, except for the child care proposal, it is unclear what exactly can be done on a national level to promote and renew families. Perhaps ideas gleaned from the Gifts to the Future Pillar such as a millinieu project for each community could serve as a vehicle for the President to articulate the importance of family and community.

Lastly, I would rank as a fifth priority the Science and Technology pillar. The pace of development is so great and the benefits so astounding, it would be a mistake to leave research and development simply to the forces of the free market. The ways in which science and technology have contributed to the quality of life are innumerable, albeit creating new and thorny issues of ethics and regulation. Nonetheless, I agree with those who argue that for America to continue to be a world economic leader (from which all else flows), we need continued investment in Science and Technology.

September 3, 1997

MEMORANDUM TO THE PRESIDENT
FROM RAHM EMANUEL *RL*
SUBJECT LONG-TERM STRATEGY

I have reviewed the entire document produced by the different policy offices over the last weekend. In general the individual initiatives represent very good solid work in response to the questions asked of them.

What I was most pleased with was the philosophical consistency through out the fourteen pillars. Your political philosophy of opportunity, responsibility and community is clear, and your policies reflect it.

Unlike 1993 and 1994, there is no doubt any longer about the philosophical direction of your Presidency and the national governing coalition you have nurtured. I do not think we could have produced such a document in the early years.

This consistency however, raises another question not asked of the policy offices, but will be increasingly asked of you. Can Clintonism survive Bill Clinton? Does Clintonism only work for Bill Clinton or can it be the key to the Democrats becoming a national governing Party?

As you evaluate this document, that is the question you should ask yourself, rather than which pillars you wish to pursue. Reaganism outlived Reagan which you cannot say about President Carter or President Bush's presidencies. As the history books are written about your two terms one of the key indicators of whether your Presidency was a success, how it was used, and did it change the direction of the country, will be a political evaluation of your Presidency. This is not a legacy evaluation, but a political evaluation of your Presidency.

In short, I believe that it is almost impossible to review these fourteen pillars and somehow select one over the other. If anything, they represent the totality of challenges we face as a country if we are to move into the 21st century stronger and more united. To ensure that your Presidency has the staying power to last beyond your years in office you need to ask how you can ensure that Clintonism becomes the governing philosophy of the Democratic Party.

THE WHITE HOUSE
WASHINGTON

September 3, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Mike McCurry 

SUBJECT: Pillars, Priorities, and 3 P's

Rather than rank-order the 14 different "pillars" that have been identified by the long-range planning group, I agree with the memo by Begala-Lewis-Waldman that suggests we need a different way of thinking about how we tell the story of the work that lies ahead. We should do all of the things identified in the planning document you have received, if we can. But you should concentrate your efforts in a way that lends some coherence to the work and which serves as an organizing principle for the efforts of the administration.

You have identified three central challenges for a second term: preparing America for the 21st century, preserving our values as we prepare for change, keeping America the strongest force for peace and freedom on earth. We will successfully meet these challenges because of the ingenuity and determination of individual Americans working hard to build their dreams. The American people, collectively, will also use the tool of government to provide opportunity to those who meet their responsibilities to work hard, as one American community, to build the country of our dreams in the 21st century.

Until now, your argument has defined the challenge we face at this moment in history, but it has not exactly described what you and we, the American people, will do together to meet the challenge. The ambitious agenda in the 14 "pillars" begins to define the work, but it needs some thematic construct that allows you and your administration to understand its purpose and priorities.

The work we have identified has three dominant focal points:

- PROSPERITY
- POSTERITY
- PEACE

Put another way, the work identified in the 14 pillars is about maintaining the strength and vibrance of the American economy, giving our children the best chance for success in the 21st century, and ensuring that a complicated and interdependent world provides security, not anxiety, as we enter a new century. Prosperity, posterity, peace. Economy, children, diplomacy.

