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September 29, 1995

Lawrence M. Noble, Esq.
General Counsel
Federal Election Commission
999 E Street, N.W.
Washington, D.C. 20463

Attention: Mary L. Taksar, Esq.

Re: MUR 4250

Dear Mr. Noble:

This is the response of the National Policy Forum ("NPF") to the complaint by the Democratic National Committee ("DNC") against NPF and the Republican National Committee ("RNC"), alleging violations of the Federal Election Campaign Act of 1971, as amended ("FECA").^{1/} On the basis of the considerations set forth below, there is no reason to believe that a violation of FECA has been committed by the NPF (or, for that matter, by the RNC), or to believe that the NPF is within the jurisdiction of the Federal Election Commission ("FEC" or "Commission").

^{1/} NPF requests confidentiality in the handling of this Matter Under Review 2 U.S.C. § 437g(a)(12) and 11 C.F.R. § 111.21. Designations of counsel have previously been filed pursuant to 11 C.F.R. § 111.23.

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The Allegations of the Complaint

The complaint alleges as violations of FECA that the NPF is "simply an arm or project of the RNC," ¶ 31, and that, "in the alternative," if the NPF is "deemed" "to be a separate corporate entity rather than a project or arm of the RNC," ¶ 34, then it is a political committee, ¶ 37. The claims in the DNC complaint can be understood more clearly, however, if they are set forth in a more straightforward and natural order, reversed from the order in which the DNC presents them. (Examination in that order also respects the existence of the NPF as a separate corporate entity, which the NPF is.) The DNC's claims are, in more natural order: As admitted in ¶ 3 of the DNC complaint, the NPF is a separate corporate entity, and its articles of incorporation confine its activities to those which a § 501(c)(4) organization is permitted to perform. (1) However, it engages in activities whose purpose is to influence federal elections, and, therefore, it cannot qualify as a § 501(c)(4) organization, and is a political committee. *See* DNC complaint at ¶¶ 34-37. (2) Since it is a political committee, it can be questioned whether it is "affiliated" with any other political committees in accordance with the criteria set forth at 11 C.F.R. § 100.5(g). On the basis of various subsidiary allegations, it is claimed to be affiliated with the RNC. *See id.* at ¶¶ 28-33.

When the claims are set forth in this straightforward order, it is easy to see that the DNC's claims actually are not claims "in the alternative" at all. Instead, the DNC's claim (2) depends on the truth of its claim (1): One does not even reach the question of affiliation with

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another political committee (claim (2)) unless one has first determined that the NPF is itself a political committee (claim (1)).

Why has the DNC stated its claims in the reverse manner? So doing serves to disguise the inherent weaknesses of the DNC complaint. First, putting the claims in reverse order enables the DNC to obscure the fact that none of the FEC's regulations -- including its "affiliation" regulations at 11 C.F.R. § 100.5(g) -- apply to social welfare and charitable organizations at all. The law provides that political committees are subject to the jurisdiction of the FEC, and that different political committees may be considered for some purposes to be a single political committee. 2 U.S.C. § 441a(5). The FEC's "affiliation" regulations at 11 C.F.R. § 100.5(g) implement the law, by specifying how to determine when two political committees be treated as affiliated (or, in the language of the statute, as a "single political committee"). The law does not provide that a § 501(c)(4) corporation and a political committee can be lumped together and treated as a "single political committee" -- yet that is what the DNC complaint proposes to do. The DNC complaint disguises its strategy, first by blatantly ignoring the status of the NPF as an independent corporate entity (it later suggests that the NPF could be "deemed" to be one, which is absurd -- it is one), and second by simply attempting to apply the affiliation criteria of 11 C.F.R. § 100.5(g) without mentioning the inconvenient fact that these regulations do not apply to entities that are not political committees.

Additionally, the claim that the NPF is a political committee is expressed as a second, weak "in the alternative" claim because the NPF clearly is not a political committee. When the

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allegations concerning the activities of the NPF are deflated of their rhetoric, it is clear that the NPF has been involved in grass-roots issue development and issue advocacy, and definitely has not undertaken any activities "for the purpose of influencing any election for federal office." 2 U.S.C. § 431(8). As a result, there is no reason to believe that the NPF is itself a political committee. But if there is no reason to believe that the NPF is a political committee, then there is no second political committee with which the RNC is supposedly affiliated -- in short, the question of "affiliation" simply does not arise at all.

An underlying, and misguided, motivation of the DNC complaint may be based on the incorrect notion that donations to issue advocacy organizations more in tune with one political philosophy than another should be reported to the FEC and counted as part of the receipts belonging to the political committee with which the issue advocacy organization in question is perceived to be aligned. By the same reasoning that the DNC has used, the FEC would, for example, require the Democratic Leadership Council and the Progressive Policy Institute -- both DNC-aligned organizations, one a § 501(c)(4) organization, the other a § 501(c)(3) organization -- to be treated as "arms or projects" of the DNC,^{2/} and to provide information on their donations to the DNC, which in return would report such donations as part of the receipts of the DNC. It would then be only a short step away to extend that reasoning to cover next, for example, The Brookings Institution and various "think tanks" aligned with one political

^{2/} And, presumably, those two organizations would also be treated as "arms or projects" of each other, thereby destroying the Progressive Policy Institute's § 501(c)(3) status.

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philosophy or another -- or who have directors, officers, contributors or members who also happen to belong to one or another political committee or party. This is not, however, what the law provides.

There are obvious good reasons, in fact constitutional reasons, why the law and the affiliation regulations do not extend so far as to encompass social welfare and charitable organizations. To provide that these organizations might be treated as political committees, or as "arms" of political committees, is to enter the perilous constitutional waters that *Buckley v. Valeo* and its progeny have been set up to avoid:

On its face, the statute might seem to include as political committees . . . issue-oriented groups In *Buckley*, however, the Supreme Court explicitly recognized the potentially vague and overbroad character of the 'political committee' definition in the context of [the Act's] disclosure requirements

The *Buckley* court felt that a more expansive definition of 'political committee' would have been constitutionally dangerous, since once any group of Americans is found to be a 'political committee' it must then submit to an elaborate panoply of FEC regulations requiring the filing of dozens of forms, the disclosing of various activities, and the limiting of the group's freedom of political action to make expenditures or contributions.

Federal Election Commission v. Machinists Non-Partisan Political League, 655 F.2d 380, 391-2 (D.C. Cir. 1981), quoted in *Federal Election Commission v. GOPAC, Inc.*, 871 F. Supp. 1466, 1469 (D.D.C. 1994).

Finally, putting the claims in backwards order obscures the fact that the DNC is in effect requesting the Commission to make a determination that actually is within the purview of the Internal Revenue Service -- *i.e.*, whether a given corporation qualifies for § 501(c)(4) treatment. To attempt to accomplish this, the DNC has to ignore NPF's separate corporate existence. Thus, it talks, strangely, of "deeming" the NPF to be a separate corporate entity, when there

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can be no question of "deeming": The NPF indisputably is a separate corporate entity. The NPF also indisputably has Articles of Incorporation and By-laws that prohibit it from engaging in the activities of a political committee. Of course, these are inconvenient facts the recognition of which would derail the DNC's complaint, so the DNC simply ignores them in its haste to try to create an issue within FEC jurisdiction.

The NPF

The NPF is a non-profit corporation^{3/} organized under the laws of the District of Columbia "to operate exclusively for social welfare purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code of 1986, as amended" NPF Articles of Incorporation (attached to DNC complaint as Exhibit 1).^{4/} NPF's Articles expressly provide that NPF "shall neither have nor exercise any power of authority, either expressly, by interpretation, or by operation of law, nor directly, nor indirectly, engage in any activity that would prevent it from qualifying and continuing to qualify as an organization described in [26 U.S.C.] Section 501(c)(4)." *Id.* NPF's purposes, as stated in its Articles of Incorporation, include encouraging "the involvement of citizens in free and open debate, the public exchange and development of ideas, discussions, dialogues, conferences, and discourses, to promote public forums, seminars and colloquia and information dissemination to the general populace, to

^{3/} The NPF is not a "subsidiary" of the RNC. See DNC complaint at ¶ 28.

^{4/} The NPF's application for recognition of exemption from federal income tax under 26 U.S.C. § 501(c)(4) is pending.

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develop a national Republican policy agenda and to serve as a clearinghouse for the collection and review of research and ideas" on "issues of concern to or affecting the citizens of the United States of America." *Id.* These kinds of purposes are functionally indistinguishable from the broad purposes of literally thousands of other social welfare and charitable organizations organized to operate in accordance with 26 U.S.C. §§ 501(c)(4) and (c)(3).

The very point of the NPF's existence is to develop ideas from the grassroots up, where the best political ideas are developed in this country, and not from a political leadership down. The ideas developed from the NPF's major project so far have been memorialized in a report, *Listening to America*, a copy of which is enclosed. As the table of contents page states and the report itself demonstrates, the NPF "is a broad-based, inclusive organization designed to go out to the grass roots to listen to Americans about issues on their minds and to conduct a search for 'ideas that work.'" The NPF deals in political philosophy, not in candidates or elections.

The complaint filed by the DNC does not allege NPF involvement in federal election campaigns. The NPF has not contributed to, or made expenditures on behalf of, federal candidates.^{5/} The complaint does not allege endorsements of or opposition to federal

^{5/} The NPF has borrowed funds from the RNC on an arm's-length basis, that is, NPF has borrowed at market rates from the RNC, and the NPF has already repaid most of such loans. Nothing, of course, prohibits the RNC from lending funds to a § 501(c)(4) organization. The DNC's claim that the participants in NPF fora were invited "based on the status of those persons as 'potential candidates for the 1996 Republican presidential nomination'" is simply false; invitations were based on the fact that individuals invited were prominent and informed on the policy topic in question, not on whether they were or were not running for President. Surely the DNC cannot be suggesting that a person cannot be invited to participate in issue discussion if he or she might become a candidate for President or other federal office.

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candidates, through independent expenditures or otherwise. It does not allege that the NPF has responsibility for the day-to-day affairs or operations of the Republican Party. In short, the complaint lacks a factual basis for characterizing the NPF a political committee.

There are, of course, numerous mis-statements in the complaint, which, in view of NPF's status as a § 501(c)(4) corporation outside the ambit of FEC jurisdiction, do not require refutation allegation by allegation. The DNC complains, for example, that the same individual has a role in a political committee and also has a role in a § 501(c)(4) organization. One might as well complain that a public official cannot attend church because that would violate the wall of separation between church and state. It is a commonplace of life in the United States that civic-minded individuals belong to and participate actively in a variety of different organizations. This is unremarkable and desirable, not undesirable, as the DNC insinuates. It would be very surprising if the ranks of persons actively participating in DNC affairs did not also include civic-minded individuals belonging to and taking part in the activities of numerous different organizations, including § 501(c)(3) charitable and religious organizations, and § 501(c)(4) organizations such as the Democratic Leadership Council.^{6/}

^{6/} In its zeal to collapse separate organizations into one, the DNC even goes so far as to attempt to collapse two individuals into one: The first NPF President was in fact Michael Baroody, but he was never "on the payroll of the RNC" during his NPF tenure, as alleged in the DNC complaint, ¶ 9 and ¶ 24(a). The Baroody listed on Exhibit 4 to the DNC complaint is Mr. Baroody's son.

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Conclusion

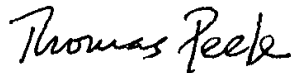
In light of the above considerations, we respectfully submit that there is no reason to believe that a violation of FECA has been committed by the NPF.

Sincerely,



John R. Bolton
R. Carter Sanders

Lerner, Reed, Bolton & Sanders, LLP
815 Connecticut Avenue, N.W.
Washington, D.C. 20006



Nicholas F. Coward
Thomas Peele

Baker & McKenzie

Attorneys for
National Policy Forum

ATTACHMENTS

By-Laws of the National Policy Forum

Listening to America: A Summary Report of the National Policy Forum, 1994

BYLAWS

Conformed copy

1/3/95

OF THE

NATIONAL POLICY FORUM

ARTICLE I. PURPOSE

Section 1. The purpose of the National Policy Forum is exclusively for social welfare purposes as set forth in the Articles of Incorporation. In pursuing such purpose, the National Policy Forum shall not act so as to impair its eligibility for exemption under Section 501(c)(4) of the Internal Revenue Service Code of 1986, as amended.

ARTICLE II. OFFICES

Section 1. The registered office of the National Policy Forum shall be at Suite 550, 1156 Fifteenth Street, N.W., Washington, D.C. 20005, or such other location in the District of Columbia as the Directors may from time to time determine.

Section 2. The National Policy Forum may also have offices at such other places as the Directors may select and the business of the National Policy Forum shall require.

ARTICLE III. MEMBERS

Section 1. The National Policy Forum shall have no members.

Section 2. The Directors may create such classes of "membership," such as

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contributing members or honorary members, as the Directors see fit, but such persons shall not have the right of members under the District of Columbia NonProfit Corporation Act of 1962, as amended.

ARTICLE IV. DIRECTORS

Section 1. Powers. The Directors shall have all powers and duties for the conduct of the activities of the National Policy Forum except as otherwise restricted by these Bylaws or a resolution duly adopted by the Board.

Section 2. Number, Appointment, Term. The Board of Directors shall consist of not less than three (3) nor more than twenty (20) persons. Directors shall be appointed by the Chairman of the Board at the annual meeting. Directors who hold elected positions in federal state or local government shall be appointed to serve a term of four (4) years or until their terms of office have expired and they have not been re-elected, whichever is less. Directors who do not serve as elected officials on the federal, state or local level shall serve a term of four (4) years until their successors are appointed and qualified. As nearly as possible, an equal number of terms shall expire each year.

Section 3. Removal. Any Director may be removed from office, without the assignment of any cause, by a vote of a majority of the Directors in office at any duly convened meeting of the Board, provided that written notice of the intention to consider removal of such Director has been included in the notice of the meeting at which such action

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is to be considered.

Section 4. Vacancies. Vacancies among the Directors may be filled by the Chairman of the Board by appointment, and each Director so chosen shall hold office until the end of the term of the Director replaced and shall hold office until the next successor is elected and qualifies or until the Director's earlier resignation or removal pursuant to Sections 2 or 3 above.

Section 5. Quorum. A majority of the Directors shall constitute a quorum of the Board for the transaction of business. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board (except that an affirmative vote of two-thirds (2/3) of the entire Board shall be required with respect to any amendment to these Bylaws or the Certificate of Incorporation.)

Section 6. Vote. Each Director shall be entitled to one vote. No proxy votes shall be permitted.

Section 7. Waivers of Notice of Board Meetings, Adjournments. Notice of a meeting need not be given to any Director who signs a waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior to the conclusion of the meeting, the lack of notice to such Director of such meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Board need be specified in the notice or waiver of notice of such meeting. Notice of an adjourned meeting need not be given if the time and place are fixed at the meeting adjourning and if the period of adjournment

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does not exceed twenty days in any one adjournment.

Section 8. Regular Meetings. A regular annual meeting of the Board for appointment and election of officers and such other business as may come before the meeting shall be held upon not less than ten days written notice of the time, place and purposes of the meeting. The Board must provide for at least one additional regular meeting which may be held in accordance with the resolutions adopted at any meeting of the Board. In the absence of such a resolution the Board will meet at the call of the Chairman.

Section 9. Special Meetings of the Board. Special meetings of the Board for any purpose or purposes may be called at any time by the Chairman or a majority of the Board. Such meetings shall be held upon not less than two days notice given personally by telephone or upon not less than four days notice given by depositing notice in the United States mails, postage paid. Such notice shall specify the time and place of the meeting.

Section 10. Action Without Meeting: The Board or any committee of the Board may act without a meeting if, prior or subsequent to such action, each director or committee member shall consent in writing to such action. Such written consent or consents shall be filed with the minutes of the meeting.

Section 11. Meeting by Telephone: The Board or a committee of the Board may participate in a meeting of the Board or such committee, by means of a telephone conference or any other means of communication by which all persons participating in the

meeting are able to hear each other.

Section 12. Committees of the Board: The Board, by resolution approved by a majority of the entire Board, may appoint (from among the Directors) one or more committees, of one or more members (which may include persons who are not Directors, provided that at least one member of each committee shall be a director and that any act of any committee which has members which are not Directors shall be advisory, shall not bind the Board or the Corporation and shall be subject to Board approval) each of which, to the extent provided in the resolution, shall have and may exercise the authority of the Board, except that no such committee shall:

- (a) make, alter or repeal any Bylaw of the National Policy Forum;
- (b) elect or appoint any officer or director, or remove any officer or director;
- (c) make any grants or distribution of funds; or
- (d) amend or repeal any resolution previously adopted by the Board.

The Board, by resolution adopted by a majority of the entire Board, may:

- (a) fill any vacancy in such committee;
- (b) appoint one or more persons to serve as alternate members of any such committee to act in the absence or disability of members of any such committee with all the powers of such absent or disabled members of a committee;
- (c) abolish any such committee at its pleasure; or
- (d) remove any members of such committee at any time, with or without cause.

A majority of each committee shall constitute a quorum for the transaction of business and the act of the majority of the committee members present at a meeting at which a quorum is present shall be the act of such committee.

Each committee shall appoint from among its members a chairman unless the resolution of the Board establishing such committee designates the chairman, in which case, in the event of a vacancy in the chairmanship, the Board shall fill the vacancy.

Actions taken at a meeting of any such committee shall be kept in a record of its proceedings which shall be reported to the Board at its next meeting following such committee meeting, except that, when the meeting of the Board is held within two days after the committee meeting, such report shall, if not made at the first meeting, be made to the Board at its second meeting following such committee meeting.

Section 13. Compensation: Neither Directors nor officers of the Board shall receive any fee, salary or remuneration of any kind for their services as Directors or officers, provided, however, that Directors and officers may be reimbursed for reasonable expenses incurred with approval of the Board upon presentation of vouchers.

Section 14. Officers. At its annual meeting, the Board shall elect from its members a Chairman and Secretary-Treasurer, and such other officers as it shall deem necessary, each of whom shall serve for a term of two years and may succeed themselves. The Chairman of the Board shall select a President, who need not be a Director, with the concurrence by the Board, and who shall serve at the pleasure of the Board. The Board, by resolution

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adopted by a 2/3rds vote of the entire Board, may remove any officer, with or without cause. The duties and authority of the officers shall be determined from time to time by the Board. Subject to any such determination, the officers shall have the following duties and authority:

(a) The Chairman of the Board shall preside at all meetings of the Board of Directors, and shall have other such duties and such other powers as may be vested on the office by the Board of Directors.

(b) The Secretary-Treasurer, who may not be an elected official of the federal, state or local government, shall have custody of the funds and securities of the corporation and shall keep or cause to be kept regular books of account for the corporation and shall cause notices of all meetings to be served as prescribed in these Bylaws and shall keep or cause to be kept the minutes of all meetings of the Board. The Secretary-Treasurer shall have charge of the seal of the corporation and shall perform such other duties and possess such powers as are incident to the office or shall be assigned from time to time by the Chairman or the Board.

(c) The President shall be a compensated employee and shall be the Chief Executive Officer of the Corporation and have the duties and responsibilities of conducting the affairs of the National Policy Forum and carry out the duties of office in accordance with the directions and policies of the Board, subject to the right of the Board to delegate any specific powers as allowed by law; and shall execute bonds, mortgages, and other contracts requiring a seal, under the seal of the Corporation, and when authorized by the Board, affix

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the seal to any instrument requiring the same.

(d) Assistant Treasurers, if elected, shall have such duties and possess such authority as may be delegated to them by the Treasurer.

(e) Assistant Secretaries, if elected, shall have duties and possess such authority as may be delegated to them by the Secretary.

ARTICLE V. BYLAWS

Section 1. Force and Effect of Bylaws. These Bylaws are subject to the provisions of the District of Columbia NonProfit Corporation Act (the Act) and the Certificate of Incorporation as they may be amended from time to time. If any provision in these Bylaws is inconsistent with a provision in the Act or the Certificate of Incorporation, the provision of the Act or the Certificate of Incorporation shall govern to the extent of such inconsistency.

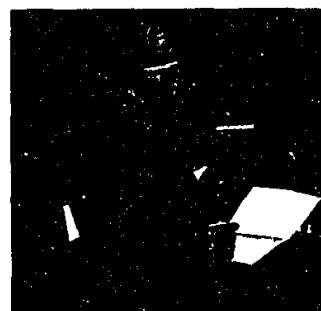
Section 2. Amendment to Bylaws. These Bylaws may be altered, amended or repealed by a vote of 2/3 of the Board. Written notice of any such Bylaw change to be voted upon by the Board shall be given not less than 10 days prior to the meeting at which such change shall be proposed.

ARTICLE VI. INDEMNIFICATION

Section 1. Indemnification. The National Policy Forum shall indemnify to the full extent permitted by law any person made, or threatened to be made, a party to an action, suit or proceeding (whether civil, criminal, administrative or investigative) by reason of the fact that the person, or the person's testator or intestate, is or was a director or officer of the National Policy Forum, provided however, that no persons shall be entitled to indemnification pursuant to this Article in any instance in which the action or failure to take action giving rise to the claim for indemnification is determined by a court to be wilful misconduct or recklessness.



LISTENING TO AMERICA



A Summary Report of the
National Policy Forum—
A Republican Center for the Exchange of Ideas

LISTENING TO AMERICA

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The National Policy Forum is a broad-based, inclusive organization designed to go out to the grassroots to listen to Americans about issues on their minds and to conduct a search for "ideas that work."

NPF is organized as a not-for-profit organization under section 501 (c)(4) of the Internal Revenue Code. Contributions to the Forum are not deductible as charitable contributions for federal income tax purposes.

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NPF is located at 229 1/2 Pennsylvania Avenue, S.E., Washington, D.C. 20003. (202) 544-2900.

Listed on the inside front cover and inside back cover are some of the more than 177,000 people who participated in Listening to America.

INTRODUCTION

"Republican party leaders yesterday dusted off an old idea that they hope will make the GOP the party of the future. Seeking to reinvigorate its ranks after losing the White House last year, the party kicked off the process to scour the country for new ideas and build a consensus within the GOP heading into 1996.

"Attributing last year's defeat to the party's failure to stand for anything, Republican National Committee Chairman Haley Barbour said, 'We Republicans need to regain our position in this country as a party of principle and a party of ideas.'" —Washington Post, 9/29/93.

Having spent the last year listening to America, I am sure of one important point: Americans want an alternative to the big government, high tax, regulatory agenda that is currently being pursued in Washington.

Such an alternative agenda must be founded on the belief that individual freedom and individual responsibility are far preferable to government power and government responsibility. That belief resounded through the comments and views of more than 177,000 people who have participated in the first phase of *Listening to America*—an incredible, inclusive process that led to the publication of this summary—the first report of the National Policy Forum (NPF), a Republican Center for the Exchange of Ideas.

As you read the 14 summaries, you will observe that a fundamental belief and commitment to individual freedom and responsibility permeates the policy positions—whether they are positions in favor of positive changes in laws, regulations or standards; or positions in opposi-

tion to bad policies that adversely affect our families, communities and nation.