Prosperity: Keeping America's economy strong. Balancing the budget and reducing deficits sets the stage for the next chapter of Clintonomics -- investing in our future. The key building blocks of 21st century prosperity from the 14 pillars:

- Schools that work, kids that read, do math, and surf the internet
- Workers who gain college level education or new skills/training
- Dependent mothers who escape welfare and enter the work force
- A country that uses its racial/ethnic diversity to expand market opportunities overseas
- New trade agreements that open access to global markets

Posterity: Passing a brilliant America to our children. Saying children is a different way of saying "the future." Priorities from the pillars:

- Renewing opportunities for kids in inner cities
- Child care initiative
- Entitlement reform
- Campaign finance reform (I'd argue this is an issue about restoring the trust of America's most important future citizens)
- Environmental protection

Peace: Maintaining America's leading role abroad. All that we do to enhance opportunities for Americans at home depends on a world in which we are not fighting wars or protecting fragile peace agreements. And much of what we do to reinvent government, adopt social policy for this time in history, build global networks to fight crime and terrorism, protect ecosystems, invent new technologies and sciences, etc. is becoming the new foreign policy agenda of the 21st century. It is a singular distinction of your administration that it is the first to treat foreign policy as domestic policy and vice versa.

* * *

I've deliberately scrambled some of the different "pillars" to show how interconnected some of this work should be. Medicare reform is not about the elderly, it's about helping the children of today avoid the staggering burden of debt in the next century. The Middle East peace process, as you told Prime Minister Blair, may well be impacted by decisions made in Kyoto about fossil fuels and global warming. Reducing violent crime and drug use among juveniles should probably be part of your education initiative since solving those problems is directly related to creating an environment in which public schools can prepare kids for the challenges they face. As I said above, I think your race initiative is a central element of a strategy for America's future economic growth.

Summary. So I say, **the economy, kids, and keeping the world at peace.** Prosperity, posterity, peace. In the short term, that would mean concentrating your energies on things like fast-track authority, the child care initiative, making welfare reform a success, beginning the process of long-term entitlement reform, making your race initiative part of a strategy for economic growth and part of a strategy of demonstrating to the world how the world's peacemaker can keep the peace at home.

But finding a new narrative to describe your presidency would allow the entire administration to pursue many of these other objectives in a way that "fits" with the White House story line.

One idea: Bruce Babbitt, when he was Governor of Arizona, devoted an entire State of the State address to children. At first the legislature and the statehouse press were derisive and mocking. But after a year of substantial lawmaking, Babbitt's "Year of the Child" won a great deal of praise.

Why not devote the State of the Union to the Class of 2001? You can describe many of the challenges, opportunities, initiatives, and projects identified in the 14 pillars (foreign and domestic) through the eyes of those who will take on their adult responsibilities for good in the year Chelsea graduates.

Ultimately, this planning project and the search for a Clinton second narrative depends on making this story your own.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

September 3, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: Franklin D. Raines

SUBJECT: Policy Planning

With the enactment of the budget agreement, we are entering into a new policy phase in this country. Both OMB and CBO believe that the structural deficit has been eliminated and that in good economic times the unified federal budget will be balanced, provided that we adhere to the spending and tax cut limitations in the budget legislation. (Indeed, my staff estimate that by 2007 the budget will be in balance without using Social Security trust funds in the equation.) Domestic policy-making will no longer be driven primarily by the need to balance the budget.

This new policy phase will still include difficult fiscal constraints. Current estimates are that the budget will remain in deficit until 2002. Therefore, there is no surplus to spend until then. The discretionary caps will require a 13.4 percent real reduction in discretionary spending. And the PAYGO rules require offsets for new mandatory spending. The federal government will continue to shrink as a percentage of GDP from 21.8 percent when you took office to 18.7 percent in 2002. The budgets you submit will require difficult and painful choices even without any new policy ideas. The next four years will look fiscally austere to those who run the government's programs.

We will need to be extremely creative to make this policy turning-point productive. We should not simply look at the unenacted agenda of the last four years and define the next item on the list as our highest priority. We should not have policy development driven by the events calendar. We should not assume that new programs are more likely to work than old ones. And we should not shrink from radical approaches simply because we cannot control all of the risks inherent in taking the lead.

I suggest that you consider a policy approach that maximizes what can be accomplished in the next three and one-half years. By "accomplished" I mean actually implemented, not merely proposed. By focusing on things actually accomplished, I think we can develop a practical list of objectives to guide the Administration.

The Balanced Budget Act is full of new, exciting policies that need to be implemented. The children's health program, welfare to work, Medicare restructuring and new benefits, and the multiple tax credits are among the major programs that will be difficult to administer. We also have a series of commitments to be funded in the budget, such as one million kids in Head Start.

Our first priority should be to implement these programs so that they are seen as a success at the end of your term.

The budget is replete with both subsidies to profit-making enterprises and benefit payment errors that consume the resources needed to fund your priorities. We should look to increase user fees to offset budget subsidies and launch a serious, management-driven effort to reduce errors in Medicare, Medicaid, and other benefit payments. These would be major undertakings, but if successful, would yield billions of dollars that could be reinvested.

Your vision of life-time learning for American workers is close to being fulfilled by the budget agreement. I urge you identify several other visions of equal magnitude. These visions cannot possibly be funded out of existing budget resources or by re-prioritizing within the budget. They are out-of-the box ideas that will require out-of-the box funding. Here are my suggestions:

- We should increase our investment in our built environment including transportation, national parks, cultural institutions, environmental clean-up, and others.
- We should reduce the anxiety of the average worker about the risks of our evolving economy by restoring their confidence in social security, increasing the scope of unemployment insurance, providing health care coverage for unemployed workers, improving job search assistance, and providing mortgage protection for the unemployed.
- We should radically expand our store of intellectual capital by increasing our investment in research, particularly in areas such as biochemistry, public health, medical treatment effectiveness, cognition, and education.
- We should also change the climate and economic equation of energy use by dramatically improving our national energy efficiency through pricing and technology investment.

These four "pillars" of policy are large, expensive, difficult, and important. They are also inter-related (e.g., energy taxes can encourage energy efficiency and pay for other investments). Most important, these visions redefine the policy debate from a focus on narrow, specific programs to broad themes that the American people can understand and will see at work in their daily lives. They are not affordable within the current budget enforcement law. To do them we will need to find new resources. It may be too early to convince the American people to entrust new resources to the federal government, but you are a better judge of that than I.

I am well aware of the political, budget, and other resource constraints you face as you define your next agenda. As you consider the alternatives, I urge you to close your eyes and imagine giving your farewell address. What do you want to be able to say that you accomplished in your eight years? The content of that speech would be an excellent blueprint for the Administration's efforts over the remainder of your term.

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 3, 1997

MEMORANDUM TO THE PRESIDENT

FROM: Secretary Robert Rubin *R.E.R.*
Deputy Secretary Lawrence Summers *[Signature]*

SUBJECT: Priorities

Your policies have contributed greatly to producing a period of prosperity at home and peace abroad. But the history of Presidents who presided over good times is sobering in demonstrating that they are remembered in the economic area more for what they did or did not do to prepare for the future than for what happened during their Presidencies. Coolidge is remembered for preceding the Depression and the breakdown of the international economic system, Johnson for bequeathing a legacy of inflation, Reagan (probably) for his legacy of debt.

This suggests that the central guide to the allocation of your Administration's effort over the next 3 ½ years should be the answer to the questions: What actions are most important to creating American success and avoiding American failure in the first part of the 21st century? Or less abstractly, what actions will have the largest impact on the adult lives of today's American children? This approach suggests an emphasis on strategies that will deliver long term results.

Here would be our characterization of top priorities:

1. Keeping the Economy Strong Your policies have produced what is generally regarded as the best managed macro economy in our history. With the country enjoying very strong economic expansion with steady or even declining inflation for the first time in more than a generation, your Presidency may be remembered for ending the era when inflation was a paramount economic problem. Historical experience (the elections of 1968 and 1980 as well as Mrs. Thatcher's triumphs) suggest that eliminating inflation as a prime threat removes an important obstacle to progressive policies. Staying the course on deficit reduction, respect for the Fed's independence, sound exchange rate policy, and open markets and flexible domestic labor and capital markets are critical if your Presidency is to establish the historic principle that progressives can be trusted with a strong economy.

2. Education By historical and international standards, Americans now receive a high quantity but a low quality of education. Even marginal improvements in the efficiency of the \$300 billion annually now spent on elementary and secondary education are likely to dwarf the effects of feasible new resource commitments. This suggests great emphasis on national standards, on universal testing so schools can be evaluated, and charter school type experiments as the highest priorities. National standards and evaluation are the one thing out there that may have the potential to lead to a transformation in the functioning of the nation's schools. They should receive dominant attention even at the expense of programmatic initiatives that are less likely to have a long run impact.

3. The Aging of America An aging society poses challenges that go far beyond the impact of entitlements on long run Federal budget projections. There is the need to develop institutions and approaches that will prepare for a world where a girl born today on some estimates has a one in three chance of living to age 100, and many young people will earn negative returns on their Social Security contributions even if no steps are taken to restore actuarial balance. We should consider framing Social Security reform around the issue of adequate income security for the baby-boom generation as it retires as well as in terms of actuarial balance.