Among the ideas in this report are these:

- Economic policies that would stimulate growth through lower taxes and reduce the deficit by less spending;
- Education reforms like school choice and more parental involvement in community—not federal—control of schools;
- Trade policies based on open markets and free trade coupled with global competitiveness unburdened by excessive taxes and regulations;
- A commitment to a strong national defense and foreign policy;
- Emphasis on strong law enforcement, tough sentencing and criminal control, not palliatives like gun control, to reduce violent crime;
- Support for specific, targeted reforms—not a government-run health care system—to solve the problems facing health care without destroying the system that gives us the finest medical care in the world;
- Regulatory reform and balanced

environmental protection policies that are based on science and risk assessment and do not unnecessarily burden the economy;

- And welfare reform and other social policies that empower individuals and increase their opportunity, responsibility and self-esteem instead of offering incentives for dependency and illegitimacy.

As you read *Listening to America*, it will be obvious what we are for, and you will also observe that the views advocated in this volume are consistent with those held by a majority of Americans. They are not "Republican" ideas per se; in fact, many who joined us in our process are not Republicans. This led us to remind ourselves that the National Policy Forum is a Republican Center for the Exchange of Ideas, not a Center for the Exchange of Republican Ideas.

Nevertheless, it is quite evident that the views expressed in this initial report are an accurate reflection of the policies Republicans in federal, state and local government have advocated and supported. And where these Republicans have had the power to implement policies and programs based on these ideas, those policies and programs have worked.

The Reagan policies of economic growth through low taxes led to the longest peacetime economic expansion in American history and the creation of more than 18 million new jobs. The strategic doctrine of peace through strength generated policies that led to the demise of the Soviet Union, the collapse of communism and Western victory in the Cold War. Ideas have consequences, issues matter, and public policy based on the right principles succeeds.

But public policy is too important to allow it to be developed apart from the participation and scrutiny of the public.

What better example could there be



than the Clintons' proposal for government to take over and run the health care system. Crafted in secret by an elitist crew of policy insiders and partisans, support for the plan has steadily declined as the public has learned what is actually in it. Its terrible flaws have become more and more obvious. Today even its original proponents and sponsors cannot defend its major elements—and most have quit trying.

Thus, from its formation last summer, the National Policy Forum has had the goal of being a participatory institution, open to all who want their voices heard and their ideas considered in the public policy debate. We made it clear that one did not have to be a Republican to participate, and as we hoped and expected, many Democrats and Independents did participate.

What was not expected, or even dreamed of, was the magnitude of the participation. More than 177,000 Americans have participated in the initial phase of National Policy Forum's work. Needless to say, we were overwhelmed at times—but thrilled.

The process that led to their participation was based on our belief that good ideas and policy are more likely to originate outside the Washington, D.C., beltway than inside it. Therefore, in

Chairman Haley Barbour welcomes NPF board members U.S. Sen. Don Nickles, State Sen. Teresa Lubbers and the Honorable William Brock at the first Friends of the Forum reception in Washington, D.C. Mayor James Garner stands behind the chairman.

"Another reason for the new forum is Barbour's view that Bush lost in large part because Republicans failed to get his message to voters.

" 'Most Republicans agree we did not do a very good job in 1992 of letting the American people know what we were asking them to vote for,' Barbour said. 'And we need to give people something to be for. It is not enough for us today to just oppose Clinton. We want a party that is centered on ideas.' "

—Philadelphia Inquirer, 9/29/93.

development policy, the Forum sought the ideas of nonelected, non-Washingtonians—the people who have to pay the taxes and live with the laws and regulations.

The principal operating arms of the National Policy Forum are its 14 policy councils.

Each council has co-chairs who are highly respected leaders with recognized experience and knowledge in the policy area around which the council is organized. They provide outstanding leadership for the councils and the Forum itself.

The majority of the members of each council, however, are neither elected officials nor Washington insiders. Most come from the private sector, although governors, U.S. senators and representatives, state legislators and other state and local elected officials also serve on every council.

The councils held more than 60 public forums from coast-to-coast between November 1993 and June 1994. They also held scores of smaller meetings. More than 10,000 people attended the public forums, with crowds ranging from a few dozen to several hundred. Forums were televised. Local media coverage was almost invariably attained, and it was usually very favorable. Frankly, the media seemed surprised that the forums were not about politics in the election sense but actually about public policy.

Attendees were surprised, too. They were surprised that the elected officials who served on the Listening Panels were there to listen. One of my favorite stories came out of the event in Billings, Mont. Sen. Malcolm Wallop of Wyoming, who co-chaired the Natural Resources and Energy Policy Council with Reagan administration official Wendy Gramm, opened the floor after the last witnesses had made their presentations. The first four participants in the audience all asked

Wallop questions. After answering the fourth question, Sen. Wallop said to the group, "We're glad to answer your questions, but we really came here to listen to you." Needless to say, the audience was flabbergasted. Most elected officials want to talk, and the fact that the officials who participated in our public forums were there to listen made a favorable impression on everyone.

Another principal source for this report was the Republican National Committee. The RNC developed a 26-section survey which included 159 questions about public policy, ranging from defense to education, taxes and crime. They mailed it to more than 800,000 Republican households across the country.

More than 134,000 people took the 30-45 minutes necessary to respond to this survey. The RNC shared the results with the National Policy Forum, so it could benefit from the input of this huge sample of public opinion. This survey is the largest public policy research project ever undertaken by a political organization.

Listening to America primarily reflects the views expressed at the forums and in the survey. It also includes the opinion of nearly 40,000 additional people who were involved with the Forum through other avenues.

The policy councils digested and considered the recommendations and opinions of these participants and presented them in this report. But the nearly 1,000 members of the councils will continue deliberations and consider proposals that have been or will be received in the coming months. *Listening to America* is the initial report of the National Policy Forum. A final report will be issued in the spring of 1995.

Between now and the publication of the final report, the policy councils will expand their deliberations. They will con-

sider the development of issues in this fall's campaign and will seek increased input from elected officials. Therefore, the final document will result not only from *Listening to America* at the grassroots level, but it will also reflect long in-depth consideration of these policy proposals.

I know *Listening to America* and the full policy reports and white papers to be published by the councils in September will stimulate debate and pave the way for the development of a positive alternative agenda for this country. It is crucial that such an agenda be developed and advocated.

Today the five biggest institutions in U.S. public policy—the White House, Congress, the bureaucracy, the news media and the special interests—are all pursuing a big-government agenda. They call for higher taxes, more spending and increased regulation. They believe government is the answer to every question. If a problem exists, they look for a government solution.

America needs an alternative to this big-government agenda. The majority of Americans want lower taxes, less spending and fewer regulations. The National Policy Forum is in the process of developing just such an agenda.

When you read *Listening to America*, I hope it inspires you to consider our ideas about good public policy and stimulates you to share your recommendations and opinions with us.

The first phase of the National Policy Forum's work was intensely participatory and concentrated on reaching out to those at the grassroots who have much to share with us. As we continue this process, we welcome the ideas of Americans like you. Please consider this my personal invitation to you to join us in the National Policy Forum in our effort to develop a positive alternative agenda for America.

Haley Barbour
Chairman
 National Policy Forum

MAP AND SYMBOLS BY CAROLYN MCINTYRE

WINGTON 5594

...ENTO, CALIFORNIA

...NEVADA 5294

SALT LAKE CITY, UTAH

...CALIFORNIA 52594

...GLENDALE, CALIFORNIA

...SAN FERNANDO, CALIFORNIA

...FULLERTON, CALIFORNIA 52594

...TORBA LINDA, CALIFORNIA

...SANTA ANA, CALIFORNIA

SAN ANTONIO, TEXAS 6594

FREE INDIVIDUALS IN A FREE SOCIETY
REFORMING HEALTH CARE
STRENGTHENING THE FAMILY

SAFE AND PROSPEROUS NEIGHBORHOODS
IMPROVING SCHOOLS AND EDUCATION
ECONOMIC GROWTH AND OPPORTUNITY

ENTREPRENEURSHIP AND WORKPLACE OPPORTUNITY
REDUCING THE SIZE AND SCOPE OF BUSINESS
NATURAL RESOURCES, AGRICULTURE AND ENERGY

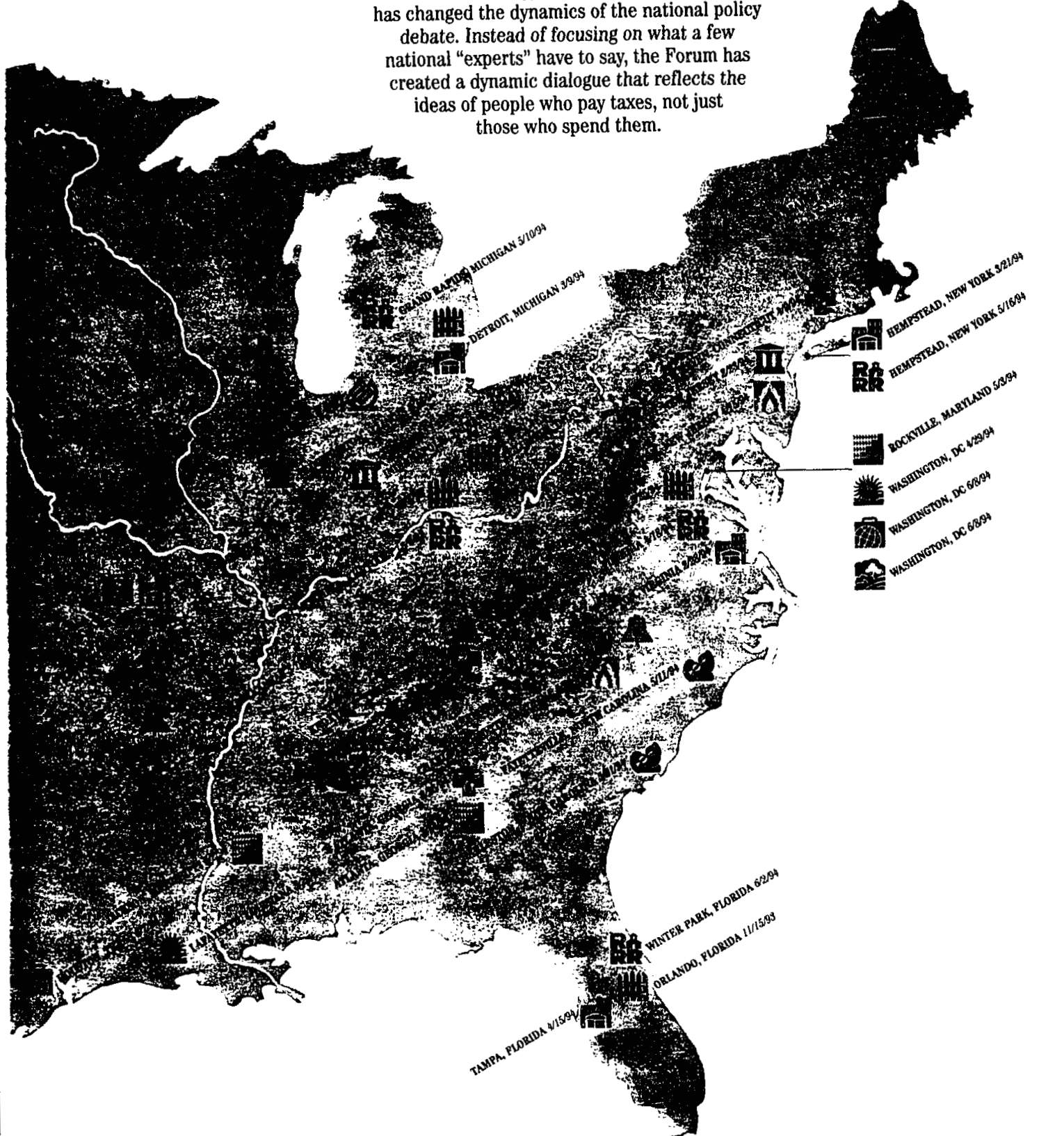
THE ENVIRONMENT
COMPETING IN THE GLOBAL MARKETPLACE
U.S. LEADERSHIP IN A CHANGING WORLD

DEFENSE POLICY COUNCIL
REFORMING THE LEGAL AND
REGULATORY SYSTEMS



LISTENING TO AMERICA

At grassroots-level public forums in communities across the country, the National Policy Forum has changed the dynamics of the national policy debate. Instead of focusing on what a few national "experts" have to say, the Forum has created a dynamic dialogue that reflects the ideas of people who pay taxes, not just those who spend them.



FREE INDIVIDUALS IN A FREE SOCIETY



"Others said opportunity was unattainable for black Americans because of the education system and welfare. Some people advocated allowing school choice; others said there was a need for entrepreneurship in the black community. ... Communication, economic empowerment, personal responsibility and strong families were among the solutions offered by audience members to achieving opportunities for Americans."

**—Danville (Va.)
Register and Bee,
4/9/94.**

"My vision is real simple. I'm an American. I can define myself. I know what my identity is."—Bill Thomas in Greensboro, N.C.

What seems simple to Bill Thomas, an entrepreneur from Tidewater, Va., confuses some who are called the nation's "elites." But Mr. Thomas—and many others we have listened to—believe that simply saying "I'm an American" is saying a lot. He meant it more than just a statement of nationality; he meant it as a point of pride—a boast that being an American makes him a free individual in a free society.

There is a gulf that divides the pride and certitude of a Bill Thomas from the cultural confusion of these "elites" who have so much influence over policy, over the messages of entertainment and other elements of the popular culture, and over education and the media. That gulf explains why listening to America in the 1990s can both dampen the spirit and lift the heart.

Like Bill Thomas, most Americans still seem confident about themselves, sure about their goals and values. The great majority we heard from still live, work, worship and raise families within a fairly definite framework of right and wrong.

But many of the schools they send their children to, the criminal justice system they used to

count on and the very political process our freedom depends on seem to operate outside that framework. It is their government they are not sure about. They feel it doesn't represent them well.

Their government seems to them to conduct public policy that's at odds with public opinion on issues ranging from homelessness to drugs, from subsidies for offensive art to the question of whether religion has a place in the public square. Many major institutions seem to operate by a different set of rules and on a different set of assumptions than the majority of Americans.

Many we heard from would agree with Myron Magnet, who wrote in *Commonsense*, NPF's journal: "We've had a 30-years' experiment with living by the values of the cultural revolution, and now the results are in." Many, too, would agree with council Co-chair William Bennett: "It is not that we live in a society completely devoid of virtue. Many people live well, decently, even honorably. There are families, schools, churches, and neighborhoods that work. There are places where virtue is taught and learned. But there is a lot less of this than there ought to be. And we know it."

At forum after forum held by this and other NPF councils, we heard citizens' anger and noted their distrust. But we also heard their ideas, ideals and determination.

"One solution lies in taking back our cities, one block at a time, one neighborhood at a time and injecting a sense of community back into the way we live our lives every day," said Arkansas legislator Jim Keet at our forum in Little Rock. He must have had in mind Thelma Moton, who told us she had concluded that since she couldn't change Washington, D.C., she would change her own town of Conway, Ark. And she's doing it, working with teenagers—five of whom were with her at the forum—to shape character and discourage teen pregnancy.

We found people all over America, looking less to government than to themselves, helping one another within their families and through their neighborhoods, churches and communities.

In Kent, Wash., former White House staffer Greg Alex told us how his Matt Talbot Center is helping homeless people find their way back into the Seattle community—and he's doing it without government funds.

Sheila Reed Palmer told us of her tenant management of public housing in Tampa, Fla.

In Greensboro, N.C., Jack Dunn told us of his efforts to help inner-city youngsters in North Carolina get the most out of education.

In Orlando, Fla., deacon Mark Rivera told of intercepting kids whom the experts call "at risk" and diverting them from a path that might end up in criminal careers.

The examples are endless. It's a good country, with good people in it. We know—we've been listening. But currents of anger run strong.



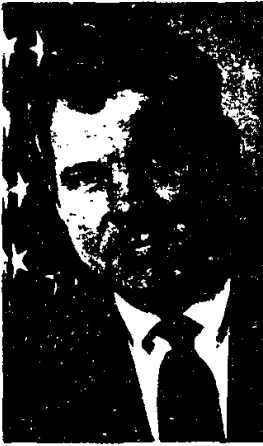
In Dallas, Texas, Rick Webber sounded a recurring theme regarding threats to our economic freedom. He asked us to "think back to our immigrant forefathers who left oppressive governments that were taking the fruits of their labor away from their families, and who were always looking over their shoulder to see if there was a government agent checking up on them. We are quickly becoming the kind of country our forefathers left."

"The truth is," said Bill Thomas, "we have lost our moral values. We've lost our family. We've lost the character in our communities."

Teenagers who joined Thelma Moton at the Little Rock forum talked about the importance of individual character and how families, neighborhoods, churches and communities, not government, are where virtue is taught and learned.



"The family is the only foundation that makes a nation mentally, physically and spiritually strong."
Nona Brazier



Co-Chairs: William J. Bennett, co-director of Empower America, was President Reagan's Secretary of Education.

Carol Iannone is a professor at New York University's Gallatin division and vice president of the National Association of Scholars.

We heard over and over that the destruction of the family and policies that encourage that trend are among our biggest problems.

During our forum in Greensboro, N.C., Chuck Muller told us, "The basic thing I think is wrong with our society is the destruction of the family."

In Fort Mitchell, Ky., a mother impatient to get home to her family from our evening meeting stayed late to tell us that she knew well her responsibilities to her children: get them to school, feed them, shelter them, teach them morals, teach them ethics and teach them religion. "I thought that was my job," she said. "I thought teachers got paid for *academics*."

The audience applause made clear she was not alone in thinking that schools are taking over what parents think to be their job—teaching morals and values.

These concerns run deep. They affect the way people live their lives and earn their living. They affect the economy in which they must operate and the communities in which they live. They affect their families and their children—the source of the passion that emerged in our forum meetings. Finally, they affect the spirit.

Blending all the voices we have heard into a single presentation is not easy. Many thanked us for our efforts to listen to America, adding, "It's about time!" that someone did. We return the thanks and acknowledge our obligation to demonstrate that we understand what we have heard and will report it faithfully to policymakers.

Here, in this report, we try to make a start with some basic principles. We offer five principles drawn from our conversations with Americans:

1. The ability of individuals to use and enjoy their freedom depends on the strength of

society's private institutions to act as buffers to the power of government, protect against it and offer alternatives to it. Churches, civic and neighborhood groups, unions, trade and other professional organizations are some of these mediating institutions, but the first among them is the family.

2. The survival of political and social liberty depends upon the maintenance of economic freedom and opportunity. While political liberties have expanded significantly in recent times, their underpinnings—citizens' freedom from economic constraints imposed by government—have grown weaker. For the sake of maintaining full American liberty, we must make the restoration of those underpinnings a top priority.

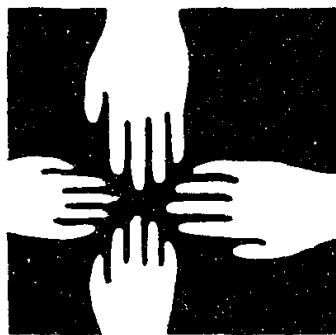
3. Public discourse in a free society must be guided by civility and rooted in reason, not by the formulas of "political correctness," which are rooted in emotion and limit freedom in the guise of preserving it.

4. Individuals have rights. The Declaration of Independence declares these rights to be "unalienable" and "endowed by their Creator." In the Constitution, these rights are enumerated. Groups on the other hand—"factions" in the founding fathers' terminology—often have separate interests and agendas, and legitimately so. The important difference between rights and interests, however, ought not to be confused—especially by our government.

5. Freedom without religion is an edifice without a cornerstone. A political order based upon the "laws of nature and of nature's God" undermines its own legitimacy when it drives religion from the public square.



STRENGTHENING THE FAMILY



"We cannot change Washington. We need to embrace our children, roll up our sleeves and each one of us ask ourselves the question: What can I do about the problem? We need to make a difference."—Thelma Moton in Little Rock, Ark.

Listening to America has brought its surprises. Perhaps the most startling has been the strong public response to our invitation to discuss strengthening the family. The role of the family is all-encompassing: to protect, provide for and educate the next generation, passing on to it the values and principles that ensure the nation's stability and productivity.

We discovered, however, the public's concerns could not be contained within that framework. On almost every issue considered by our other panels—education, crime, health, the economy—the speakers came back to the same point: the family matters.

With sweeping unanimity, people insisted that unless America's family life is restored, we as a nation will never be able to deal with the array of issues currently consuming the energies of government and the resources of taxpayers. What we heard only reinforces the findings of a national survey commissioned by the Family Research Council:

- 72 percent of respondents say changes in

family life over the past three decades "have generally been for the worse."

- 66 percent of adults believe "children are generally worse off today" than when they themselves were young.

Government policies have a lot to do with why Americans have such negative feelings about family life today. While the financial demands of government at all levels have become a crushing burden on their household budgets, federal social policies have undermined their children's schools, endangered their neighborhoods and subsidized assaults on their religious beliefs.

To put this more positively, the American people want public policy to:

- understand the unique foundational role of the family in our society;
- support strong, responsible families;
- restore collapsed or broken families;
- and, to the greatest extent possible, remove governmental intrusion into family life.

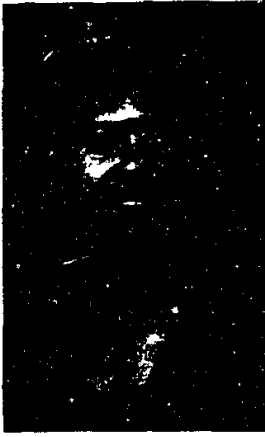
It isn't government by itself that irks the American family, it's big government. In 1994, federal spending hit a new high of \$1.5 trillion; also breaking records was the tax burden on the average family. This year, families will pay 40 percent of their income in federal, state and local taxes. "We're all paying taxes, and what do

"The issue of welfare dependency was a frequent topic at Thursday's session. The lack of an incentive to get off public assistance was brought up by several speakers and panelists concurred that the business sector must get involved by providing jobs for those on assistance.

"One suggestion from the audience was to give businesses incentives to hire welfare recipients.

"Roy Innis, national chairman of the Congress of Racial Equality and a Democrat, added, 'It's our intent to break the system, but not the morality of those in the system.' "

—The Milwaukee Journal, 3/11/94.



Co-Chairs: Nona M. Brazier is co-owner of Northwest Recovery Systems, Inc. in Seattle WA, an environmental and waste management consulting firm.

Gov. Tommy G. Thompson of Wisconsin has won national recognition for his innovative leadership in welfare and education reform.

we get food!" asked someone at our forum in Kent, Wash. "More taxes!" came an immediate reply from another attendee.

In 1948, a median-income family of four paid virtually no income tax and only \$60 in Social Security taxes. Today, that same family pays 40 percent of its income to taxes. Measured by their average after-tax, per-capita income, families with children are the lowest income household group in America.