Medicare is a much harder problem because the bad economics of a rising dependency ratio is multiplied by the tendency for health care costs to outstrip the rest of the economy. The grim truth is that even if the political will were there, no one has a completely convincing solution. At a minimum, we should put in motion processes which bring the best possible thinking and experimentation to bear.

4. Global Leadership At the most basic level, the American challenge is to continue after the Cold War to be history's only example of a major outward-looking non-imperial power. This will require a major effort at public education on the dangers of American abdication of global responsibility. If history remembers government in the 1990s poorly, it may well be because the United States squandered its moral leadership of the planet through a combination of a failure to contribute to and support international organizations, internationally provocative acts (e.g. extraterritorial sanctions), and an unwillingness and inability to contribute adequately to international efforts ranging from supporting countries in Asia going through financial crises to global warming to consistent support for more open markets.

The defensive agenda of maintaining our ability to lead is critical. In terms of achievable goals, we believe nothing is as salient and significant as real progress towards the FTAA. If we do not complete Chile and make real progress on FTAA in this term, the goal of 2005 will slip just as the free trade goal set by Johnson's hemispheric summit did. Much more than any sectoral agreement or incremental bit of progress achieved through trade sanctions it would be a significant legacy both economically and politically. For example, this would be far more meaningful than anything that could be realistically achieved in APEC given both China and

Japan's presence. It should be the top priority of our international economic diplomacy. While we have made great progress on trade in the last 5 years, if we do not go far enough to turn FTAA into a reality, we risk having your accomplishments, though substantial, being remembered as the completion of the Reagan-Bush agenda of NAFTA and the Uruguay Round.

5. The Underclass Along with isolationism, social cleavages are probably the greatest threat to America's economic future. Beyond improving educational opportunities, there are limits to what policy can do to offset the tectonic shifts in technology and the nature of markets that have led to general increases in inequality. But, as evidenced by the substantial and rising percentage of black men who have spent time in prison, a focus on the problems of ghettos is imperative. Of the many issues of income security and social policy that we face, these problems are probably the ones that will have the greatest impact on the country's long run health. We should continue our focus on the twin pillars of individual responsibility and economic opportunity and should narrow our agenda to the point where they can receive concentrated attention.

6. Policy Evaluation In all policy spheres, a critical priority for us should be evaluation. In areas ranging from education to health care to work placement, there are huge gaps in our knowledge about what works. We can make a substantial contribution toward long run solutions and help to restore credibility of government action by insisting on serious evaluation based on control groups of all our innovations. This will permit expansion of successes and contraction of failures. Unless this is mandated externally, those charged with particular policies will always be reluctant to devote adequate resources to serious unbiased evaluation.

Summary

There are obviously many other important priorities such as environmental protection that go beyond those mentioned here. But concentration over the next 3 ½ years on keeping up sound economic management, strengthening educational standards, insuring that the baby boom generation is prepared for its retirement, leaving behind FTAA as a symbol of continued international engagement, and working to identify the most effective ways of raising the underclass would make a truly important contribution to preparing America for the 21st century.

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THE WHITE HOUSE

WASHINGTON

September 4, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN HILLEY *John Hilley*

SUBJECT: LONG-TERM STRATEGY

In thinking about the policy issues you might pursue over the next three and a half years, I wanted to add some context from the political and Congressional side.

Our ability to govern and the issues we can successfully pursue must be evaluated in light of an unfortunate fact: the Republicans are the Majority Party in Congress. They have great leeway to push their policy agenda, a large portion of which we oppose. One thing we tend to forget is the amount of your time and ours that is spent playing defense. A tremendous amount of our resources are spent modifying and defeating proposals that we wish had never come along. Often their motives range from the pernicious to the principled, but whether they are out to embarrass us, tie us up, score political points, or fight on matters of conscience, we must be fully deployed to respond.

The reach of their initiatives and mischief spans the policy spectrum -- from foreign policy to constitutional to domestic issues. Even when we have taken the initiative and push one of our priority issues, we spend a tremendous amount of time defending our policies and deflecting Republican attempts to undermine us. At every step of the legislative process they have opportunity to alter, weaken, and in some cases defeat our efforts.