Across the country, we found parents outraged not only about the financial burden of taxes but about the lack of results from Washington's use of their hard-earned money. They just don't feel they're getting their money's worth.

A young woman in Kent, Wash., lamented that her family could not afford to buy a house even though her husband made a good living. "We cannot afford a house, because government money is going to things that don't even pertain to the community."

'Family time famine'

Today's financial crunch is also tied to a more ominous pressure on the family, what has been called the "family time famine." In 1965, parents spent, on average, about 30 hours a week with their children. By 1985, parent-child time together had dropped to just 17 hours a week. The parents we listened to expressed their frustration with having too little time with their children and wondered aloud how they can work so hard and still not get ahead.

Nothing would benefit families more than a significant reduction in the size and scope of government. That would make possible a dramatic reduction in their tax burden, which, in turn, would allow them to redirect their time from earning to parenting.

When people across the country discuss bloated, ineffective government, one proposition meets with wide agreement: our welfare system is a disaster. The people it was designed to help have been caught in the trap of its perverse incentives. Through the current welfare system a single mother is guaranteed a paycheck as long as she does not work and does not marry a working male. The system is such that illegitimacy and dependency are subsidized while marriage and work are taxed.

"Government has truly failed with our welfare system. It's failed for the children, it's failed for those on welfare, it's failed for the taxpayer—and I know we can come up with something better," said Wisconsin Gov. Tommy G. Thompson at our forum in Beloit, Wis.

Thirty percent of the babies born today are born to single mothers, a rate five times what it was 30 years ago. Two out of three black children are now born out of wedlock, up from 25 percent in 1965. Scholar Charles Murray asserts, "Illegitimacy is the single most important social problem of our time."

Failed welfare policies contribute to a decline in the stability of the family unit and are a true "root cause" of our most serious social problems. Children born out of wedlock are three times as likely to fail in school, twice as likely to commit crimes and, if they are girls, more than twice as likely to bear children out of wedlock themselves. Congress of Racial Equality Chairman Roy Innis summed it up at our Beloit forum: "The people that lost out the most on this welfare were children."

What should be done about the welfare program? One thing is clear: actions beyond a mere tinkering are imperative. For instance:

- Government must stop subsidizing illegitimacy and enabling parents to avoid responsibility for their children. We must end the enabling factor of benefits that lead to increased teen pregnancy, forcing young mothers and their children into an unending cycle of poverty.

- Work must be required in exchange for benefits, and benefits must be time limited. Overhauling the welfare system should not simply replace one form of entitlement, i.e., cash benefits, with others such as training, education and government work programs.

- The federal government must end its stranglehold on the regulations concerning public assistance, allowing states to more easily launch bold innovations to truly end "welfare as we know it."

Many states have already instituted reforms, and more would do so if the official hand of Washington were removed from their necks. The citizens of Wisconsin, proud of their state's pioneering approach to welfare reform, cited Gov. Thompson's innovations to encourage parental responsibility and other initiatives,

such as time-limited benefits. Clearly, success is possible when change is initiated and managed by those closest to the programs: the taxpayers, beneficiaries and public officials in states and localities. As a case in point, Wisconsin has witnessed an almost 20 percent reduction in its welfare rolls; the state has reduced its welfare rolls more than the rest of the states combined.

While some in Washington think the easy way out of the welfare quagmire is more education and training, most Americans know the real answer is work. "The best way we learn how to work is to work," observed Harvard professor Larry Mead. He reflects the views of many when he said, "The opportunity ladder begins with that first job, not with permissive training programs."

If federal officials want to stem the tide of the welfare state, they need only to do what we have done: listen to what Americans have to say about welfare. It is not callous or mean-spirited. It tells the hard truth.

Facing hard truths can build strong character—and a strong society. There are many individuals across the country who are taking it on themselves to support strong responsible families within their own communities. There are local groups such as the Delaware Family Foundation, encouraging responsible fatherhood. There are individuals, such as Greg Alex of Seattle, who are assisting in the recovery of drug addicts. In Kentucky, we visited with families teaching their own children; home schooling is a dramatic illustration of how parents are reasserting their rights—and their responsibilities. "We must go home and personally try to make a difference. We need to take personal responsibility and work toward generational wellness," said Thelma Moton, quoted earlier.

Throughout the country there is a common concern about what kind of adults today's children will become. Will they live by the values we have been guided by, or will they become ethically alien to us and earlier generations? Will their culture be an extension, indeed an improvement, of our own, or will social changes make them strangers to us?

Those questions underlie many of the specific issues covered in other sections of this report: prayer in schools, outcome-based education, drug abuse, sex and violence in the enter-

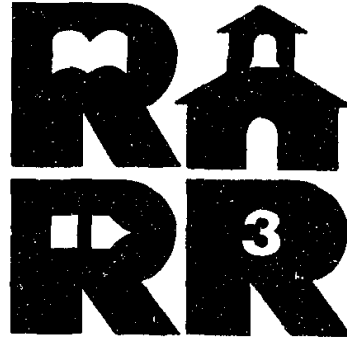


tainment industry and, of course, abortion. When a Nebraska-born Republican on the West Coast called "family values" a "thinly veiled, negative, anti-abortion message" and "a dead issue," another member of the audience responded, "the abortion issue is not dead, not while lives are being taken, and not while my tax dollars are paying for it." Whenever the issue arose, the latter sentiment was the majority position.

What united the members of our audience in all parts of the country was a willingness to fight for their families and the future of their children. Troubled though people are about current trends toward social disintegration, they have not given up on themselves or their neighbors. "They have taught us our greatest lesson in listening to America," said council Co-chair Nona Brazier. "The family is the only foundation that makes a nation mentally, physically and spiritually strong. National policy must return to—and flow from—this fundamental truth."

"More than 100 people attended the forum, and most seemed to agree it was time to get tough on longtime welfare recipients and those who don't pay child support. One young welfare mother in the crowd said welfare recipients 'want to work.'"
—Wisconsin State Journal, 3/11/94.

IMPROVING SCHOOLS AND EDUCATION



**"As the format promised, most of the talk Wednesday night came from ordinary Lubbockites instead of politicians."
—The Lubbock (Texas) Avalanche-Journal, 3/31/94.**

"Our future depends on the education of our children, and nothing is more important."
—Lisa Allen in Lubbock, Texas.

As we listened to America, education, more than any subject, provoked passion. Not only parents, but heroic teachers and able administrators who stand on education's front line have a common complaint: that someone farther away and further up the line now controls what goes on in the classroom. There is a popular revolt brewing. Parents and teachers in communities all across the country are furious that something so basic as teaching our children can go so wrong. After all, these schools are *their schools, and their children* go to them.

"If someone would have ever told me I was going to be losing sleep over my children's education, I would not have had children. And I am losing sleep over my children's education," said Bob Boswell at our forum in Ft. Mitchell, Ky. The powerful emotion is, in large part, explained both by the vital importance Americans attach to education and by the deep meaning they give it.

On the first point, its importance, we know that Lisa Allen is right: Our future does depend on education—our future as a nation and each of our children's individual futures as adults.

Education must prepare them for the tasks of adulthood, give them the skills necessary to work and to live and to support a family in the 21st century. And parents are up in arms with schools that fail at this.

On the second point—its meaning—education means passing on to another generation the values and virtues that tie them to those who came before, tie them to each other and maintain the continuity of civilization. Education also means affirming the ideas on which the American proposition rests and reinforcing citizenship. Which is why a veteran teacher won applause at our forum in Maine when she told us, "Every day in my classroom I start with a flag salute, a moment of silence and a song—because we are Americans, and that's the beginning of unity."

Everywhere we went, we heard with remarkable consistency what parents, teachers, students and administrators consider the basic elements of a good school. Whether we were in California, Florida, Maine, or all our stops in between, we heard parents, teachers and students insisting on the same core essentials: basic academics, discipline in the schools, choice, parental involvement, caring, responsible teachers, more local control and far, far less government intrusion.

In their own words

"All I hear from parents is, please, have them teach my children to read, to do basic arithmetic. Teach them how to spell. Teach them history. Teach them geography, and forget all this other junk."—Judi Hahn, Ohio Board of Education.

"When you take discipline out of the classroom, you ruin any opportunity the child has of learning."—Jeff Layne, a father from Richmond.

"The only way to ensure quality education is to speak up and to have a voice on where we want our kids to go to school."—Rick Williamson, another Richmond father.

"We're just making the schools worse, not better, by having more control. And at the national level, we don't need more testing, we don't need more national requirements for education. Let's do it here."—Mackie Bobo, an administrator and former teacher in Lubbock, Texas.

"From the mouths of students comes 'if my parent cares, I will perform.'"—Jeff Cooche, a parent from Albion, Maine.

"Teachers know the potential present in their students. Expect students to excel and they will."—Scott Dadich, a high school senior in Lubbock, Texas.

ABCs of education reform

There is an intense desire for reform that is reflected in an overwhelming call for school choice and choices. We heard from many like Toni O'Hare Tucker in Lubbock, Texas, who argued for a system that lets "a child and a parent, a family [come] together to be able to choose where and when to spend their tax dollars for education." Lacking the wide support for such a voucher system is a skepticism born of concerns about intrusive government. Sherry Myers, a mother in Lubbock, warned forum attendees, "Before you request a voucher system with, quote, 'no strings attached,' look at history and realize that what you'll get is going to be federal control."

But choice means more than vouchers to many we met. Choice includes magnet schools, charter schools, private schools, youth apprenticeship programs. And it can mean greater selection from among a greater variety of good schools. As Waterford School Board member Russell Gyson told us in Maine: "I am an advocate of school choice. I promote the idea of a



In Richmond, Va., the forum focused on the basic objectives of the educational system and the home schooling alternative.

voucher system. But I think as many options as we can give parents and students [is] what we ought to go for."

In Cincinnati, we visited the Hughes Center. Intensely popular with parents, students and teachers, the Hughes Center's five magnet schools widen options for children interested in careers in technical and specialized fields of health care, communications and computer science. Its High School for the Health Professions, like most successful magnet schools, grounds students in the basics while also preparing them for a career. Lynn Olman, president of the Greater Cincinnati Hospital Council, made a telling point about community involvement. The school for the health professions, she said, "started not with educators. It started in our business because we faced and continue to face a shortage of skilled professional workers for our health care community."

Govs. John McKernan of Maine and Tommy Thompson of Wisconsin have crafted youth apprenticeship programs providing workplace training and a bright future for students not planning on college. The father of one apprentice told us of his son and "the changes I've seen in his commitment to himself." We visited a National Guard boot camp for high school

"Many who spoke were teachers who said they have not been given proper training but are expected to use new techniques and programs. Parents also voiced concerns that included:

"Lumping students of different ages and those with different abilities in one ungraded class.

"Trying to teach values and morals in the classroom instead of leaving it up to parents.

"Mandating too much, too fast.

"Allowing family resource centers to offer information about birth control." —The (Florence, Ky.) Recorder, 12/15/93.



Co-Chairs:

Lamar Alexander, former governor of Tennessee and Secretary of Education in the Bush administration, chairs "The Republican Neighborhood Meeting," a monthly satellite television program.

Lynn Martin, former Secretary of Labor and U.S. representative (IL-12th), chairs Deloitte & Touche's Council on the Advancement of Women and holds the Davee Chair at the Kellogg School of Business, Northwestern U.

dropouts in Pryor, Okla. Like many such schools across the country—where discipline is a dominant feature—it gives a second chance to hundreds of kids, kids who were on their way to the criminal justice system or just on their way to nowhere. One of them, Cadet David Priest, told us: "I had given up on the school system. It was a big joke, [but] this academy has given me a different outlook on my goals. I'm planning on going to college and doing something with my life rather than just being a bum."

We heard, as well, the needs of children who come to school from families and neighborhoods that surround them with drugs and violence or from families who just don't care. "You don't just abandon them or kick them when they're down," said Kay Mink, a science teacher in Lubbock. "Many of these children have been abandoned too many times already."

For these children, Rob Smith in Portland, Maine, urged provision of school-based services—not of the politically correct sort that so inflames many parents we heard from—but to help children learn, provide a safe place to study or mentors to guide children through the maze of destruction, frustration and a sense of helplessness. Acknowledging "some people don't want the public schools to have to pick up this role," Rob insisted that "if we're ever going to try and change the direction our society's heading in, whether it be crime, domestic violence, alcoholism, drug abuse, we're really going to have to make an effort."

We went looking for ideas that work in education, and we found many more than we report here. Importantly, we found an explosion of reform, where parents, teachers and communities are fighting to take charge of their schools and school systems.

As we traveled around the country, a pattern and process for successful reform are emerging. The structure, the elements of reform, has at its core an insistence on a basic academic curriculum and clear, high standards. Built around this core is a widening circle of choice; among schools and types of schools, from charter and magnet schools to youth apprenticeship programs. Choice also includes different teaching styles, from the academically rigorous seminars of "Paideia" to the disciplined environments of the boot camps we saw. And schools should provide for appropriate services, again, not the politically correct sort, but services for children

need extra help. All these programs, all these choices have at their core basic academics with the specialty programs determined by the parents, teachers and communities to best fit the needs of their children and the world they are preparing to enter.

Where reforms work, their design involved parents, teachers and the local community. In a number of cases, leadership at the state level has brought about effective reforms. State-structured reforms are successful only where governors and state superintendents work closely with parents, teachers and local leaders and involve them in the reform process. Michigan, Ohio and Wisconsin offer three such examples.

Often, the biggest obstacles to reform are posed by entrenched bureaucracies and the leadership of teachers' unions out of touch, not only with the desires of parents, but even with the thinking of many teachers in their membership. Most distressing, and perhaps most predictable, where reform has gone wrong are those cases where educators and state legislators and officials craft total overhauls without the involvement of parents, teachers and local communities. Lois Schoborg told us in Ft. Mitchell that Kentucky's reform was "a top-down thing inflicted upon us. Teachers have no say. The people have no say."

No so-called reform generated more fury than Outcome-Based Education (OBE). The education elite supporting OBE hijack the universal desire to know exactly how schools, students and teachers are doing and distort schools into engines of social reform. Lil Tuttle, co-founder of Academics First, contrasts OBE with the "traditional academic model" that keeps a "focus on developing children's intellects." She explains that schools using OBE "direct as much attention to the social, emotional and personal domains as they do to the intellectual domain. Children decide for themselves what they want to learn, and when. Curriculum and instruction are designed to develop self-esteem. Children aren't promoted, they can't be failed, and letter grades aren't given because of the impact it has on their self-esteem."

OBE is in place in Kentucky. It was voted down last fall in Virginia. It is being tested and considered in many states. We went to Kentucky. We went to Virginia. In Kentucky, Lois Schoborg told us, "I see children that cannot read and write. We have something called cre-

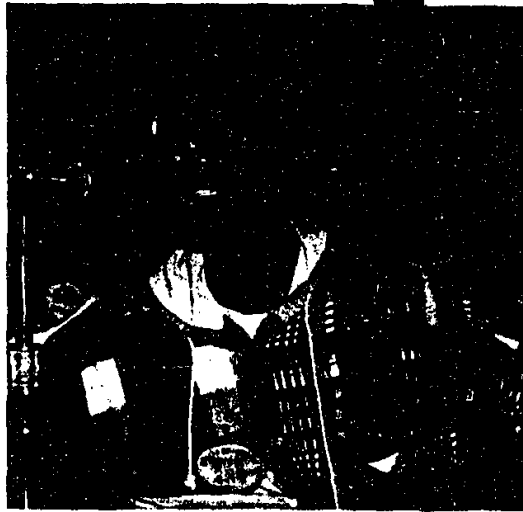
ative spelling." In Richmond, John Dalrymple, father of five, was "convinced that this push toward OBE is going to 'dumb down' our children into mindless drones." A mother in Virginia told us that she "resigned as an English teacher because I got in trouble with the county for teaching subject-verb agreement to college-bound seniors."

We found widespread dismay among parents about certain ideas, like OBE, that don't work. Often such ideas represent to them an unconscionable willingness by experts to experiment with their children. As Gina Bondick said in northern Kentucky, "I very much resent my children being used as guinea pigs at the sake of their education." A growing number of parents feel forced to give up on the schools altogether and take on the job themselves. We are grateful to Dawn and Brian Henderson and Jane and Steve Barnett of Taylor Mill, Ky., for inviting us into their homes to meet them and their children/students and to learn more about the growing practice of home schooling—how it works, and that it works.

A good education begins with good teachers. We heard a lot from parents about teachers and a lot from teachers about teaching. Discussions about teaching all revolve around accountability. Parents want good teachers for their kids. Parents want teachers held accountable; teachers want to be held accountable. Parents want to know how their children are doing; teachers want the right tools to tell students exactly how they are doing. And teachers are furious when tests, the key to accountability, are bad tests and when bureaucrats get in the way of accountability. Linda Hawkins, who has taught in Kentucky for 24 years, told us, "This test is not testing what we teach. I know what I have taught those children. It breaks my heart to look at those test scores."

In conclusion

America's schools will do much to shape the future of America. While enormous improvements must be made in the face of complex problems, there are programs, projects, schools and school systems that work. And while there is no one silver bullet of reform that by itself is the answer to what ails American education, the reforms happening all across this country provide guideposts to the future. Parents and teachers know what they want their school to



Sherina Johnson, a senior at Hempstead High School and member of Teachers of Tomorrow, testified at the Hempstead, N.Y., forum.

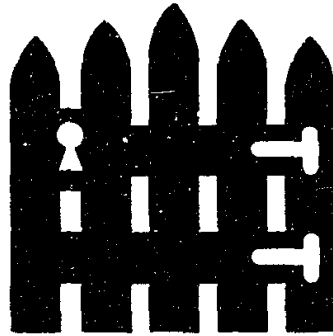
be, the core essentials we heard everywhere we went. These have guided reforms that have proven successful; they ought to guide all reform. And people know what reforms, what choices make sense for their communities and for their children. The answers are not found in federal agencies, in one-size-fits-all national solutions or the dictates of government. The task for Republicans and for all who share these views is to ensure that communities are free to make the reforms that work and to resist or discard the reforms that do not.

"Any community that wants good schools, wants high standards, wants tests that allow us to hold the system accountable, wants to give parents choices of many different schools, can do that. We know what to do. If we will simply put the responsibility back where it should be and give teachers and parents and everyone involved with children a chance to rearrange the schools in a way that fits families the way families are today, then we can have the very best schools in the world."—Lamar Alexander

"As a teacher and parent, I know we must commit to schools that work. In America, schools should be the route to a better tomorrow, the way to bind a nation together. Today, they too often reinforce what doesn't work—what can't work. The result: our children are cheated of their future. We need honest appraisals and honest discussion of where we are and where we want to go. The Republican Party must lead and propel the changes that work."—Lynn Martin

"Tonight, area residents, whatever their politics, can be part of the America the policy formulators are listening to. ... It's an important chance to speak up. More than 60 such forums are being held throughout the country. Maine voices deserve to be strongly heard."
—Portland (Maine) Press Herald, 4/6/94.

SAFE AND PROSPEROUS NEIGHBORHOODS



"One message that came out from both the panel and audience members was that social responsibility begins with the family and the community.

"[Alexandria, Va., Vice-Mayor Bill] Cleveland discussed how getting involved with neighborhood watches or helping young adults can have a great impact against criminals." —The Fairfax (Va.) Journal, 5/27/94.

"The intensity of the violence is worse than it has ever been before. Younger and younger people are committing violence as they never did before. We have the unfortunate situation, I think, of being a society that has 13-, 14- and 15-year-olds killing others with no remorse, no conscience—no feelings about it. Taken together, those things make us wonder what is happening to our society."—Dan Lungren in Fullerton, Calif.

We began with the thought of going to the neighborhoods that make up America's cities and towns to discuss policies for renewing them, for addressing their problems and for invigorating their economies. From the collective experience of council members long involved with such issues, we adopted as working hypotheses the following: economic revitalization depended on control of crime, and neighborhoods that weren't safe places to live could hardly be safe places to work or invest.

Put differently, in the words of council member Deborah Daniels, the first rule for revitalizing our communities must be "Safety first." Months later, informed by all we have heard since, we persist in that view.

Though we have traveled the country to get outside of Washington, D.C., one encounter that occurred just one exit off the beltway, in Fairfax

County, Va., makes a large point. Our discussion of criminal justice at Hayfield High School had gone on for more than an hour. From state officials, former prosecutors, student and audience participants, we had heard a variety of views about the issues of crime and personal safety when the microphone found its way to Joan Fredericks.

Admitting that she didn't like talking before crowds, Joan went on to say that this was a crowd she needed to address. She then held up a picture of her husband, her son and herself and, letting it take the place of the proverbial 1,000 words, Joan chillingly described it as "a picture of what my family *used* to look like."

Less than a year before, she recounted, teenage carjackers shot and killed her 38-year-old

TIME SERVED (IN MONTHS)	% REARRESTED WITHIN 3 YEARS
0-6	61.2*
7-12	64.6*
13-18	63.0*
19-24	64.6*
25-30	60.7*
31-36	61.3*
37-60	59.0*
61+	48.3*

SOURCE: BUREAU OF JUSTICE STATISTICS

husband, Dale, a member of the U.S. Marine Band. "They saw our 6-year-old RX-7," she told us, "and they said, 'That's the one I want.'" And they killed him for it.

Victim. The word often seems devalued by its current overusage in public discourse. But not in the case of Dale Fredericks, his widow and his son. On June 11, 1993, the entire Fredericks family became true victims. In the 11 months that passed between the night of Dale's murder and the night of our meeting at Hayfield High, Joan Fredericks has been victimized again and again as trial dates for the accused assailants were set seven times and were postponed seven times.

We heard personal accounts that were all too similar in other meetings across the country. From Sharon Boyer in Cincinnati and Hazel Korol in Texas, from Polly Demma in Florida and Collene Campbell in California, and from council members John Ireland, Jack Collins and John and Patsy Gillis in California, we heard from victims and the families of victims, telling their individual story, not asking for sympathy but demanding justice. They have a right to it.

Listening to them shaped our view that the criminal justice system has been warped by assigning relatively more weight to the rights of the accused than to the rights of their victims. Victims of crime are too often victimized again by a system that compounds the injury of crime with the insult of procedural delay and endless appeal, prolonging the uncertainty that justice will ever be done. The pursuit of justice is no game; yet we have a criminal justice system that can be played as if it were.

Just as "victim" is devalued by overuse and misuse, so too is the concept of rights. Our usage here is deliberate, though. Victims have rights, the first of which is the right to be protected from becoming victims in the first place. Americans have a right to be governed by those who understand, as Thomas Jefferson did, that "the first aim of government is to protect life. Abandon that and you have abandoned all."

Principles and ideas

As the National Policy Forum traveled throughout the country listening to peoples' ideas on how to make neighborhoods safe and prosperous, we received invaluable input and insights from teachers, parents, judges, law enforcement officials and many others serious about improv-



At the Fairfax, Va., forum, Joan Fredericks chillingly describes "a picture of what my family used to look like" before the murder of her husband, Dale, a member of the U.S. Marine Band.

ing their own communities. Listed below are the recurring themes expressed by those voices.

- Strong families and safe neighborhoods are central to the development of our core values and the foundation of our society. As Bill Thomas told us in Hampton, Va., "The truth is, we have lost our moral values. We have lost our family. We have lost our character in our communities. What we have to do, though, is pick our chin up, regain our moral character and move forward."

- Neighborhoods should be secure havens, where violence and fear do not define the common culture. Neighborhoods in which trust and interdependence characterize the relationships among people will produce neighbors who live with an attitude of hope and confidence.

- Community-based action is essential to make neighborhoods safer places to both live and work as well as to provide the foundations for economic revitalization. Bill Bennett told us at the Columbus, Ohio, forum about the residents living in the suburb of South Linden: "They described safety as the major issue facing them. They feared the drugs, the gangs, the prostitutes and the break-ins. The plan devel-

"Blamed for a growing wave of violent crime was everything from a breakdown in the family to a lack of discipline. There was talk of children without hope and without role models, of an 11-year-old gang-raped by 14- and 15-year-olds, and a pregnant 14-year-old mother of two charged with grand theft."

—The Orlando Sentinel, 11/16/93.



Co-Chairs: U.S. Representative Deborah Pryce (OH-15th) is a former judge and prosecutor.

William P. Barr served as U.S. attorney general in the Bush administration.

oped by residents included increased police protection and presence, including stepped-up street patrols, installation of secure doors, lights in the alleys and installation of playgrounds and community gardens to encourage people to be outside and in the neighborhood."

Bennett went on to explain that "after the homes were rehabilitated and crime reduced somewhat, the residents began to work on getting their general education diplomas and participating in job training programs, family budgeting, substance abuse programs, child and adult day care and other issues."

- Crime violates the concept of community by its threat to the safety of those who live there. Violent offenders must be removed from our neighborhoods and communities if we are to have any chance of making them prosperous and secure places in which to live.

- Incarcerating chronic offenders works. It reduces crime. Approximately 4 to 7 percent of all violent offenders are responsible for committing more than half of all violent crimes, according to criminal justice studies. Targeting this category of career criminals for imprisonment will reduce the incidence of violent crime.

- Violent offenders who happen to find themselves out of prison are most likely to spend their time committing additional crimes. According to a 1991 Bureau of Alcohol, Tobacco and Firearms report of armed career criminals, the inmates studied each committed an average of 160 crimes per year.

Discussions on our prisons and our penal system flowed naturally from our forums on safe neighborhoods. Do they work? Are they cost-effective? If we have a record number of criminals in prison, why is crime still a problem? What we learned, from listening to citizens and

PRIOR SENTENCES OF STATE INMATES 1986

PROBATION AND/OR INCARCERATION	PERCENT OF INMATES
NONE	18.5*
JUVENILE	10.6*
ADULT	35.9*
BOTH	34.9*

NUMBER OF TIMES	
0	18.5*
1	19.8*
2	16.5*
3-5	26.0*
6-10	12.6*
11 OR MORE	6.6*

SOURCE: BUREAU OF JUSTICE STATISTICS

tracking down the research, suggests to us the following:

- It costs more not to put violent offenders in prison than it does to keep them there. We learned from the Bureau of Justice Statistics that direct costs to victims in 1992 was \$19.2 billion, but Vanderbilt University professor Mark Cohen found that the total direct and indirect costs of crime to society might be as high as \$178 billion.

A study by the BOTEK Analysis Corp., in Cambridge, Mass., found that it costs between \$34,000 and \$38,000 a year to keep a criminal in prison; released and allowed to commit more crime, that same prisoner will cost society from \$172,000 to \$2.3 million a year.

- In 1960, there were 62 prisoners for every 1,000 violent crimes, according to Princeton University professor John DiIulio, and in 1990 the numbers were the same. This confirms the common sense we heard from Americans, most of whom do not think America's crime problem comes from putting too many offenders in jail.

Solutions

Citizens told us they think criminals should serve their full sentences. They are outraged that this rarely happens. They may not know the statistics—a 1988 survey of 36 states and the District of Columbia found that violent offenders served on average only 42 percent of their sentence—but they know it's a serious problem. And they know they want the problem solved.

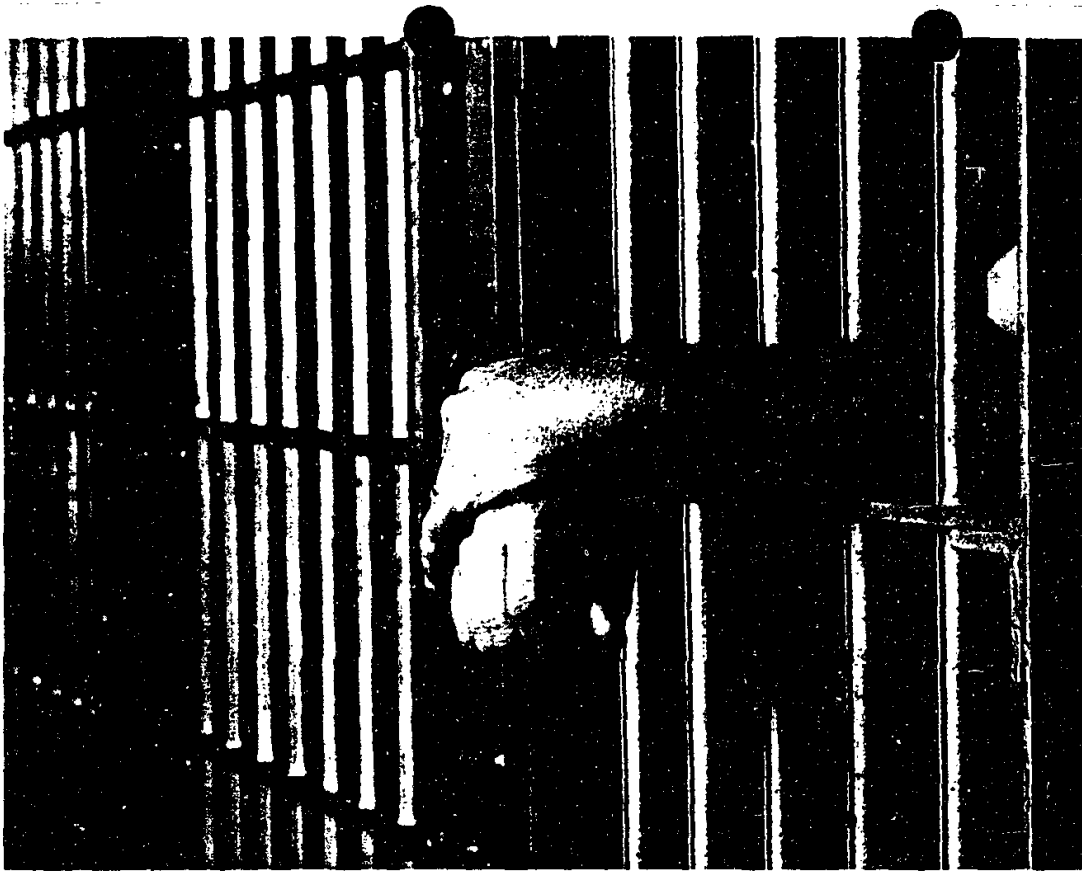
Having listened attentively, we recommend strengthening the weaknesses of our criminal justice system as follows:

TIME SERVED: 1ST RELEASE FROM STATE PRISON

MOST SERIOUS OFFENSE	MAX. SENTENCE (MEDIAN)	TIME SERVED (MEDIAN)
ALL CRIMES	4 YRS.	1 YR. 1 MO. (27%)
VIOLENT CRIMES	5 YEARS	2 YRS. 2 MOS. (42%)
MURDER	15 YRS.	5 YRS. 6 MOS. (37%)
RAPE	8 YRS.	3 YRS. 0 MOS. (38%)
ROBBERY	6 YRS.	2 YRS. 3 MOS. (38%)

NOTE: A SENTENCE LENGTH IS THE MEDIAN IF HALF THE SENTENCES ARE LONGER AND HALF ARE SHORTER.

SOURCE: BUREAU OF JUSTICE STATISTICS



Citizens told us criminals should serve their full sentences and are outraged that this rarely happens.

- Abolish parole as the federal system has done.

- End micromanagement of state prisons by the courts. Practically everywhere we went, state and local officials voiced complaints similar to that of Ohio Lt. Gov. Mike DeWine: "Virtually every decision we make in our prison system today is done because a federal judge has told us to do that. This goes for everything from recreation, to food, to housing." As Michael Block and Steven Twist pointed out in NPF's journal, *Commonsense*, the standard of living for prisoners has risen 40 percent faster over the last 30 years than the median income for law-abiding citizens.

- Streamline the appeals process so that, among other reasons, convicted violent offenders can't manipulate it and thereby prolong their abuse of their victims.

- Adoption by the states of a "Victims' Bill of Rights," including their right to a speedy trial of the accused; their right to be informed of their rights at the crime scene (in the same way that suspects must be Mirandized); and their right to be represented in community efforts, such as neighborhood advisory crime councils. Victims, Sharon Boyer told us,

"receive two open wounds. First, the crime; second, the treatment by the criminal justice system."

The current juvenile justice system, a relic from a more innocent time, teaches youthful offenders that "crime pays and that they are totally immune and insulated from responsibility," observed Florida Juvenile Judge Charles McClure.

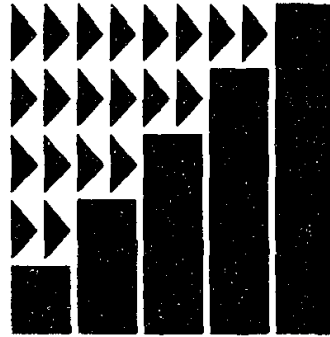
Substantial reform is needed here: It must certainly include broadening the possibility for trying violent juveniles as adults and making juvenile records available to adult sentencing authorities so courts will have a complete picture of prior offenses.

Also in Florida, Polly Demma, a teacher, insisted that "if a child cannot go to school without fear of being raped, robbed or even murdered, then nothing else government does really matters." She's right—and while we struggle with the complex problems of violent crime in America, she offers us another compelling reason why greater parental choice in schools needs to be considered and reminds us that what is true of the revitalization of our communities is true equally of the education of our children: the rule is "Safety first."

"It's not Oprah or Donahue, but city residents will get a chance Thursday night to register their opinions on ways to make their neighborhoods safe and prosperous."

—The Columbus (Ohio) Dispatch, 4/2/94.

ECONOMIC GROWTH AND WORKPLACE OPPORTUNITY



"Gross domestic product growth is driven by job creation, driven by education, driven by the availability of finding good, quality people to run our industry."—Ray Lewis in Atlanta, Ga.

"When you combine a 31 or 36 percent federal tax rate to state and local taxes, 15 percent for both sides of FICA and then Medicare taxes, the fact is I'm working more for Congress than I am for myself and my family."—Todd Taskey in Rockville, Md.

The economic growth of the 1980s created more than 18 million jobs, recaptured for the United States its place as the world's largest exporter and drove personal income up and unemployment, inflation and interest rates down. More than any government program, growth enhanced workplace opportunity; it released entrepreneurial energies; it helped restore American hopes that the future could be better, for ourselves and our families.

Government didn't do it. The American people did, in an economy fueled by millions of private decisions. Government created the climate for it. As Virginian William Thomas told us: "Government shouldn't be in business. Government should be a facilitator." In the Eighties, that's what Republican government tried to do—adopt

policy that made it easier for the economy to grow, by cutting taxes, restraining spending and easing off on the federal regulatory juggernaut.

The Nineties differ, to be sure. International competition is tougher than ever, and it will be an increasingly important factor in economic growth. Listening to America reassures us that growth—solid, stable, durable economic growth and the jobs and opportunity that go with it—remain for Americans the overriding objectives of federal economic policy.

How to achieve it—and how to sustain it? These are the questions we are listening to Americans about. From our discussions in Dallas, Jackson, Atlanta, Yorba Linda, Rockville, San Antonio and elsewhere, a clear message emerges from their answers: For opportunity, jobs, and the economy to expand, government must shrink. America can regain unlimited opportunity if we limit government in the critical areas discussed below: taxes, regulation, spending, debt and monetary policy. Successful limits on government will create the fiscal and monetary policy needed for economic success. Making government smaller, shifting resources back to businesses and families, will make government intrusion much less costly and remove it from many daily decisions it currently regulates. Repeatedly and insistently we

heard Americans say reduce the burden of taxes.

Some we heard see a sense of the absurd in current government behavior. As Alina Butler of Columbus, Ohio, told us: "Federal dollars, which are basically recycled local dollars, go to Washington and they come back. When they go to Washington, they are kind of humble, commonsense dollars. They come out of people who were doing labor to produce those dollars—good honest labor. And they come back kind of all covered with 'thou shalt' and 'thou shalt nots.' You can hardly see the commonsense in them."

Tax policy

People spoke clearly on the need to shift away from the tax burden on families and businesses. We heard a plea for fairness, simplicity and lower rates. The Forum's council on strengthening the family heard from many parents nearly exhausted by the financial burdens of raising a family who are angry and resentful about tax burdens. On average, taxes of all kinds take 40 percent of their income. Unlike their parents 40 years ago, parents of today work almost as much to support government as to support their families.

Proposals for simpler individual taxes are widely discussed. The appeal of lower rates is broad, as it is for reforms that yield simpler filing and compliance. Businessmen, concerned about the financial burden on their companies, similarly resent additional taxes. Families and businesses are still taxed on inflation, because assets, like the family farm or home, are held for long periods. Much inflation, as well as real capital appreciation, is reflected in the nominal sales price and taxed when longheld assets are sold. Personal exemptions for family members have not kept up with inflation compared with their value in 1950. That purchasing power of the exemption in 1950 dollars should be restored by increasing the exemption amount.

To protect families and businesses against future inflation, exemption amounts and asset purchase prices must be fully indexed. To offset present inflation, cost recovery should be accelerated, preferably by allowing expensing or, at the least, by accelerating depreciation schedules. If the objective is economic growth, we have to end anti-growth tax policy that discourages the efficiency and modernization—in a word the "competitiveness"—that such purchases make possible. Simple low rates across

broad tax bases provide long-termable incentives for businesses and households to increase their income. A simplified federal income tax with lower rates represents a major first step in meaningful reform.

Federal budget restraint

We heard from many that a line-item veto for the president would put teeth in efforts to effectively limit federal spending by spending caps. This would give the president the power almost every governor has to say "no" to specific spending that doesn't make sense, doesn't fit with priorities, or is simply an outrage.

Fundamental reform of the process is needed, and many of the people we listened to seem more than ever convinced that we must amend the Constitution to require a balanced budget. To implement a balanced budget, some felt the Gramm-Rudman Deficit Reduction law should be restored and strengthened.

Government spending has run out of control under the Democratic-controlled Congress of the last 30 years in part because the budgeting process is separated from taxes: federal government programs never come with a tax price attached, implying that there is a "free lunch" that somebody else is paying for. Many people at our forums have called for an honest account of where their federal tax dollars go. The founding fathers expected that citizens would be informed about government in order to control it. With computerized information, the government could easily provide a straightforward accounting to citizens of how their tax dollars are spent, and taxpayers would "see how much is going for all entitlements... how much is going toward the debt and then the rest of it," as Hugh Davis of Crownsville, Md., told us. Knowledge in the hands of taxpayers is an important first step to control government growth.

Getting federal regulation under control

Along with the policy councils on legal and regulatory reform and on small business and entrepreneurship, we heard widespread complaints about overregulation, micromanagement of business by government, and the added burdens of cost, paperwork and inefficiency that result from the continuing explosion of government regulations. Their impact on our ability to compete internationally is severe.

The Council thinks the federal government

"Mr. Sullivan's litany of government abuse—10 increasingly unintelligible sets of laws and regulations over the past 10 years—should have been piped into the industrialized world's ministers assembled for Detroit's 'Job's Summit.'

"Instead, Mr. Sullivan and other local business execs spoke to a National Policy Forum. ... These National Policy Forums were founded on three solid premises: that ideas have consequences, that political parties are a prime purveyor of ideas, and that ideas originate outside Washington."
—Ken Adelman, *The Washington Times*, 3/18/94.



Co-Chairs: U.S. Sen. Phil Gramm of Texas was co-author of the Reagan economic program as a House member and currently chairs the National Republican Senatorial Committee.

Noel Irwin-Hentschel founded American Tours International Inc., a \$100 million enterprise providing travel service to more than 500,000 international visitors annually.

should be required to determine the costs of regulation yearly, and it should make those costs clear to Americans who pay them, in a "regulatory budget." We join the other councils in urging a uniform "sunset" provision to require periodic review of all new and existing regulations.

A regulatory reduction commission, functioning much like the defense base closing commission, was suggested as a way to reduce regulatory burden in the economy. The business community would assist in identification of a package of regulatory reforms and budget reductions by agency, and Congress would vote yes or no on the whole package without changes, thus avoiding the targeted special interest pleadings that often dilute regulatory and budget reform.

Make smart investments in training American workers

Net pay for American workers increases when productivity increases and the cost of production decreases for American producers. Jobs increase when American producers become more productive at home and more competitive abroad. People we've listened to are angered and frustrated by a federal government that doesn't understand this basic fact of work life and designs policies that decrease our competitiveness at home and abroad, shrink American pay checks, discourage investment in people and tools in the workplace, and destroy jobs.

Workplace training should focus on the private sector and the creation of an environment where business and the education system cooperate to advance programs that meet employer's needs as well as provide employees with the prospect of future career growth. Effective workplace training that is connected to the real world of the private sector—and actually conducted there—is what is needed. What is not needed is just another government training program, or training entitlement, that has been elaborately designed by bureaucrats and academics but is unrelated to the way real workers and real employers operate and work together.

The problem of bureaucratized government programs and outmoded skills was pinpointed in Northridge, Calif., by NPF witness Robert B. Ormsby, former president of Lockheed Aircraft: "The problem seemed clear enough to me: train-

ing programs not connected to job needs... many of the state-funded Vo-Tech schools had curricula... concentrated on training welders. These schools had their heritage firmly rooted in World War II days." Much of the out-of-date focus of government-driven programs persists as we celebrate the 50th anniversary of the D-day invasion.

Many corporations spend significant amounts of corporate budgets on training to upgrade the skill levels of their workers. Technology-intensive growth industries, such as telecommunications, computer services, entertainment, publishing, insurance and financial services, require training for future job opportunities. Less technology-intensive industries such as travel (computerized airline and rental car reservations), hospitality (worldwide 800 reservations) and construction are increasing the use of technology. Telecommunications and electronics play an increasingly important role in education and training and should be encouraged. Robert L. Silverman, CEO of the Winter Group, reflected this trend in Atlanta: "I learned management from Thomas Watson Jr. at the IBM Company, and I've tried to take his ideas and employ them in a... fragmented construction industry." Today, when even used auto parts are tracked around the country by satellite telecommunications, our training for workers must prepare them for the sophistication of our global marketplace.

The federal government should not benefit from inflation at the expense of the taxpayers

The federal government's burgeoning debt, as well as the burden of federal taxation, displaces economic activity in the private sector and limits job creation in the private sector. We endorse the idea of establishing caps on total federal spending, backed up by the option of "sequestration" which puts "teeth" in the spending caps. This worked in the Eighties, when the Gramm-Rudman legislation was on the books to make it work. We ought to try it again.

In recent years, Congress enacted inept banking legislation. Along with the intimidating regulations implementing it, this pushed banks into investing in federal government debt and away from investment in the private sector. This only helps the federal government spend more;

it doesn't help at all with private capital formation and job creation.

The federal government as the source of inflation

Congress and the federal government spend much more than the 19 percent of U.S. gross domestic product (GDP) taken as federal taxes. That 19 percent should be enough, but not for Congress. In our forums, people have told us again and again that taxes are more than high enough. We take this as a clear signal—though Congress seems always to miss it—that they want spending brought down in line with revenues, not revenues (and borrowing) raised to meet spending. The current tax-overspend-and-print-money cycle of the federal government stifles growth and especially the prospects for sustained growth in the future.

Both Congress and the administration should acknowledge the Federal Reserve Board's appropriate focus on keeping prices stable. Currently, the U.S. Congress runs deficits of up to 6 percent of GDP and expects the Federal Reserve to accommodate its credit needs, causing inflation. Congress should be made to consider the cost and impact on the deficit of all spending programs and regulations that it proposes to consider. Taxes on people and businesses should be fully indexed so that government is not rewarded for its failure to maintain stable prices in the economy.

Limiting federal spending is the surest way to obtain deficit reduction. By reducing government's need to borrow, spending restraint also enhances prospects of lower inflation and lower interest rates. Interest rates started the 1980s at record levels for modern times but continued a steady, enduring decline throughout that decade and into the Nineties. That long-term trend has stopped. The policies of the new administration, with higher taxes and the promise of substantial new spending and mandates over the next several years, has resurrected the threat of inflation. And interest

rates, short and long term, have started to increase.

Conclusion: So much government, so little time

Economic growth is essential to the economic well-being of American families, as are smaller government and lower taxes. Americans pay taxes on April 15, but now work into May to earn enough to pay the year's total burden of federal, state and local taxes. "Tax Freedom Day" ought to come much earlier in the year.

In our forums, Americans are telling us they want lower taxes and a simplified and efficient tax code, truth in taxation (not hidden taxes), regulatory restraint, federal spending restraint, market-oriented investment in American workers and their skill development, and stable, noninflationary monetary policy. These policies will allow markets to flourish, create jobs and prosperity and provide for more sensible, downsized government. Net pay and new jobs for American workers increase when the cost of production decreases for American producers.

Americans we've listened to are also reminding us that the federal government is not the prime mover of economic progress in our economy and that current federal policies get in the way of improved productivity, shrink American pay checks and the number of new jobs and decrease new business formation. Increasingly confident about America's ability to compete, many American workers, when properly trained and equipped with the proper tools, see international trade as a great opportunity for economic growth. The American people we hear from are telling us that they are ready to meet

Gov. Kirk Fordice hosted a forum on business and economic growth at the governor's mansion in Jackson, Miss.



ENTREPRENEURSHIP AND SMALL BUSINESS



“Ever want to give the folks in Washington a piece of your mind? Hampton Roads business owners will get a chance tonight if they respond to an invitation from the National Policy Forum to meet and share ideas on how the national government can make things easier for small businesses.”

—The Hampton (Va.) Daily Press, 2/28/94.

In Detroit, we listened to Gail Davis present two simple but compelling facts: (1) her small urban construction company grossed \$1 million last year for the first time, and (2) five years ago Gail was on welfare.

Too many people in Washington who know nothing of business believe small business is just another way of saying “rich.” Gail Davis’ example powerfully reminds us that small business is really another way of saying “free and independent.” Like tens of thousands of American entrepreneurs, Gail Davis supports her family and empowers those she employs—more than 50, at last count—to do the same.