Because of the bipartisan budget agreement, this year has seen much less conflict than previous ones. Nevertheless, we've had to fight against the constitutional balanced budget amendment, their Mexico City abortion policy, late-term abortion, flag burning, school vouchers, various foreign policy resolutions, a bunch of anti-labor issues, a slew of funding problems, and others.

In choosing your agenda, we must factor in the intentions of the Republicans as well as their capacity to help or hurt us. In some cases we will be left with no alternative but to take them head-on and try to defeat them. This requires time, energy, and a good game plan. Often, however, we can deflect their designs and in some cases turn the issue to our advantage. We have been very successful on key battleground issues such as welfare, crime, taxes, and the budget -- turning what they believe to be their issues into ours. There are also issues on which we share a common interest and have a real chance to work together in a bipartisan way.

The Outlook for 1998

Conflict will play a much more important role in the coming year. Republicans will be looking to advance their political position, accentuate their political differences with us, and exploit Democratic weaknesses. Their economic agenda will focus primarily on taxes and deregulation. The balanced budget agreement may prevent them from actual tax cut legislation in the coming year -- although Newt is already talking of cutting waste in Medicare, IRS, etc to fund tax cuts. The Republicans, however, are clearly focused on a longer-run goal of reestablishing their pedigree as the Party of tax reform and tax cutting. They will be given a boost by CBO numbers showing a surplus in the outyears and will welcome a debate on who receives the benefits of those surpluses.

Republicans will continue to push items friendly to business such as regulatory reform, product and other liability legislation, financial and electricity deregulation, and private property rights. They will attempt to draw sharp lines that appeal to their right wing and those voters who are distrustful of government. In addition, they will try to paint us as "lefties" on social issues including: affirmative action, English only, religious persecution, and school choice.

Being an election year, they are hoping we will push or defend issues that create a political liability. Real entitlement reform is a nonstarter for the coming year. But the Republicans will use entitlement issues generated by the several commissions, think tank efforts, and bipartisan groups to test us on sensitive issues. We will have to be artful to avoid poisoning the well on entitlement reform even while being substantially in holding pattern..

A constant tension among Democrats will be a tendency for Congressional Democrats, particularly the "old guard," to veer off to the left. This is the opposite of our preferred strategy to hold the center. If we do not coalesce early with Democrats and hold the center, the results could be disastrous in the election. In choosing your agenda for 1998, the guiding principle of holding the center will direct us toward your values agenda focused on family, community, personal security, opportunity and responsibility, education, health, and the environment. These are our strong suits -- the key to substantive accomplishment and doing well at the polls.

These "center-based" issues will be hardest for the Republicans to resist, and their enactment will associate Democrats with mainstream values. Discrete bills will become a part of the solid core of accomplishment of your administration. There are also several big ideas such as the 21st Century Biomedical Fund that could gain widespread support. In foreign affairs we have sound chances of success with NATO expansion, CTBT, and further trade expansion.

In terms of the pillar issues, there are over forty of our policy suggestions that I would rate as "possible" for 1998. These are first impressions at which my staff is taking a closer look. We will be able to discuss the feasibility of these and other issues when you return.

Education

- Progress on educational standards
- Literacy initiatives
- School reform to reward good and punish bad teachers
- After school learning
- School-to-work follow up
- Education technology

Crime, Drugs, and Law Enforcement

- Safe and drug free schools
- Media persuasion initiatives on drugs, crime, gangs
- Brady bill follow up and "insta-check"
- Juvenile justice
- Drug testing in prison and for parolees
- Sex offender national registry
- Domestic violence initiatives
- Victims rights amendment
- Crime technology

Environment

- Some progress on "saving the great places;
- Right to know on the environment
- Alternative environmental compliance
- Sustainability; energy bill; NEXTEA

Urban areas and community development

- Empowerment zone follow up and other urban initiatives
- Public and assisted housing reform

Family Issues

- Teen pregnancy
- Childcare standards and possibly funding
- Adoption incentives

Health

- Clean up waste, fraud, and abuse in Medicare and Medicaid
- Small business insurance reform
- Food safety
- 21st century biomedical research fund, infectious disease initiatives
- Consumer health protections
- Pediatric labeling

Science and Technology

- Spread of information technology
- Space exploration follow up

Other issues

- Possible tobacco settlement
- Ongoing REGO efforts
- NATO expansion
- CTBT
- Trade expansion