While “soaking the rich” may be back in vogue in Washington, it was the independent entrepreneurs who told us about getting soaked by Washington’s anti-business attitude at forums in Hampton, Va.; Hempstead, N.Y.; Tampa, Fla.; Detroit, and elsewhere. Organized as sole proprietors, partnerships and “subchapter S” corporations, many individuals pay personal tax rates on business income. It is they, the independent entrepreneurs, who get splashed with higher taxes whenever Washington sets out to soak the rich. Indeed, such companies are now subject to higher income tax rates than the giant corporations.

The heavy burden of taxation was mentioned

often in our meetings as one of the biggest policy-related problems confronting small business, along with regulations, federal mandates on employers and access to capital. Though less tangible, another factor brought up in each forum was felt to be just as important as the calls for policy change: the need for re-emphasizing the family’s irreplaceable role as the guardian and teacher of fundamental values like honesty and hard work.

In Tampa, Jack Kemp, council co-chair, discussed how people take pride in their neighborhood when they have a stake in their community: “When people have a stake in their community through ownership, when they come together in the churches, synagogues and other neighborhood organizations that help build moral character, then attitudes change. For example, crime will come down because people will respect not only their own property but their neighbors’ property as well.”

Specifically, we heard from American entrepreneurs a call for tangible changes in policy: lower taxes, reduced regulatory burdens, fewer mandates on employers and better access to capital.

Responding to a comment Jack Kemp made in Tampa about tax fairness, retired attorney Joe Neely commented: “What you’re talking about, Jack, is a flat-rate income tax, and you’re



getting toward the equality in taxation that needs to take place by proportioning the tax evenly."

On Long Island, businesswoman Sally Slacke gave voice to the impatience, even anger, of many entrepreneurs: "We are the people who create the jobs. Small business is the engine that drives the economy. And we need relief from taxes. But the only way we will get that relief is when Washington decides that, yes, we are the people who drive the economy."

Joy Newby told us in Indianapolis that the amount of governmental red tape makes her wonder if "my grandchildren are not going to have trees if the paperwork doesn't stop." In the same city, Marti Sloop captured the widespread frustration we heard about a government that doesn't really understand business with a proposal "that the people who do these regulations should have to come from their ivory towers and get out in the real world and see what impact those regulations" will have before they are allowed to take effect.

Regarding access to capital, Raymond Gennick of Wayne State University told our

Detroit forum, "There are two key things in business. One is planning, the other is cash. You can do all the planning you want—if you don't have any cash, it doesn't make any difference." Without adequate capital, he concluded, plans remain "paper businesses."

In today's economic and regulatory environment, many business operators and those who would like to start their own business told us the only capital they have access to is on a personal basis—friends and family members, savings accounts, home equity loans and, for some, borrowing money from a credit card company.

"The small-business owner looks at the bank and says, 'They're not making the loans.' Meanwhile, the banks are saying, 'Our regulators won't allow us to make the loan,'" observed council co-chair Michele Dyson at the Hempstead forum.

Sally Slacke is right: small business is the engine that drives the economy. But that engine will stall soon without relief from the excesses of a government run by people who don't share Sally's wisdom and, worse, as they regulate

Co-Chairs Jack Kemp and Michele Dyson are joined by Florida Republican Chairman Tom Slade at the Tampa, Fla., forum on Tax Day, April 15th.

"The scene was set for a good old-fashioned, tax-bashing session. About 300 entrepreneurs and Republican activists packed a ballroom at Tampa's Sheraton Grand Hotel. The midnight deadline for mailing tax returns was just hours away." —St. Petersburg (Fla.) Times, 4/16/94.

from Joy Newby's "ivory tower," seem not even to know what a business is.

Needed relief can and must come through tax policy, lower tax rates, tax code simplification, reduced taxes on capital and equipment purchases, and a substantial reduction in the tax on capital gains. Capital gains tax relief would substantially increase the available pool of investment capital by promising a return on investment in small companies and start-up firms.

Relief from government excesses can also come through regulatory reform of the sort called for elsewhere in this report. Tailored reforms that specifically take into account the circumstance of small businesses would recognize most are without the legal, accounting and technical staff necessary to read—much less to comply with—all the Byzantine demands of government.

Finally, relief will come when businesses are freed from excessive mandates on employers to fulfill social goals thought to be politically desirable—like health care—that often prove economically impossible, especially for smaller businesses. Such mandates inevitably add to the cost of employment, and just as inevitably, they lead to fewer jobs, lower wages, or both.

Sally Slacke, Joy Newby and others are right to be angry. But, like Gail Davis, they also are right to be proud. Somehow, they overcome the obstacles government puts in their way and they create opportunity for themselves and others. Small businesses employ more than half the American work force. For those seeking their first job in life, two-thirds will be hired by small businesses. Meanwhile, three out of every four older Americans who work are employed by small businesses.

It is fashionable in some political circles to slander the 1980s as a "decade of greed." They are wrong. It

Mark Windsor talks about small business issues as Dr. James Noland looks on with other forum attendees in Lebanon, Mo.

was, in fact, a time of opportunity in which Americans long outside the economic mainstream could enter it and build a business.

During the Reagan-Bush 80s, the number of new Hispanic-owned businesses grew 81 percent—five times the rate of growth for all other U.S. companies during that period. Black employment and new black businesses grew at the fastest rates in postwar history. Half of all current female-owned businesses came into being during that maligned decade; by 1992, they employed more workers than all of the Fortune 500 companies combined and were creating jobs faster than those corporate giants.

In Detroit, we heard Gail Davis say she wasn't sure that Washington could be persuaded that a woman on welfare could hold a job, much less build a business and create jobs for others. Thanks to her, though, we don't have to try to persuade Washington with theoretical arguments. Now, we've got proof. We've met Gail Davis.

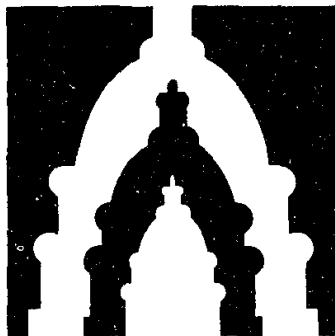


Co-Chairs: Jack Kemp, former U.S. representative from N.Y. and Secretary of Housing and Urban Development in the Bush administration, is a co-director of Empower America.

Michele H. Dyson, CEO and president of Computer Information Specialist, Inc., is nationally recognized as an effective advocate of minority- and women-owned businesses.



REDUCING THE SIZE AND SCOPE OF GOVERNMENT



"All across America we've been having this same conversation for years, and what is a puzzle to me is why after all these years we're still having this conversation and our government has continued to get bigger and bigger."
— Judge Ronald Bogle in Charlotte, N.C.

Judge Bogle is right. All across America we heard people frustrated with government's ever-increasing presence in their lives. And grown it has. In 1960, combined federal, state and local government spending was \$151 billion. Today, it is more than \$2.7 trillion—even adjusting for inflation, this represents more than a tripling of government expenditures since President Kennedy was elected. Most Americans spend a greater portion of their working day earning the money to pay their tax bills than to feed, clothe and house their families.

"Working families believe taxes are only worth paying if they are fairly collected and pay for services that are needed. We must defeat efforts of government to collect taxes in order to grow and grow and grow." Domenic Bozzotto, president of the Hotel Workers Union Local 26 in Boston, Mass., said at our televised forum in Trenton, N.J.

Despite the enormous growth in the size and scope of government, most Americans believe our public schools were better, our streets were

cleaner and our neighborhoods were safer in 1960. And they're right. Today, even the most dedicated liberals quietly question whether, with continued growth in spending and government programs, America is on the right track.

The massive federal expansion of give-away programs that promised a "Great Society" have not eradicated poverty, ensured educational opportunity or eliminated homelessness. Indeed, many Americans have come to question whether the incentives and the culture these programs created have abetted—and even institutionalized—the social dysfunction that underlies poverty, crime and despair.

While Americans are ready to accept that big government has failed, we must go beyond just castigating the left for its failed experiment. Rather, by appealing to the same aspirations for a better society that fueled the massive social programs of the Sixties and Seventies, the opportunity exists to create a new unity by setting forth how these goals are best advanced by unleashing private initiative rather than fostering government dependency. The failure of the "Great Society" was more than a case of good intentions gone awry; it made big government even bigger and more intrusive.

In the face of big government's failures, today's voters require their leaders to take a new oath of office: First, do no harm; second,



Co-Chairs: Gov. William F. Weld of Massachusetts has earned a national reputation for cutting the burden of government on taxpayers and businesses and trimming state government to live within its means.

Cheryl A. Lau, former state deputy attorney general and educator, was elected Nevada's Secretary of State in 1990.

empower every American to realize the American dream.

In determining the appropriate role of government, our first true guide is the Constitution. The 10th Amendment expressly limits the role of the federal government and upholds states' authority over their own affairs and their own destiny. The fundamental role of the federal government is to provide what individuals, communities and states alone cannot provide—which includes the national defense, a judicial system, a standard currency, and a sound national fiscal and monetary policy. Primary among the obligations of the states are the provisions for law and order and for the education of all children.

We are a nation that has a government, not a government that has a nation

When government steps beyond these roles, as it has for decades, it becomes as likely the source of our social and economic problems as their solution. With the failure of liberal central planning and its experiments in social engineering, never before has the law of unintended consequences been more evident.

Nevada Secretary of State Cheryl Lau put it this way: "Conservatives used to complain about the intrusion of big government. Then intrusion became the status quo. Now the status quo has become government policy. We've forgotten where we came from."

Welfare is just one example and is discussed further in the section on "Strengthening the Family." But it is a prime example of a government program allowed to grow beyond its original intent. Aid to Families with Dependent Children (AFDC) began as a modest program to help widows and orphans, primarily of coal miners. The program grew to encompass families without fathers as a result of illegitimacy or divorce, though even then it was intended only as transition support until the mother remarried. But from these good intentions sprang the crisis of dependency, the underclass and fatherless families.

New Jersey Gov. Christie Whitman, speaking at our Trenton, N.J., forum, cautions the reformers that real reform involves rethinking priorities: "Just less of the same is still failed government. Establishing priorities must be the direction of all [levels of] government."

Education is another example of government intervention gone wrong. (For further discus-

sion on education, please read the section on "Improving Schools and Education.") There are those in positions of leadership who say that whatever is wrong with our public schools can be fixed with more money, more governmental prescriptions and more bureaucrats—and then go on to quietly choose private or posh suburban schools for their own children. Many low-income children, however, remain trapped in their failed city schools, where bureaucracies and school systems spend \$9,000 per child and—without the accountability borne of competition—janitors make more than teachers.

"I think privatization has a possibility in education. [Education] is one of the largest things we spend money on, and it doesn't seem to get through the bureaucracy down to the school," said Rick Swain, a teacher at Sedgfield Middle School in North Carolina attending our Charlotte forum.

In forums across the country we heard the concern that government spends too much. Entitlement programs alone absorb more than 50 percent of the federal budget—\$771 billion in 1993. Particularly frightening is the growth in government spending on health care. In less than 30 years, federal health benefits have ballooned from a meager 1.4 percent of the federal budget to more than 16 percent.

In real terms, federal, state, and local spending is 100 times larger than it was in 1900 when government was still relatively lean and efficient. Today, government employs more than 18 million civilians—more than the payrolls of all U.S. manufacturing companies combined. And the problem is getting worse. Despite "New Democrats" rhetoric, President Clinton's budget calls for federal spending to rise by an additional 23 percent over the next five years.

Unfunded mandates

Not being satisfied with bankrupting itself, Washington now seems hell-bent on bankrupting the states and cities as well. One old-time favorite ploy is raising taxes to fund new programs, then, once the money is filtered through Washington bureaucracies, returning less money to the local communities with expensive federal strings attached. Congress should, by cutting taxes, leave the money at home in the first place, rather than collect it and then hand it back with more regulatory strings.

Washington's current favorite tool is the



New Jersey Gov. Christie Todd Whitman greets a television audience participant in Trenton, NJ.

unfunded mandate: a high-minded but expensive obligation it imposes on lower governments yet refuses to pay for. Already, overreaching and clumsy environmental laws, rigid prescriptions of the federal special education law and countless other dictates violate Federalist principles and wash state budgets in red ink.

Ann Schrader, county commissioner for Mecklenburg County, N.C., provides the county perspective: "I would like some flexibility in how we deal with the expenditure of the funds. [Federal] programs are forced on us. We have no flexibility in how we spend the money, *and* we have to match the federal monies."

Unfunded mandates are hidden federal taxes. Congress should be required to demonstrate the benefits of a program to justify its costs and be prepared to pay for any mandates it imposes on the states. "Impact statements" estimating the impact of new mandates on states' checkbooks are insufficient. *It is time to revoke Washington's check-writing privileges altogether.*

Washington can learn from the states and cities

"The more the states do to bring our taxes down, to make our living a little easier, the higher the federal government raises our taxes," commented Verna of Arizona, who called our interactive forum broadcast from New Jersey.

Governors of both parties are saying, "Enough!" Govs. Pete Wilson of California, Fife Symington of Arizona, Ann Richards of Texas and Lawton Chiles of Florida are all testing their legal and legislative recourse to force the federal government to pay for its policy prescriptions.

Yet Washington wants to intrude further. When the market is already stemming growth in health care costs and health care inflation is down to 5 percent, Washington proposes to impose price controls, organize "collectives" and build a new government bureaucracy of breathtaking scale.

In reducing the size and scope of government, it is time for Washington to learn from the lessons of the state and local governments. In Indianapolis, Jersey City, Dallas, Charlotte and Philadelphia, city governments under Democrat as well as Republican administration are turning to privatization to do more with less. In some cases, governments are getting out of the business of doing things they never should have done in the first place. In other cases, private companies compete with public employees to provide service at the highest quality and the lowest cost.

A quick tour of the country produces some shining examples of cities that have effectively controlled and, in many cases, stunted the growth of government.

"Between calls from disgruntled taxpayers in New Jersey and other states, Whitman and Weld led panelists in speeches extolling the virtues of private enterprise, condemning bloated government bureaucracies, and criticizing President Clinton's policies."

—The (Hackensack, N.J.) Record, 4/16/94.

"Audience members broke into applause numerous times as anti-tax and government reduction themes were mentioned."

—The (Trenton, N.J.) Times, 4/16/94.

- Charlotte Mayor Richard Vinroot reduced city payroll by 400 people in one year, saving \$8 million annually.

- Indianapolis Mayor Steve Goldsmith introduced competition into more than 50 city services, saving \$28 million annually.

- Jersey City Mayor Bret Schundler has empowered inner-city residents with the ability to hire and fire private firms competing to keep their neighborhoods clean.

- New York City Mayor Rudolph Giuliani is using employee buyouts to reduce city expenditures.

"The goal is to give you, the public, public services as efficiently as we can and give you the best bargain for your investment in government. That's what we're trying to do in [Charlotte, N.C.], and we ought to be trying to do that across the country," said Charlotte Mayor Richard Vinroot at our Charlotte forum.

At the state level, Republican governors across the country are leading the way toward streamlined, downsized government that provides more efficient, customer-oriented services.

- Massachusetts Gov. William Weld's privatization initiatives have saved his state more than \$300 million, allowing larger investments in preventive health care and education.

- Gov. Symington awarded capitated Medicaid contracts under competitive bidding, controlling costs and maintaining quality of care.

- Gov. Wilson reports 30 percent savings from privatized social service programs.

- Michigan Gov. John Engler privatized the state liquor distribution system, saving \$15 million annually.

- Gov. Whitman has proposed eliminating at least two state departments and plans to privatize six day care centers, New Jersey Network and the Meadowlands Sports Complex.

As Gov. Weld points out, "I had to cut \$2.6 billion out of the budget my first month in office. It's easy when you know how."

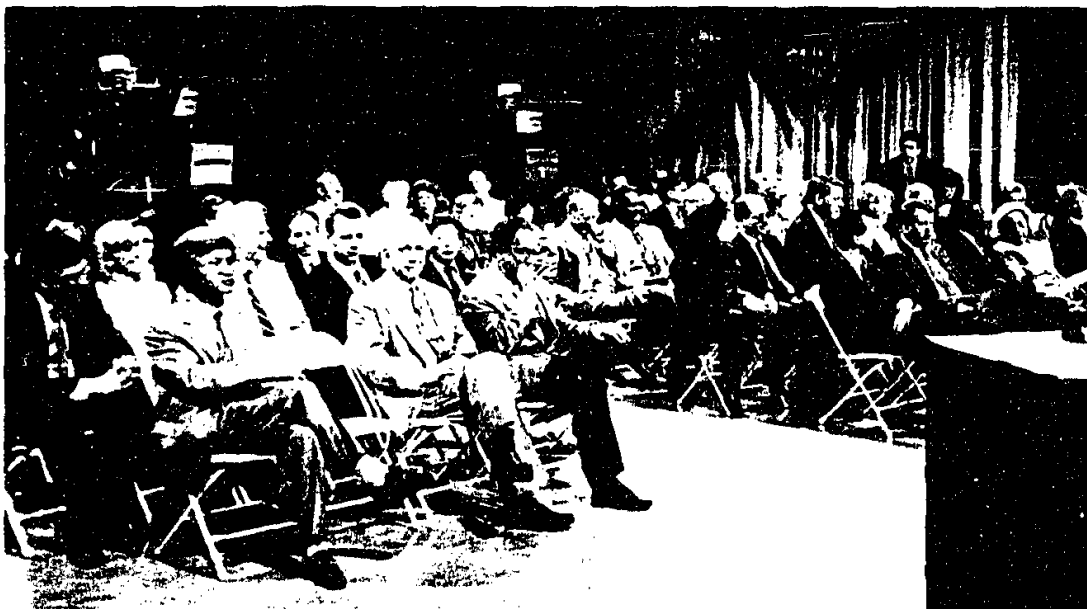
A (U.S.) Capitol idea: Balanced budgets and line-item vetoes

Another lesson the federal government should learn from the states is how to balance its budget. Forty-nine of the 50 states must balance their budgets every year. With a balanced budget amendment, the brakes would be finally applied to Washington's present course of reckless spending.

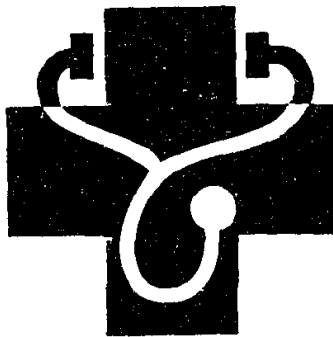
A line-item veto would restore the balance of power between the executive and legislative branches. Forty-three states grant their governors this authority; the nation's chief executive must also be empowered.

The federal government can learn much from the new breed of mayors and governors who are responding to the call from their friends and neighbors to put government back in the hands of the people who fund it; to rethink the role of government; to get out of businesses it doesn't belong in; and to do the things it's supposed to be doing with an eye to providing real service to its customers.

On Tax Day, April 15th, Gov. William Weld was joined by Gov. Christie Todd Whitman in Trenton, N.J., for NPF's first nationally televised forum, which reached a potential audience of more than 20 million viewers.



HEALTH CARE GROUNDED IN AMERICAN VALUES



"Health care in this country has never been better, but the system by which it is delivered to our patients, especially those within poverty or without employment, needs significant change."—Dr. Arthur Traugott in Winfield, Ill.

"This debate transcends health care. This debate is about freedom: freedom to choose one's doctor. This debate is about choice: preserving choices in health care. This debate is about quality: preserving the incredible quality of American health care—and the vitality, ingenuity and innovations in pharmacology and technology that will make our lives better. This debate is about preserving the opportunities that emerge from the free marketplace of ideas and competition."—Dr. Allan Shulkin in Irving, Texas

The health care reform debate offers the American people a clear choice: a system that cedes ever-increasing authority to the government or one anchored in the core American values of individual choice and responsibility.

The principles we put forth here represent an effort to develop a responsive plan on the basis of what has been heard—not in the corridors of the White House but from the main streets, meeting halls, churches and living rooms across America.

We believe that people and their doctors—not Washington bureaucrats—should be in control of medical care. The principles for reform we outline here are based upon the genius and vitality of a free society and would empower the competitive market to address the weaknesses of our health care system without destroying its strengths.

America offers the finest medical care in the world. It is imperative that reforms preserve its quality and not undermine a cornerstone of its strength: trust. Trust in the doctor-patient relationship and trust that quality medical care will always be there.

As Allan Shulkin expressed it: "The doctor-patient relationship is built upon trust, built upon confidence, built upon mutual respect."

Fixing what's wrong, preserving what's right

While the quality of our medical care is the envy of the world, it is also very expensive. As a result, millions cannot afford coverage and many more worry about losing the coverage they have. There is widespread agreement that the United States does not have a properly functioning market for health care or health insurance and that reform is needed.

Those who have insurance coverage have little incentive to seek out the most cost-effective

"Some members of the audience said they don't need to be told what they want in terms of health care.

"We're concerned about health care, and we want to keep government out of it," said Atlantan Tom Brooks, who came with his wife, Mary Anna."

—The Atlanta Journal/The Atlanta Constitution, 2/27/94.



Co-Chairs: U.S. Representative Nancy Johnson (CT-6th) serves on the House Ways and Means Committee and was among the first to author a comprehensive health care reform bill in the 103rd Congress.

Gov. Carroll A. Campbell, Jr. of South Carolina currently serves as chairman of the National Governors' Association.

tive services. When coverage becomes more expensive, fewer people can afford it, and the number of uninsured Americans rises. Small companies, especially, have felt the pinch, and some have been faced with the choice of dropping health coverage for employees, laying off workers, or closing their doors.

Until very recently, physicians and hospitals have competed, not on price and value, but by focusing on the latest, most sophisticated technologies. Technology is important, but it must be used wisely with attention to cost.

Before a single line of legislation has been enacted, companies and consumers are bringing market forces to bear on the health care industry to drive down costs. Medical price inflation has been falling, down to its lowest rate in more than 20 years. If we build on this progress and first fix the distorted incentives and regulatory problems in the current market for health insurance and health coverage, then the market will function more effectively. This would force prices down, and as costs moderate further, more people would be able to afford coverage; it would be clearer how to target federal subsidies to those who need help in buying health insurance and obtaining medical services. As was stated at the Winfield, Ill., forum by Arthur Traugott: "Government's role should be to facilitate access and affordable health insurance—not to micromanage individual health care decisions."

Right direction, or wrong?

While the current health care system has weaknesses, misguided action could make it much worse. The big-government approach supported by the White House and many members of Congress would impose new unfunded mandates and higher taxes, create new bureaucracies in Washington and dictate millions of key details about the health care every American can or cannot have.

We oppose big-government proposals that include employer mandates, global budgets, price controls and premium caps, and the one-size-fits-all government-defined benefits package the White House proposes. These provisions would reduce quality and choice, drive up costs and result in rationing of medical services.

Mandates requiring employers to pay for health coverage for employees would result in

lost jobs and would harm the economy. Employers forced to pay a fixed amount for health coverage for their workers would have no incentive to continue the innovations in market-based cost containment that are successfully cutting the rate of medical inflation while preserving quality medical care.

The more government is involved in health care, the more health care will cost. In fact, when the president presented his health care reform proposal, he said costs in the Medicare and Medicaid programs are continuing to rise at double-digit rates. Meanwhile, the Commerce Department says that costs in the private sector have been declining and are now at their lowest level in 20 years. A government-run health care system would create an oppressive, bureaucratic labyrinth laden with controls and limitation of choice that would hurt the quality of care. Government simply cannot match the workings of the competitive marketplace in producing a system centered on quality, individual choice and competitively priced products and services.

Citizens at policy forums across the country raised concerns about the administration's proposal for a federally defined core benefits package. Specific concerns about including abortion in such a package were heard at these forums. As Rick Horn put it in Atlanta, "Abortion is so controversial across the country. Why should it be something we are forced to pay for, regardless of our stand on the issue?"

We oppose any one-size-fits-all federal benefits package. Among other objections, it would limit consumer options and tend to freeze present medical practice, stifling improvement and innovation. Americans currently can select from plans that offer a variety of benefit options. Reform shouldn't change that.

Bruce Campbell, a physician attending our forum in New Haven, Conn., echoed the public's rejection of a government-run health care system, "We believe that changes can be made without pumping up government's role, without building huge new federal bureaucracies, without jeopardizing what's good and right about the system today."

Consumer-focused health care

We heard a call for a series of reforms that would build on the strengths of the current system, provide greater choice and security and

rely on the proven ability of the competitive market to continue to force costs down.

Already there is a reorganization going on within the health care industry. Thousands of doctors and hospitals are responding to market forces by reorganizing into systems designed to deliver patient care more efficiently. This reorganization has major implications, not only for the health sector but for the economy as a whole. The important point, however, is that these changes are flexible. They respond to market demands, not some rigid government edict.

What we heard from people attending our public meetings was a call for "fixing what's broke" while avoiding bureaucracy and too much government. Nobody wanted to blow up our current system and replace it with a government takeover. Many wondered why Congress couldn't act immediately to pass, as Dr. Traugott phrased it, "some very simple reforms" that will address many of the problems in the current system, especially in comparison to the massive 1,342-page Clinton plan.

Insurance market reforms

Insurance should be true insurance that provides secure protection for individuals and their families against the risk of major medical expenses. Insurance companies shouldn't be able to cancel policies when people get sick, and everyone should be able to obtain health insurance through some means. People should be able to own their health insurance policy, and it should be portable so they can keep their insurance even if they change or lose jobs, start their own companies or retire. When people want to change policies, insurance companies should not be allowed to deny coverage for pre-existing medical conditions.

Incentives for health

The system should allow incentives to encourage individuals to pursue healthy lifestyles and for insurers to offer coverage that includes preventive services, such as prenatal and healthy child care. Those who pursue healthy lifestyles should not be penalized by being forced to pay the same price for health insurance as those who engage in reckless behavior.

Without incentives for healthy lifestyles, insurance costs will be higher for everyone, and the number of uninsured Americans will continue to increase. Further, young people at the



beginning of their careers should not be forced to carry a disproportionate share of older citizens' health costs.

Tax equity, tax fairness

All Americans, regardless of their employment status, should be able to get direct tax breaks for purchasing health coverage. That means that anyone who pays their own premiums, including the self-employed, should get the same tax treatment of their health premiums as those who get coverage through their employers.

While most Americans will continue to get their health insurance through their jobs, those who don't have job-based insurance should have the same options for coverage.

Americans should be able to own their health insurance policies, and they should have the opportunity to establish tax-advantaged Medical Savings Accounts which allow them to set aside money, tax free, to pay for medical expenses, health insurance, or save for future medical needs. Information on various plans and premium costs should be made available so people can choose the plan that is best for themselves and their families. Vouchers and tax credits also should be available on a sliding income scale for individuals and families. Tax changes that give individuals direct control over the money spent to purchase medical services and health insurance will give them greater security, more control over the cost of care and

The first health care reform forum was held in Atlanta to a standing-room-only crowd at Northside Hospital's cafeteria.



Sean Hannity (standing by the post) of WGST Talk Radio in Atlanta gives the microphone to a forum attendee who expressed concern that reform should not jeopardize the current high quality of America's health care system.

will force the market to restructure choices around the needs of consumers.

Community-based care

Local communities should be given the freedom to experiment with solutions that utilize their distinctive resources to solve their unique problems. The federal government can assist by expanding the network of community health centers to guarantee access to the poor and uninsured as part of state-driven evolution toward more cost-effective care and by providing tax incentives for physicians to practice in urban and rural underserved areas. Telemedicine should be encouraged to extend medical expertise to those physicians.

Malpractice reforms

Health care liability reform is needed to reduce costs by alleviating the threat of lawsuits that drive doctors to practice costly defensive medicine. Congress should place limits on contingency fees, provide for periodic payments of awards, restrict punitive damages and develop greater incentives for alternative dispute resolution.

Medicaid

Federal restrictions should be lifted to allow states greater flexibility to allocate Medicaid money more cost-effectively. States should also be allowed to experiment with managed care, as many in the private sector are now doing, and with voucher programs and other innovations. Greater flexibility would allow states to serve more people, provide a broader range of

choices and coverage and encourage greater individual responsibility and control.

Medicare

At initial eligibility for Medicare, beneficiaries should have the right to participate in Medicare, retain their own private insurance and/or purchase supplemental insurance of their choice. Reform of the Medicare system should not be in the form of reducing payments but in terms of expanding options for beneficiaries to retain and obtain private coverage, if they choose to do so.

Paperwork reduction

Standardized forms based on private sector standards and electronic information reporting and exchange systems should be instituted to promote greater efficiency.

Medical research and information

Incentives should be provided to promote: outcomes research that helps your physicians to determine the likelihood that specific treatment will be effective; telemedicine, and other information systems that allow physicians and patients to make more accurate medical decisions and use medical resources more cost-effectively.

Research on diseases that affect women, such as breast cancer, has historically been underfunded and should be given the funding that is deserved.

Concluding thoughts

Americans can't risk launching a massive social and economic experiment in health care and getting it wrong. Too much is at stake. Yet, the country does not face an all-or-nothing choice on health care. The specific common sense reforms advocated here are based on what we have heard from people of every walk of life across the country. These reforms can be implemented today.

Good public policy must structure incentives to encourage individual involvement and responsibility in building a more secure system. We can allow the genuine market-based reforms that already are taking place to move forward and accomplish many of our health care reforms in the most efficient way possible—by the dynamic forces of consumers demanding the best value for their money in a competitive market.

REFORMING THE LEGAL AND REGULATORY SYSTEMS



"I think we have to take America back, stand up to this overburdening regulation by the government."—John Blazic in Indianapolis, Ind.

"What I'm hearing is fear," said Earl Wright at our Indianapolis forum. "I'm hearing that government agencies are putting fear in the hearts of every American, regardless of what business you're in or what you're doing. But I don't only hear it here. I talk to major corporations, and they are as scared to death as this small businessman."

In the same city, an exasperated Debbie Barnett said she "would swear on a stack of Bibles that the dry-cleaning industry has to be one of the most overregulated businesses in the country. Not only do we have to live with OSHA [Occupational Safety and Health Administration] rules, learn how to write our own lock-out/tag-out programs, our hazardous communications, keep our MSDS [material safety data sheets] books up to date, we just came under the rules of the National Emission Standard for Hazardous Air Pollutants."

Richard Turkel, attending our Tampa forum, said he knew government regulations had gone too far when Uncle Sam decided to protect America from the smell of freshly baked bread. "I came here not as a politician, not as a Democrat, not as a Republican, but as a busi-

nessman interested in the sound economic growth of our country.

"How many people know that it's now become illegal to smell fresh bread being baked? How many people know that our government is going to have each bakery and plant spend \$450,000 so we can't smell the bread? And spend \$250,000 a year to make sure the equipment runs? I say the federal government has to quantify what it does and its impact on our businesses."

Some economists have worked to quantify the costs of regulation and concluded that compliance has a price tag of approximately \$500 billion a year. This amounts to a massive hidden



At virtually every forum where small business owners testified, the regulatory and paperwork burden on business was a constant complaint.



Co-Chairs: Marilyn Tucker Quayle is a practicing attorney in Indianapolis Ind. She served on the board of the Federal Emergency Management Agency and chaired the International Disasters Advisory Committee.

Robert H. Bork is the John M. Olin Scholar at the American Enterprise Institute and was a circuit judge for the U.S. Court of Appeals for the District of Columbia circuit.

tax by Congress and state legislatures that shifts to businesses the costs for social and other objectives they do not pay for directly through government programs.

"For every dollar that a business has to spend on complying with some kind of regulatory rule, that's one dollar less that goes into creating jobs and paying benefits and putting money into the community," John Myrland of the Indianapolis Chamber of Commerce told the forum held there. Robert Chapman of Tampa computes the costs of regulation another way: "The stack of [regulatory] paperwork is now about 30-feet tall. If you stack all the documents that we've had to generate, all of the reports we've had to issue, all of the studies that had to be conducted to become permitted for our town—that we had to present to 31 different government agencies—none ever asked an important question."

A lesson we learned from Grant Wright, who works for a company called Inventive Products, is that sometimes counting the cost in dollars and red tape understates the true cost. Grant told us of the Sensor Pad, a medical device developed by his company and hailed widely in the medical community as an effective tool for early detection of breast cancer. Long since approved for use in Europe and Asia, it's still awaiting FDA approval. "After nine years, \$2.5 million and over \$378,000 in legal fees, we still don't have the product to market."

Already frightened by overwhelming regulatory burdens that threaten to crush their livelihoods, the people we've heard from are concerned that misguided and overreaching health care "reforms" could by themselves multiply the regulatory burden enough to scare some businesses. They plead for a government policy that reduces the regulatory burden rather than seeks ways to add to it.

The best way to find both policy ideas and the will to carry them out is by listening to America. The elements of such a plan are obvious. We have outlined some below, but we insist that sensible sounding policies are not enough—we need the political will to cut regulations as well.

This council recommends the following actions:

- All current and future regulations should be subject to sunset provisions. In a world where international competition and fast-moving technology can rapidly change the nature of busi-

ness, the nature of business regulation must be able to change as well.

- Oversight by the Office of Management and Budget—specifically its Office of Information and Regulatory Affairs—needs to be strengthened. The current unraveling of OMB's central review function undermines accountability by individual federal agencies, enhances the influence of narrow interests and diminishes the possibility of coordinating regulatory policy.

- The need for coordination is fundamental among federal agencies so that government's left hand (say, EPA) will know what its other left hand is doing (say, OSHA) and be less likely to issue conflicting or even contradictory rules. Letting 1,000 flowers bloom may make sense in the garden; it's no basis for regulatory policy.

- Sound science must be the basis for policies affecting health and safety, food, farming, the environment—and virtually everything we regulate. Here, too, coordination is essential. For example, objective and unbiased risk assessments should be standardized across agencies; for another, health risks should be prioritized, and a coordinated policy governmentwide should allow these priorities, once set, to be carried through. A policy on negligible risk should be adopted to allow agencies to ignore trivial risks often forced onto the regulatory agenda by too-rigid legal criteria or special interest pleadings that abuse public access provisions of current law.

- As a general principle, the costs as well as benefits of a given regulatory policy should be weighed in order to realize a policy that maximizes regulatory objectives with the least-possible cost to the economy.

- A regulatory budget should be devised that requires new burdens—whether measured in dollar costs or paperwork burdens—to be offset by reducing existing burdens. Just as budget decisions are expected to be deficit neutral, regulatory budgets should be made "red-tape neutral." Effective sunset provisions would make such regulatory "neutrality" possible.

Our legal system

In Princeton, N.J., we listened to Paul Beck tell us it took "three years and \$20,000 directly from my pocket" before frivolous charges against him were dismissed by a judge, who, after reviewing the facts of the case, summarily ruled there was no case. While it may be technically true Paul

didn't have to prove his innocence, he was just one of thousands of Americans who, having done nothing wrong, are forced to pay legal costs that one might as well call a fine.

Incredibly, Paul Beck's story didn't end there. "This past New Year's Eve," he told us, "I was named in a suit for a job site accident that occurred *two years prior* to my being hired. I was hired to make sure such an accident didn't happen." Again, Paul finds himself in need of legal help. Again, the costs of defending himself will come out of his pocket, and the emotional costs will be stolen from his peace of mind.

Our civil justice system cries out for reform. For too many Americans, encounters with it take too long, cost too much and all too often fail to yield the outcome the system was designed to produce: justice. For example, a person the court finds to be the injured party in a lawsuit often receives less than 50 cents of each dollar of compensation awarded; the remainder pays for what are called "transaction costs," such as attorney fees.

In the end, the process that guides our civil justice system fosters pointless litigation, seemingly endless delay and a "wheel of fortune" attitude in the public in which the system seems more a game of chance than a matter of law. Accordingly, there are a few big winners, but the biggest loser is a society burdened with a system that produces higher costs and clogged courts while rewarding abuse and breeding cynicism and failing to produce justice.

Having our "day in court" used to be a metaphor for fairness in America. Now, that day in court means years of litigation, lawyers and legal fees.

Noting the vast majority of litigation disputes are settled before trial, one participant in Princeton, N.J., asked, "Why do we spend tens of millions of dollars each year getting ready for trials that never happen? Wouldn't it make more sense to spend more time and effort settling cases rather than trying them?"

What we have heard confirms that the system needs reforms of the following sort:

- Alternatives to litigation that better meet the needs of the parties. Alternative dispute resolution mechanisms can lead to mutually acceptable solutions at lower cost than litigation.

- To create the opportunity for resolution before litigation begins, plaintiffs should be

required to file a written notice of intent to sue prior to filing suit.

- To increase the chance of settlement early in the process, when transaction costs are lower, parties in dispute should be required to meet periodically.

- Pretrial discovery needs to be streamlined, made time sensitive and less costly for the litigants.

Tort reform is long overdue. Bad or poorly written product liability laws, for instance, retard product innovation, imperil industries like pharmaceuticals, drive up consumer costs and reduce employment. Perhaps worst of all, these laws as written assign liability less on the basis of who is at fault than on who can pay.

The laws governing the awarding of damages, both compensatory and punitive, also need reform. Compensatory damages for proven injury should be awarded promptly. Because their purpose is fair compensation for actual injury done, states should discourage the windfall of "double recovery," which allows plaintiffs to recover damages from the responsible party in addition to monies obtained from other sources such as insurance companies or workmen's compensation. Liability should be assessed in proportion to fault and not ability to pay.

Punitive damages, like fines, are meant to penalize the responsible party. They should be assessed only on clear and convincing evidence of intent. Clear criteria for setting such penalties should be developed, and judges—not juries—should have the responsibility for assigning them. Punitive damages should be limited to a reasonable multiple of the individual's actual harm, with the punitive damage award paid to state treasuries.

In cases where some recovery for the plaintiff seems assured, the average 33 percent contingency fee often amounts to a windfall for an attorney at the client's expense. In such cases, defendants should be required to make an early settlement offer. If accepted, attorney's fees should be limited to an hourly rate or modest share. If not, contingency fees should be paid only on the amount of recovered damages that exceeds the original settlement offer.

Another idea for reform involves the adoption of the so-called English rule or "loser pays" provision to discourage frivolous lawsuits by requiring that the loser in litigation pay the attorney's fees of the prevailing party.

"Business owners attending a 'Listening to America' forum Tuesday had plenty to say about stifling effects of government regulations, and they applauded the Republican-based group that gave them the chance to sound off.

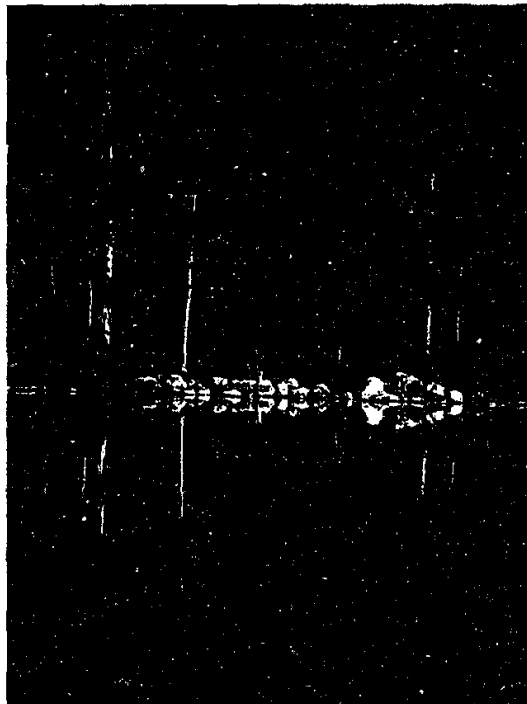
" 'We're here to listen,' [Marilyn] Quayle told the crowd of nearly 100 men and women representing manufacturing and banking interests, farming and medical professions and other assorted enterprises." —The Indianapolis Star, 4/27/94.

THE ENVIRONMENT



"Oppressive environmental policies are threatening the livelihood of Nevada's miners and ranchers, participants at a Republican-sponsored forum said Monday. ... 'We're in the battle of our lives for our grandchildren,' said John Hengen, president of the Western Mining Council." —Reno (Nev.) Gazette-Journal, 5/3/94.

"I would hope that one message that you will take back to Washington is that one size doesn't fit all. We need to have local officials making local decisions that will correct local problems, as opposed to having the dictator from afar, who has no idea as far as what our unique circumstances are, trying to run our own backyard."—Gary Herbert in Salt Lake City, Utah



America has invested more than \$2 trillion in environmental protection programs, and our air and water are significantly cleaner as a result.

We have been listening to America and what we hear, wherever we go, tells of commitment to solving problems and respect and regard for the environment. We also hear confusion, bordering on a sense of betrayal, about government policies that give people credit for neither.

There may be no major policy issue in America today on which more money and resources are spent at the same time that more strident alarms are sounded that America is not doing enough.

We've gotten a lot for the \$2 trillion we've spent on protecting the environment. Our air and water are cleaner. By the criteria in Clean Air and Clean Water laws enacted near the start of this massive effort, each has significantly improved. Meanwhile, during this same 25-year period, the American economy has grown substantially. The number of jobs and the overall size of our economy have grown by at least 50 percent since 1970.

In other words, we've had economic growth and environmental improvement at the same time, with those who argued we wouldn't and those who feared we couldn't happily proven wrong.

More important than learning that growth and environmental progress can co-exist, we have learned that they cannot exist one without the other. As our own experience and that of the

stagnant economies controlled by the iron-fisted governments of Eastern Europe have shown us, if we want to continue to improve the quality of our environment, we must continue to ensure the growth of our economy. We heard from many who believe strongly that this requires avoiding excessive regulation.

"We've got to recognize that all bills are paid by real people. It is absolutely critical, not just for general prosperity, but for the environment,

that we allow people to be as prosperous as possible while protecting the environment," said Rick Stroup at our Denver forum.

In summary, people we listened to across the country voiced the following recommendations: reform existing laws to balance strong environmental protection with strategies that foster economic growth; restrain excessive federal regulation; insist on sound science in environmental policy-making; uphold and respect prop-



Balancing strong environmental protection with strategies to foster economic growth, insisting on sound science to focus regulation on real and significant risks, and upholding and respecting private property rights were policies advocated by forum attendees.



Co-Chairs: Gale Norton is Colorado's first woman attorney general and served as chief counsel for the U.S. Fish and Wildlife Service and the National Park Service.

Bob Kasten is the former U.S. senator from Wisconsin and received the National Wildlife Federation's Conservation Leader of the Year award in 1992.

erty rigidity and end the proliferation of unfunded federal mandates.

Balanced reforms

Despite impatience with the rigidity of the laws now on the books, we heard no one urge the repeal of either the Endangered Species Act (ESA) or the Superfund program. However, both were cited frequently as needing substantial reform.

"The human element has been purposely left out of the Endangered Species Act. It has grown to the point that private property is being taken away or no longer allowed to be used [by owners] to provide for themselves and their family as they see fit," observed Cheri Jacobson during our Sacramento forum.

We believe economic considerations have a place here, and the act should be amended to allow their use. As well, priority-setting should be permitted, on the basis not of emotion but science. Private efforts can help preserve endangered species, and the law should recognize this.

On the excesses of the Superfund law, Ken Chlouber, a Colorado state legislator, had some sharp comments about EPA enforcement excesses in Leadville, Colo. "I don't want to be studied anymore," he said he has told the EPA on behalf of his constituents. "I don't want to be poked. I don't want to be tested, and I don't want to talk to you about it anymore. You've done enough to us. You're killing our economy."

We believe Superfund can be amended in a way that could result in contaminated sites being cleaned up quickly, cost-effectively and with less federal involvement and more local control. In its 13-year history, the act, with its litigable system, has been responsible for significant clean-up of fewer than one out of 10 Superfund sites, and because the way the law is written, too much is being spent on lawyers, consultants and bureaucrats. Also, amending the law to require sound science and risk assessment could make it plain that the Superfund goal of restoring these sites to some "pristine" ideal is neither necessary nor realistic.

Regulation and its impact on small business

In order to obtain an operating permit under the 1990 amendments to the Clean Air Act more than 150,000 businesses will have to spend as much as tens or even hundreds of thousands of

dollars each. The amendments extended the Clean Air Act's strict requirements to include smaller, mom-and-pop businesses—from gas stations and dry cleaners to bakeries. We heard several participants state their support for programs to increase state flexibility and encourage technological innovation in connection with the Clean Air Act.

Naturally, the cost of such compliance adds to the cost of doing business, thereby raising prices, reducing profits, lowering wages and, eventually, killing jobs. Do environmental regulations always improve the environment? The people we listened to are skeptical.

We heard several participants during a pollution prevention round table forum discuss their efforts to successfully reduce and prevent pollution—with a minimum of government "help." In pleading for regulatory flexibility, a chemical industry representative pointed out that her company already knows the best method of preventing pollution because "we know our processes better than anybody else." Added a representative of an energy company that spends approximately \$1 billion a year on environmental compliance costs: "The key to pollution prevention is bringing it down to the grass roots, down to the shop floor."

While acknowledging the importance of pollution prevention, a manufacturer's representative emphasized the importance of focusing on actual environmental improvement activity rather than "turning my engineers into bean counters."

These representatives of American business were unanimous in their belief that responsible environmental practices represented good corporate citizenship as well as economic sense. But those from whom we heard, whether big businesses or small, decry the regulatory excesses that hurt the economy for little or no environmental benefit.

Sound science and responsible risk assessment

Horror stories abound—remember Alar and the apple scare?—of alarms raised and panic promoted by pseudo-scientific, politically motivated assessments of risk. Only afterwards are we given a societal "Never mind!" and told to relax by the very folks who scared us to death because, they inevitably explain, "we prefer to err on the side of caution."

A dentist in Aspen, Terry Hale, likened EPA's Superfund excesses to a medical misdiagnosis. "EPA incorrectly diagnoses risk," he said, likening this to performing surgery on people who "fit the profile" for needing it without bothering to check to see if they really have the disease.

Scientific issues must be decided scientifically, not politically. Environmental regulation should be applied against risks that are real and significant.

Real environmental progress is jeopardized by doing it any other way. The Alar scare and other examples of alarmists crying wolf on the basis of shoddy science undermines the public's confidence in the science of risk assessment, making it harder to act against real dangers and enforce regulations that minimize real risk.

Property rights

Mike Rowe told us during the Sacramento forum that the only reason his home in Riverside was saved from last year's brush fires was because he defied Fish and Wildlife Service rules prohibiting any disruption of a "study area" set aside for protection of the endangered Stephens kangaroo rat. His "crime"? Removing brush to create a fire-break against an oncoming firestorm.

"It has to do with the fact that I own a piece of property, that I pay taxes on it, that I live on it and I can't use it as freely as somebody else on the other side of a line that was drawn by an agency that never compensated me for the fact that they drew the line," said Rowe.

Many environmental laws affect use of private property, but none specifically requires the protection of property rights. The U.S. Constitution requires compensation when private property is taken for public purposes, and this furthers the important goal of assuring that individuals like Mr. Rowe are not singled out to bear heavy burdens that should be allocated among everyone. But many people we listened to say they don't want the money—they want their property and the use of it.

They feel government should have to face a heavier burden of proof than it does now—justifying that there is a strong public health, welfare or safety reason for any regulatory action that prevents citizens from using their property.

Unfunded environmental mandates

Along with the rise in environmental regulation,



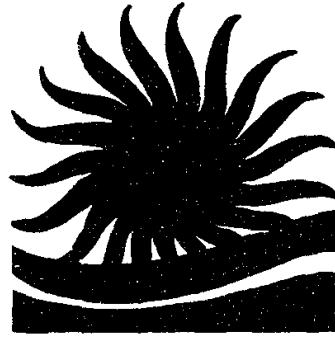
many participants at the forums spoke against the federal government's growing tendency to impose new requirements on state and local governments without providing any funding. This often means that a state or local jurisdiction must take money from higher-priority programs—or impose new taxes—to pay for federally mandated programs over which they have little control.

President of the Colorado Senate Tom Norton attacked the federal government's apparent belief that states have an endless source of revenue when it comes to paying for federal mandates. In Ohio, for instance, Gov. George Voinovich reports in NPF's journal *Commonsense* that nine cities in his state will face an added financial burden of \$2.8 billion over the next 10 years from federal environmental mandates.

People across the land insisted that not only are state and local governments unable to pay for many of the unfunded or partially funded federal environmental mandates, they are in a much better position to implement logical and innovative programs that would make far more sense than the federal government forcing its own standardized one-size-fits-all approach.

Since 1970, our economy has grown by over 50 percent and the air and water are also significantly cleaner. To maintain this balance, excessive regulation must be avoided.

NATURAL RESOURCES, AGRICULTURE AND ENERGY



“Control over the use of water resources provided a convenient starting point. From there, complaints turned to wilderness proposals, the Endangered Species Act, attempts to change grazing, timber and mining practices, designations of wild and scenic rivers, the National Biological Survey, control of rural roads, preserving access to public lands. ...

**“It’s good to get back among people who are real and understand what government should be,” said Sen. Malcolm Wallop, R-Wyo.”
—The Salt Lake City Tribune, 12/16/93.**

“Let’s ask for a policy that takes people into consideration. Let’s recognize the real agenda of those who are behind the concept of the New West. The real agenda is more centralized government control, more control inside Washington.”—Taylor Brown in Billings, Mont.

While the issues we address are national in scope and impact, it may come as no surprise that we were drawn to the West for many of our early forums. In Billings, Mont., and Salt Lake City and from the people we listened to from all across the West, we heard in varied voices and words the same call for “a policy that takes people into consideration.”

From ranchers and miners to farmers and loggers, this council heard a pleading for policies that put people first. Putting people first, however, in no way means putting the environment last.

“My husband and I were raised to respect the land, and we were shown that if you take care of the land, it will take care of you,” said Cheri Jacobson at our Sacramento forum. “My kids,” rancher Rob Blair told us at our Denver forum, “are the fifth generation of my people on the same piece of land. I can’t ruin that piece of land because I gotta be there next year and next year and next year and next year—hopefully, they will also.”

We also went to Texas, Louisiana and Kansas. We listened to people’s ideas and heard about their success and their problems. Traveling farther West, though, we began to hear anger and apprehension from people who believe a way of life may be coming to an end as Washington, in Taylor Brown’s words, pursues its “real agenda” of “more centralized government control.”

Practically everywhere we went, we heard about property rights. Some folks, mostly farmers, ranchers, miners and loggers, know the 5th Amendment by heart these days, especially the part less familiar to Washington that reads “nor shall private property be taken for public use without just compensation.”

Public policy: Private and public lands

We heard complaints that federal agencies use or abuse their power to discourage or prevent homebuilding, grazing, farming, mining, timbering, recreation, and oil and gas extraction on public and private lands. With expansive powers under laws like the Endangered Species Act, the Clean Water Act and wetlands regulations, the federal government delays and sometimes completely stops efforts at rural development.

Various enterprises are told they are farming land declared by Washington “unfarmable,”

cutting forests found "uncuttable," mining sites deemed "unsuitable." Grazing and farming are also feeling under assault; the federal government's attempts to diminish the states' historical control over water rights imperil them even more.

Some feel helpless, others rebellious. Whether farmers or ranchers or miners, we heard from folks wherever we went who feel they are doing right by the land. Yet despite their good stewardship, they feel their government makes it impossible for them to stay employed or in business.

Mary Flanderka—a Western woman whose logging community has been decimated by federal timber restrictions and whose family life has been disrupted because her logger husband had to go hundreds of miles away to find work—accused her own government of "child abuse." "They are severing families. They are breaking them up, and they are creating hardship and stress like you will not believe," declared Mary.

Mining

We heard concerns, especially from miners attending our Reno forum, about efforts in Congress to amend the basic 1872 mining law to restrict access to public lands and increase costs where access is maintained.

Timber

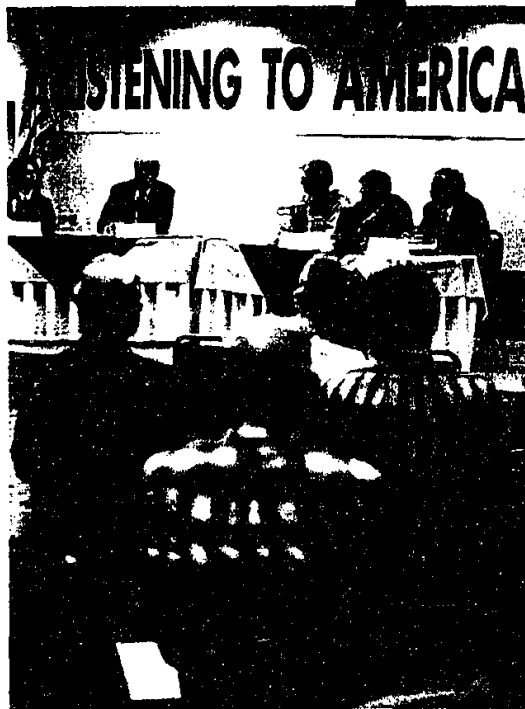
We heard constantly about excesses under the Endangered Species Act (ESA) as a cause of economic distress and dislocation in the timber industry. Many who used to work in the forest products industry don't any more, blaming the ESA as an excessive law that makes it difficult to strike a balance between species conservation and people and their jobs.

Grazing fees

On proposed grazing fee increases, we heard three points being made in each of our Western forums:

- Fee increases are only the tip of the iceberg, with increased federal control of public lands the real issue;
- Fee increases will force small ranchers off the land, hurting local economies and adding to social benefit costs;
- Ranchers are the best stewards of the environmental health of public lands because they use it year after year for their own livelihood.

"When you increase grazing fees and when you take away a family's ownership in those



In Salina Kan., the forum heard pleas for help to ensure that American agriculture has access to the world's markets and to maintain the U.S. as the breadbasket of the world.

lands, you will most assuredly take away the incentive for not only the production of those lands but also for the protection of those lands," said J. Paul Brown, a rancher from Ignacio, Colo., attending our Denver forum.

Western federal water utilization

With little or no sensitivity to the human, social and economic impacts of such decisions, we heard of federal re-allocation efforts that take water primarily from agriculture, a renewable economy, and dedicate it to environmental

In Denver and at other forums in the West, some attendees felt helpless and others outraged at federal public lands policy.





Co-Chairs: U.S. Sen. Malcolm Wallop of Wyoming is the ranking Republican on the U.S. Senate Energy and Natural Resources Committee and a businessman and rancher.

Wendy Lee Gramm is the former chairman of the Commodity Futures Trading Commission and served as the administrator of the Office of Information and Regulatory Affairs at OMB during the Reagan administration.

purposes such as the restoration of fish and wildlife habitat in the Sacramento delta. Further attempts on the part of the federal government to usurp state water authority by regulatory expansion of the Clean Water Act has placed an undue burden and confusion on private and state water practices.

Energy

On energy, we heard the constant refrain "too much government regulation." In Midland, Texas, we learned that petroleum refineries would spend \$37 billion in the 1990s complying with environmental rules. To put this cost in perspective, the entire book value of the U.S. refining industry is only \$31 billion. Costs of this magnitude resulting from excessive government regulation are also stifling the development of alternative sources of energy.

During our forum in Lafayette, La., Dave Davis, a drilling contractor, said wetland rules sometimes force drillers to use expensive and unnecessary drilling techniques because the federal wetland regulations do not consider the value of wetlands. "Let's get science involved in this," responded Frank Lyon, who works for an environmental services firm and believes that new regulation added hundreds of dollars to the cost of disposing of oil field waste while doing little, if anything, to improve public health or the environment. "If it's cost-effective and it helps human health and welfare, great," continued Frank, adding, "but I'm not sure all of the extra costs we're paying right now with the new regulations is buying much more protection."

While opposing what they view as too much centralized government control, the oil and gas industry did offer two suggestions that would be of immense assistance to that industry and the consumers it supplies.

- One-seventh of the oil produced in this country comes from marginal wells that produce no more than 10 barrels a day. Without tax or other incentives to keep those wells in production, their contribution to our national energy supply, and the jobs they sustain, could be lost.

- We heard during our Texas and Louisiana forums that large tracts of offshore and onshore areas have been put off-limits to oil and gas development. This denial of access makes no sense, particularly when one considers that for every barrel of oil not produced in this country

and must be imported by tanker, the most environmentally hazardous method of obtaining oil supplies.

America's continuing dependence on foreign oil is dangerous, but federal regulations and environmental policies increase this dependence. Good policy would encourage domestic production of oil and greater use of natural gas in a variety of applications.

Farming and trade

Farmers are looking to the federal government for help in one key area: trade. At our forums in Salina, Kan., and Bloomington, Ill., farmers said they're asking for direct governmental assistance in helping to ensure access to world markets. They support the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA), which they view as the best way to ensure free and open markets around the world.

We also heard farmers from the heartland universally praise the benefits of the 10-year-old Conservation Reserve Program (CRP) to the environment and to commodity price stabilization. Enrolled in CRP, large tracts of lands have reduced soil and water erosion and increased the breeding habitat for birds, as well as for other wildlife. Farmers stressed the need for a continuation of CRP program authority. While funding for extension of all 36 million acres may not be possible, the program needs to be extended, with a sharper focus on the most highly erodable farmland given priority for extension.

American agriculture is the most efficient in the world and the largest single domestic industry in our nation. American businesses engaged in agriculture control more than \$1 trillion in assets, employ more than 21 million people and account for nearly 16 percent of our nation's gross domestic product. In 1992, more than \$40 billion of agriculture products—roughly one-third of total U.S. exports—were traded internationally.

For these reasons, it is critical that policies be implemented that encourage U.S. agriculture to continue to produce in an efficient economic and environmental manner, with access to open and fair international markets. Only by adopting these policies can the United States maintain its position as "breadbasket to the world."

COMPETING IN THE GLOBAL MARKETPLACE



"Economic success is a function of competitiveness. In a global economy, this success can only be guaranteed by innovative product development and producing prices at the lowest possible cost. High energy costs and high taxes, due in part to state and federal mandates, and the increasing number of regulations on American small business, drive a wedge between competition here in the United States and worldwide. Each time we raise requirements through regulation or mandates, including potentially costly national health insurance programs, we make the challenge of global competitiveness all the more difficult." - Michael Mogavero in Hempstead, N.Y.

In our forums we encountered a renewed confidence that Americans can and should approach competition in the global marketplace with the attitude of winners. Increasingly, people are rejecting the recently popular notion of an "America in decline." Instead, Americans take pride that we are the world's largest exporter of goods and services.

From the fact that world class foreign companies clamor to locate plants here, people could draw the commonsense conclusion that American workers are extremely capable—in fact, the most productive in the world,

Americans looking at our continuing scientific and technological prowess, our underlying economic strength and the impressive adaptability of American industry not surprisingly think this notion of "decline" constitutes slander.

"I want to start by presenting myself to you as a global free trader, a businessman who is in favor of global free trade, someone who believes that America can still compete effectively in a worldwide marketplace if we leave the natural competitive market forces unimpeded," said business executive Wesley Cantrell at our forum in Atlanta, Ga.

Acknowledging that America faces tough challenges, invariably people go a little further than just quiet confidence when it comes to our country's future in a globally competitive



Our goal should be expanding the opportunity for American products, services, and financial resources in the Asian markets.



Co-Chairs: Carla Hills served as U.S. Trade Representative in the Bush administration and as Secretary of Housing and Urban Development in the Ford administration.

Oren L. Benton of Colorado is an entrepreneur and owner of numerous diverse international businesses organized under CONCORD and serves on NPF's board of directors.

world. Some of them echo an attitude about America that we used to hear more of in Washington than we do these days: "You ain't seen nothing yet."

The importance of the trading system to competitiveness

The United States' international trade policy should be easy to describe: Full support of an open trading system because it provides the maximum prosperity for Americans and accelerated economic development for free people throughout the world. Such a policy translates into smart, aggressive negotiations to cut tariffs and other nontariff barriers that hinder our exporters' ability to reach foreign markets. It also means measures to reduce our own taxes, cut red tape that stifles American businesses needing inexpensive raw materials from abroad and stop interference with the freedom of individual Americans to buy the best product at the best price.

First, let's look at why open and free trade is good. Consumers worldwide are better off if producers can specialize in what they do best. The result is greater competition, higher quality and, ultimately, lower prices.

Trade with other countries is good for the same reason that free trade between states, counties, towns and individual people is good. By making it possible to buy and sell with more people, it allows us to specialize in what we do best.

The General Agreement on Tariffs and Trade (GATT), including the improvements of the Uruguay Round, must contend with the rapid changes in China, the countries of the former Soviet Union and Soviet Bloc, and reunited Germany. The trading system must allow these countries to become the province of individual entrepreneurs whose talents and productivity are essential. We must build upon the changes of the GATT round and improve our trade relationship and trade opportunities with Asia, Europe and Africa.

Since 1947, international trade policy has been broadly based on GATT. As a direct consequence of the agreement, the signatory nations have greatly reduced tariffs, thereby spawning a boom in the trade of goods.

In recent years, the resulting increase in world trade, along with positive developments in communications and transportation, has

created a trend toward the globalization of production. Today, many companies shop the world for the least expensive components and ship them to assembly plants located for maximum efficiency. Many U.S. industries participate in this process, and we should welcome the trend.

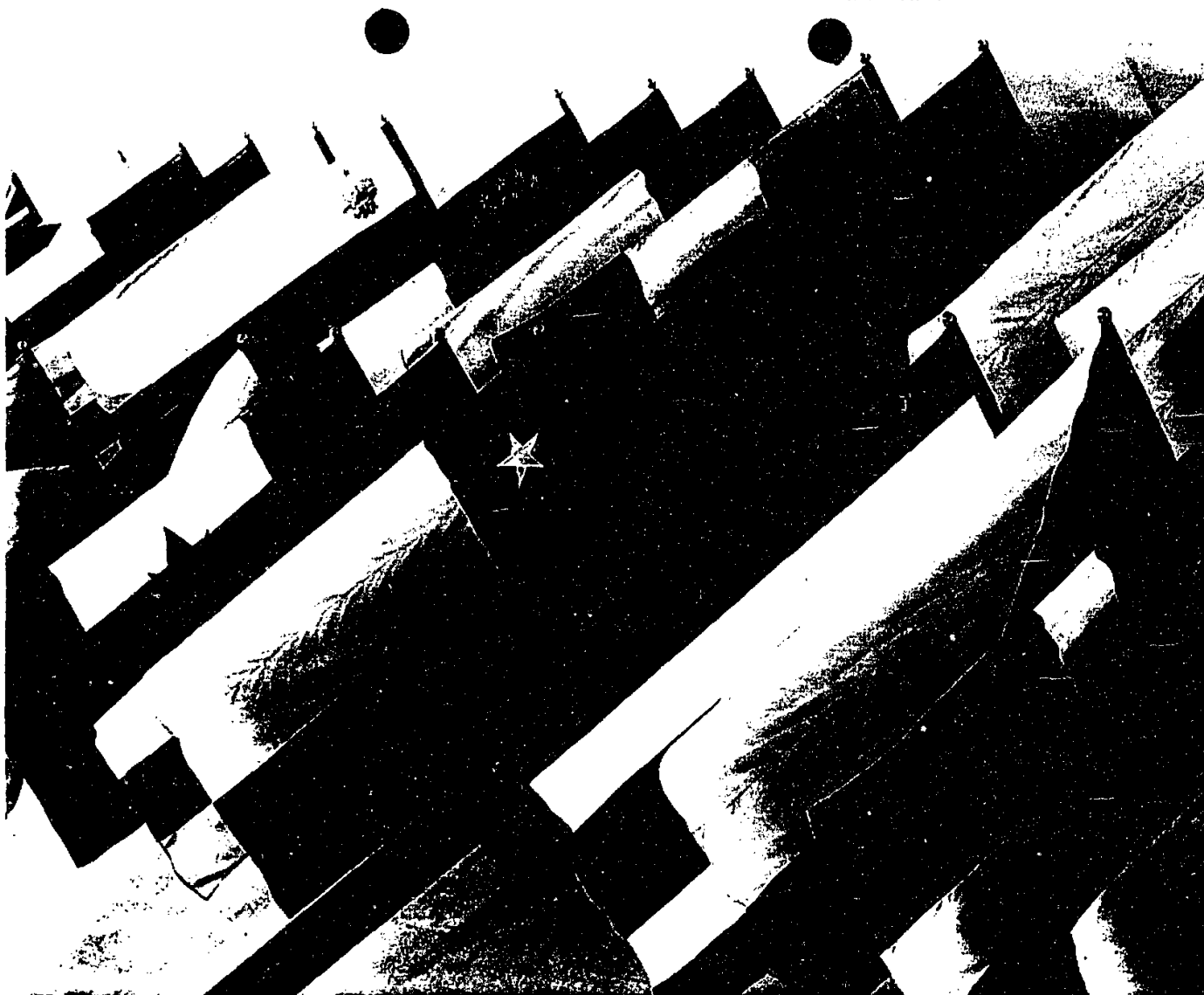
Specific issues in the global marketplace

These general principles and trends help us understand and analyze specific problems. Consider, first, the future of the international trading system. The recently completed Uruguay Round has led to a broad agreement to liberalize world trade further and establish permanent institutions designed to streamline the process for international trade dispute settlement. The Uruguay Round modifications to the GATT are significant improvements to the structure of the world trading system. The United States must use its pre-eminent position in the world to ensure full approval and implementation of the Uruguay Round.

The North American Free Trade Agreement (NAFTA) model should be expanded beyond Mexico to Central and South America and then to the modernizing countries of Asia. These areas will account for a significant portion of U.S. export growth in future years. On the political front, NAFTA promises to provide Mexico with an economic and symbolic anchor to secure recent advances in democracy and free markets. On the economic front, it is a blueprint for trade relations between industrialized economies and their developing neighbors. The idea of hemispheric free trade was launched by President Reagan with Canada and extended to Mexico by President Bush in NAFTA—both with the 21st century in mind.

American trade policy should continue to promote the movement to a market economy in China and the countries of the former Soviet Union and Soviet Bloc, being careful about export of strategic materials that threaten the United States. We must encourage secure legal foundations for property and contracts in these countries and provide the bulk of assistance in the form of enhanced trade opportunities.

Our trade relationships with Asia during the Clinton administration can be characterized as a series of mixed signals that threatened to divert action from the more important



task of opening new markets. The Clinton administration policy has lacked credibility and consistency, produced frustration and ill will on both sides, and left the financial markets confused.

Recently, positive actions have been taken with Japan and on China's "most favored nation" (MFN) status. But world uncertainty remains. Our goal should be expanding the opportunity for American products, services and financial resources in the Asian markets.

Regarding our important trade relationship with Japan, the administration has fortunately abandoned, at least for the present, the misguided and often counterproductive demand for numerical targets on Japan's imports. These efforts were flawed because numerical targets tend to limit our sales to the targeted level, which is usually lower than what our

entrepreneurs could achieve if the market were open. Also, market-share agreements encourage the formation of international cartels in a market that needs no new incentives for collusion. Such agreements would strengthen the role of already powerful Japanese bureaucrats.

Our bilateral trade imbalance with Japan has two major sources. First, the overall organization of the Japanese economy limits the total demand of Japanese consumers and businesses for foreign imports. Permanent Japanese tax cuts and greater government/public sector investment—that is truly open to foreign suppliers—are significant parts of the solution. Second, at the industrial level, where American exporters are most concerned, importation of American goods, services and capital faces a wide array of barriers.

America needs a trade, tax and regulatory environment that allows American industry to take full advantage of its competitive strengths, because the Americans we heard from told us that they are ready to meet the challenge of competing in the global marketplace.



Our trade negotiators should put debates over numbers aside and focus on real, sustainable improvements in market access that address these problems. To sharpen U.S. competitiveness, we must be allowed to compete.

With regard to the rest of Asia, our trade policy should stress the Asia Pacific Economic Cooperation Forum launched by the Bush administration to create a common economic framework to assist Pacific trade.

The current administration has wielded the linkage of trade relations and diplomatic objectives as a crude policy tool that threatens U.S. exports. With China, this tool is particularly likely to injure our exporters as well as fail to achieve its diplomatic goals. Asia contains many of the biggest and fastest-growing world economies. The administration should not put American prosperity at risk in an attempt to support its failed international relations efforts.

The need for leadership in global competitiveness

The recent trade milestones reached by the current administration are actually the culmination of 12 years of concerted Republican leadership in trade. The NAFTA victory in Congress

relied heavily on broad Republican support. More than three-quarters of the Republicans in Congress voted for NAFTA, while fewer than half of the Democrats did so. The administration has continued on two Republican trade policies but, unfortunately, does not practice the Republican tax, regulatory and budget restraints that would also promote U.S. trade competitiveness. Only the whole package can ensure long-term prosperity.

The world needs U.S. leadership to ensure a trading system that provides growth for all nations. We must demand complete national treatment and market access for all our companies abroad if we are to ensure long-term protection for our prosperity. Our inventiveness, industriousness and intellectual property are our true gifts as a nation; we must protect the property rights to their fruits at home and abroad.

America needs a trade, tax and regulatory environment that allows American industry to take full advantage of its competitive strengths, allowing the American people an economy with the maximum efficiency, prosperity and freedom. The American people we heard from told us that they are ready to meet the challenge of competing in the global marketplace.

U.S. LEADERSHIP IN A CHANGING WORLD



"The problem I see is that we don't have a foreign policy."—Brian Irving in Fayetteville, N.C.

Even while they express concern about domestic, social and economic problems, we hear from Americans the abiding conviction that, fundamentally, *their country is strong but the world is fragile*—as much as ever in need of a strong American hand and a clear American voice. Those who think this nation's focus on America's problems is an exclusive one either aren't listening or don't understand what they hear.

Unfortunately, it is no exaggeration to say that many we listen to agree with the gentleman from Fayetteville quoted above: America seems to have no foreign policy.

Fifteen years ago, Americans worried that the United States was being displaced in world affairs—that America's position as a leader and as a model was in jeopardy. From both political parties came forceful reminders of the truths America stood for—*free people, free societies and free markets*—and the necessity that we speak these truths clearly. In the years intervening, those worries abated as America found her voice again and the world listened and walls fell.

We find today a national mood similar to that earlier time. Proud and worried at the same time, Americans wonder about our place in the

world. Concerned that we are contributing to an erosion of our own strength, some are even more worried that we are losing our voice—that, more than ever before, we have truths to tell in this post-Cold War world.

There is also the sense we get from Americans that their government is all too sure of its ability to influence the behavior of this nation's 250 million free people—about health care, for example, Western land use or economics—but is dangerously timid about its ability to influence the world and especially the behavior of the tyrants and the pariahs in it.

In an epochal development, the Soviet empire was brought to the point of exhaustion and collapse without war. This was no historical accident. Nor was it wholly the result of internal weakness of the Soviet system. To the contrary, it was, in large measure, the result of competent, principled, American leadership—rooted in time-tested truths and a serious, realistic assessment of U.S. interests and the threats to those interests.

As we have listened to Americans, we have learned one overriding lesson: Americans know that *their security, prosperity and well-being depend upon continued American leadership and credibility.*

The inattention, confusion and weakness that has marked the first year and a half of the

"In response to audience questions and comments about the role of America in the world, Lugar said this nation cannot turn isolationist and avoid seeking a safer world if it wants to expand trade and improve the economy at home."
—*South Bend (Ind.) Tribune*, 3/20/94.



Co-Chairs: U.S. Senator Richard G. Lugar from Indiana is the ranking Republican on the European Affairs Subcommittee of the Senate Foreign Relations Committee and co-chairs the Senate Arms Control Observer Group.

U.S. Senator Nancy Landon Kassebaum from Kansas is the ranking Republican on the International Economic, Policy, Trade, Oceans and Environment Subcommittee of the Senate Foreign Relations Committee.

Clinton Administration's foreign policy has caused ordinary Americans to wonder where the nation is headed.

We believe that the dichotomy assumed by this administration between foreign policy and domestic policy is a false one; a successful foreign policy is indispensable to improving the quality of Americans' lives at home.

We stand for the use of means that will accomplish U.S. national goals. We stand for leadership. Those we have heard around the country have told us that if the United States does not lead, no one else can or will.

We stand for clear-cut articulation of our national interests. In particular, discussions we've held across America have led to the following resolutions.

Redefining NATO's role in post-Cold War Europe

NATO provided the security foundation upon which Europe rebuilt itself and the economies of Europe and the United States grew stronger and more interdependent. NATO remains crucial today. However, NATO needs a clearer definition of its responsibilities and its potential membership. NATO should redefine its role to suit post-Cold War Europe and adopt a new purpose: the creation of a whole, free and secure Europe. We should provide a road map, including specific conditions and timetables, for the admission of selected countries of Eastern Europe into NATO. While Russia has joined Clinton's "Partnership for Peace," it should not be allowed to exercise any veto over NATO's future, granted a special role within the NATO alliance or a more privileged relationship than any of the other partners.

A policy of 'patient realism' with Russia

We favor a sober, unromantic view of Russia's possible futures—and a U.S. military capability to match that more realistic view. We favor a policy that leaves no doubt in the mind of any future Russian leader that a return of Russia's imperial activity against its newly independent neighbors or a resumption of military competition with the United States would be a tragic mistake. Patient realism is the best long-term basis for our relationship with Russia.

U.S. military preparedness and independence

The United States has often worked together

with friends and allies to advance our common goals. We should continue to do so wherever and whenever it serves American interests. But we should never let American policy become hostage to multilateral institutions and unsound international agreements. Republicans place high priority on the lives of the American men and women who serve in the armed forces and, therefore, on proper command structure, sufficient quality and quantity of armaments, readiness and clearly defined missions.

Global security against nuclear war

To meet the need for a worldwide commitment to halt the spread of nuclear weapons and their missile delivery systems, the United States will require a more broadly based approach demanding active U.S. leadership to enhance regional and global security. We must lead in preventing the spread of nuclear weapons to outlaw regimes like North Korea, Iraq, Iran and Libya. In extreme cases we must be prepared to act with force if necessary and unilaterally if required.

We should break the bureaucratic logjam slowing U.S. assistance to Russia and the other newly independent states and get on with the cooperative task of identifying, controlling, and disposing of their nuclear materials. Of the \$1.2 billion authorized by the Nunn-Lugar legislation, to date only \$117 million has been made available, with an additional \$900 million for which contracts have been written but funds not yet obligated. We should rapidly develop effective antimissile defenses to protect the American people, American forces and our key allies.

A NAFTA-like agreement with the Pacific Basin

The United States is as much a Pacific power as an Atlantic power. American interests are served by helping to ensure that competition in Asia remains the economic competition of friends and allies and not the political and military competition of adversaries. The United States must maintain a strong military presence in the Pacific as a tangible sign of our commitment to the security of the region.

We find renewed confidence among Americans that we can compete successfully in a world without trade barriers. New negotiations should be undertaken immediately to expand NAFTA throughout Latin America to

form a Western Hemisphere free trade agreement, a goal envisaged in President Bush's Enterprise for the Americas Initiative. This should be followed by attempts to secure a NAFTA-like agreement with Japan and other countries. The expansion of trade is by far the best way to assist the development of the economies of the Western Hemisphere and elsewhere. Economic growth and job creation in less developed countries is one sure means to moderate the flow of illegal immigrants to the United States, which is causing hardship in a number of communities and states.

Democratization and the protection of human rights

The creation of market economies and worldwide economic growth is the best basis for substantial democratization and the protection of human rights. Democratization occurred in the 1980s because the United States and its allies pressed forward effectively, not only with high-sounding words but with serious commitments to support democratic movements and integrate new democracies into the political economy of the free world. A successful human rights policy depends not on shrill

rhetoric, but on active and credible U.S. involvement abroad.

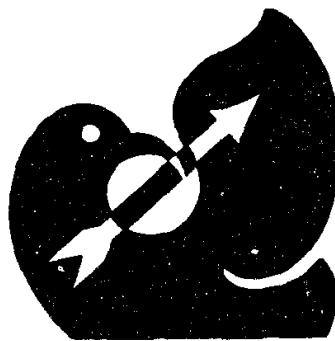
Foreign aid for friendly nations

Foreign assistance will be effective only if its purposes and the means to achieve those purposes are clearly defined. For friendly nations prepared to adopt responsible policies, there is a role for foreign assistance that not only improves life in recipient countries but also stimulates U.S. exports, domestic industries and job creation.

We believe the hollow threats that have increasingly come to pass for the Clinton administration's foreign policy are the worst possible form of diplomacy. Indeed, it is self-defeating and certainly no substitute for real leadership. Americans we've heard from believe that when a threat is made, it must be credible; when a decision is made to use U.S. power, we must do so with sufficient force to accomplish our goals at the least cost of lives and then terminate the engagement. These decisions in the future will require what they called for in the past—an American president and a foreign policy team that are visionary, principled, engaged, competent and credible.

We heard that the U.S. must take an active leadership role to enhance regional and global security. We must lead in preventing the spread of nuclear weapons and use force if necessary and unilaterally if required.

ASSURING AMERICA'S SECURITY



"One of the bills that is going to be paid won't be dollars, this is going to be paid in lives."— Charles Nichols in San Diego, Calif.

"I'm extremely concerned about the economic structure that supported our military, the industrial structure. What is happening to them?"— Al Wheatley in Fayetteville, N.C.

"In Fayetteville—whenever there is some type of conflagration, we feel it first. The casualties [are] our neighbors, our own people."— Col. Carlyle Woofers, USA (Ret.) in Fayetteville, N.C.

Americans have worldwide interests that their government must protect. The first, and by no means the last, of these is freedom.

As the world grows more interconnected, our interests extend well beyond protecting our own shores. The security, well-being and very future of America are inextricably linked to overseas markets, resources, trading partners, friends and allies. Global conditions may be changing, but the need for American constancy, credibility and strength—in short, for American leadership—is unchanged.

There are those (many of them in the administration) who say that with the Cold War over, America can lay down its international responsibilities and let other nations take the lead.

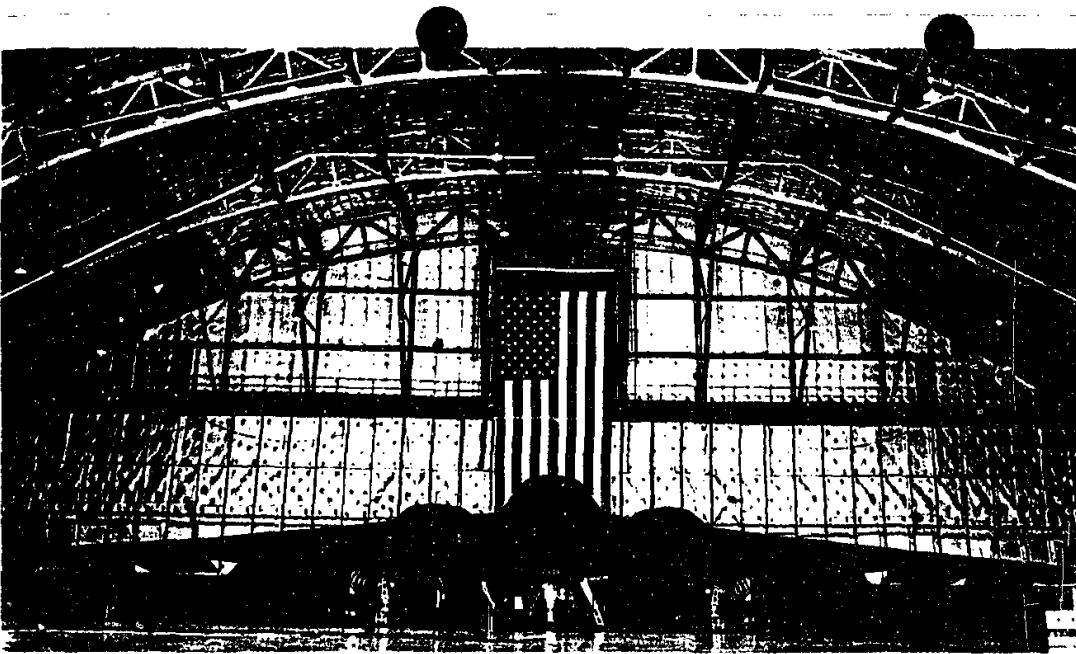
Those who take this view have not been listening to America. We have—and what we offer here reports on what we've heard and the major conclusions we've drawn from it.

The National Policy Forum's public meetings on defense confirm what recent public opinion polls indicate: Americans, perceiving new and serious challenges to American interests overseas, are concerned that Clinton administration security policies are rapidly reducing our ability to deal with such challenges—even as the need to do so is growing, thanks in part to the damage being done to America's international leadership and prestige.

The most serious deficiencies in the Clinton administration security policies are outlined below.

The demobilization of the U.S. armed forces

Significant reductions in U.S. defense spending had been planned and implemented before the inauguration of Bill Clinton as president. Since then, deeper cuts have been made. Budget cuts proposed by the Clinton administration will bring expenditures on our armed forces down 42 percent from 1985 levels (adjusted for inflation) to just 2.8 percent of gross domestic product. If carried out, these reductions will bring our security investments in the military



At our several defense forums we heard that in some areas we are comprehensively and unilaterally eliminating vital national security capabilities.

and its supporting industrial capability down to a level not seen since before Pearl Harbor.

Our active and reserve forces are being cut by nearly one-half. Those that remain face increasingly serious shortfalls in readiness and sustainability reminiscent of the "hollow military" of the late 1970s.

One measure of the gravity of this situation: the United States will soon be at the point—if it isn't already—where it can no longer perform the sort of global power projection mission entailed in Operation Desert Storm. At best, with today's defense capabilities it would take appreciably longer and cost substantially more, notably in terms of American lives, than it did to defeat Saddam in 1990–91.

If current trends continue, we will be still less prepared to deal with such a contingency a year or two from now. This is particularly true if, as seems likely, we will face threats from more dangerous weaponry (such as weapons of mass destruction), have less preparation time, are confronted with even tougher logistical challenges or have to contend with more than one military contingency simultaneously.

The deconstruction of key security-related institutions

Compounding its erosion of vital defense capabilities is the Clinton administration's aggressive weakening—and in some cases dismantling—of the institutions and arrangements upon which we in the United States and those in the West, more generally, relied upon for our collective

security during much of the period since the end of World War II. Dismissed as "antiques of the Cold War," these institutions—for example, NATO, the Strategic Defense Initiative, the multilateral export control mechanism COCOM, programs to ensure our government could function despite nuclear attack, and Radio Free Europe and Radio Liberty—may prove to be every bit as important in the "post-Cold War" world. Unfortunately, the task of reconstituting these assets will be an exceedingly difficult and time-consuming one—if it can be done at all.

Worse yet, this damage is being compounded by the Clinton administration's embrace of new and flawed institutions and arrangements that are simply not up to the tasks before us. Most of these derive from the administration's over commitment to multilateralism. This administration is allowing

One measure of the gravity of the demobilization of the U.S. armed forces is that we will soon be at the point—if we are not there already—when we can no longer perform the sort of global power projection mission entailed in Operation Desert Storm.





Co-Chairs: Dick Cheney, a former U.S. representative from Wyoming, served as President Bush's Secretary of Defense and President Ford's White House chief of staff.

Jeane Kirkpatrick is a senior fellow at the American Enterprise Institute and served as the U.S. ambassador to the United Nations during the Reagan administration.

Defense policy forum held in San Diego, Calif., chaired by U.S. Rep. Duncan Hunter.

improved multilateral institutional arrangements to define military missions, develop the rules on use of force, control our troops and certain key defense resources, and compromise vital intelligence sources and capabilities.

These new institutional arrangements will further impinge upon America's diminishing ability to act unilaterally, should it need to do so. The United States may also find it very difficult to extricate itself from the precedents and entanglements arising from them.

Unilateral disarmament

In some areas, we are comprehensively and unilaterally eliminating vital national security capabilities.

For example, the United States has completed 90 percent of the reductions in strategic arms required by the START I Treaty—even though that treaty is not yet in force and despite the fact that Russia has not made anything like comparable reductions in its arsenal of some 27,000 nuclear weapons.

Meanwhile, the United States has stopped production of nuclear weapons and is losing the capability to do so. The highly skilled personnel—whose ability to perform research, development and testing on nuclear weapons-related technologies is essential to fielding a credible nuclear deterrent—are also being lost. We are without a reliable domestic source of the radioactive gas, tritium, that is essential to maintaining our nuclear stockpile over the medium

to long term. These trends are worrying in themselves, but they are especially troubling at a time when others are working hard to obtain nuclear weapons, when Russia's future policies remain uncertain and when the commitment of both Russia and Ukraine to fully implement the START treaties is in doubt.

It was never a good idea to remain vulnerable to Soviet nuclear weapons and, as the Scud missile attacks on Israel and Saudi Arabia in the Persian Gulf War demonstrated to the whole world, it is never a good idea to be vulnerable to Saddam Hussein, Muammar Qadhafi, Kim Il Sung, Vladimir Zhirinovsky or others like them. Our security should depend not on the "reasoned" restraint of such unreasonable people but on effective defensive weapons under our control.

Unfortunately, disarmament is not limited to the nuclear area. Gen. Joseph P. Hoar, the commander-in-chief of the U.S. Central Command, recently told Congress: "Strategic lift in this country is broken right now." He said the shortage of giant long-range military cargo planes and fast cargo ships is so severe that the military would be hard pressed to fight even one war.

This situation will only be aggravated by impending budget cuts, deferred modernization and the planned assignment of American air and sealift assets to the United Nations.

More generally, we see an inability to use the military effectively, a strange reluctance on the part of this administration to allow and empower



our military to prevail, and to prevail decisively, in military operations. This phenomenon was disturbingly evident in the Somalia catastrophe.

Diversion of military resources to nonmilitary tasks

The detrimental effects of deep cuts in defense spending are being exacerbated by the Clinton administration's efforts to assign new nondefense functions—and budgetary burdens—to the Pentagon. Among these are billions of dollars being spent on defense conversion, emergency humanitarian relief, and peacekeeping, environmental and health research activities. The diversion of resources and personnel entailed in such functions amounts to a further hidden reduction in the investment in and readiness of our nation's combat forces.

Demoralization of the American military

Taken together, the foregoing are having a predictable and very undesirable impact on the morale of our armed forces. Test scores for recruits are falling, and some services are having difficulty meeting their enlistment goals. In our forums, we heard parents of prospective recruits—parents who are themselves serving in the military—admit that they were discouraging their children from enlisting. These are warning signs that our military may once again be unable to attract and keep the high-quality personnel it requires.

The mission of military forces is to fight and win wars. Judgments about social policy as they affect the military must take this into account. The social experimentation imposed upon the armed forces by the Clinton administration, taken together with grave uncertainties about future pay and advancement opportunities, is eroding not only the willingness to serve in the military but the readiness of those who do.

A strategy for safety and peace

We believe these dubious security policies are as dangerous as they are unacceptable to the American people. They are certain to expose the United States to grave risk; their weakness may invite war.

We propose a clear alternative to the Clinton administration's approach to national security—a strategy that has served America well in the past and that is sure to be required if we are to live in safety and peace in the future.



This strategy is based upon

- Firm, reliable U.S. leadership;
- A strong national defense establishment with industrial and intelligence capabilities sufficient to project American power credibly where necessary to defend our worldwide interests;
- A robust network of American-led alliances and security relationships;
- An unshakable commitment to promote and safeguard freedom, democracy and human dignity.

We, and the citizens we listened to and heard, would reverse the trend toward a hollow military and assure that our nation could once again fight and win a Desert Storm—should we be obliged to do so—together with allies if possible, alone if necessary.

We would again accord high priority to maintaining the readiness, morale and qualitative edge of our military. We would again move rapidly to protect this country and our allies, friends and troops overseas against the threat of ballistic and cruise missile attacks. We would again use our armed forces only when appropriate and in a manner designed to ensure their success. Finally, we would not entrust our interests, our forces or our freedom of action to nations or institutions that do not share our values or competence.

We believe that these are the defense capabilities and strategy that the nation requires. We believe, moreover, that the American people deserve and expect no less.

The mission of the military forces is to fight and win wars. The social experimentation imposed upon the armed forces by the Clinton administration is eroding not only the willingness to serve in the military but the readiness of those who do.

"America needs a strong military, but shouldn't forget those who have already served, speakers told a forum Wednesday sponsored by a Republican policy group."

—Fayetteville (N.C.) Observer-Times, 5/12/94.

SOME CONCLUDING THOUGHTS

Listening to America, the task the National Policy Forum set for itself, is a very big undertaking. Just glancing over this report should make that clear.

To be sure, the task is logistically complex. It involves thousands of people and dozens of meetings all over the country. But it is complex in other ways, more important ways as diverse as the people we met and the issues they discussed.

To begin this summary, mindful of that complexity, the obvious question arose:

Where do we start?

Our answer came from the heart: We started with some of the people we met along the way—and listened to and learned from. We started with individual Americans who, without even trying, elevated our view of what this people and their democracy can do.

- We started with Gail Davis, a woman we met in Detroit who used to depend on welfare. Now she runs her own business. She employs more than 50 people, and she, and they, support themselves and their families with work, not welfare.

- And we started with Joan Fredericks, whom we met in Virginia. There, we talked about crime, but she reminded us powerfully that we were really talking about people—and justice. She held up a picture of her son, herself and her husband, a Marine slain not a year before by carjackers—and called it softly, “a picture of what my family used to look like.”

- And we started with Taylor Brown, a rancher and broadcaster in Montana who spoke about land use and the environment. He asked for “a policy that takes people into consideration”—and he doesn’t think that’s too

much for free people to ask from a representative government.

- And we started with Bill Thomas, in Greensboro, declaring his “unhyphenated” pride that he was “an American.”

- And we started with Utah County Commissioner Gary Herbert who asked us to take his message back to Washington: “One size doesn’t fit all” and we should let local people and local officials make “local decisions that will correct local problems.”

- And we started with Thelma Moton who told us in Little Rock that even if she couldn’t change official Washington’s counterproductive approach to teen pregnancy (she had tried), she was determined to make a difference in Conway, her Arkansas hometown (and she has).

Even before we met these citizens, we knew that listening to America could not be a casual endeavor. It would require care and thought and a seriousness on our part that matches the seriousness of those to whom we would listen.

The people we heard from are *very* serious about the concerns they raise. They insist that the problems they face are the problems of real life in the real world, and they tell us that politics and government often seem removed from real life. They think they deserve better—and increasingly, they are in a mood to demand it. In short, they want their politics to be serious and get real.

Out of all the complexity we encountered, some simple propositions emerge. There ought to be more victors like Gail Davis and fewer victims like Joan Fredericks.

Impatient Americans have come to think politics should mean figuring out whatever it takes to achieve that goal. They believe govern-

ment should create more opportunity, so there can be more Gail Davis triumphs and more security so there will be fewer Joan Fredericks tragedies. They know that government can sometimes advance in that right direction; too often, they complain, it gets in the way or achieves the opposite.

We encountered resentment and frustration with government. We heard repeatedly that it's too big and tries to do too much. These were not theoretical complaints; we heard example after specific example—lots of infuriating detail.

But we also came across example after example of local—and sometimes individual—efforts to solve problems and help people. From people like Greg Alex of Seattle, whose work with the homeless uses no government funds, we heard that even if government isn't the answer, answers can be found. From many we heard two messages:

The first message to us turns out to be a contemporary update of an old American creed: there are important tasks people believe strongly they should do themselves, and government ought not to intrude or interfere with them.

Their second message, born of experience and prudence, is that most of these tasks should be done in a particular way: One at a time. One child at a time, for example, or one family at a time, one block and one neighborhood at a time, or one patient at a time, or one business and one job at a time.

As Kate O'Beirne, one of our council members, put it, "Need I state the obvious: Washington doesn't have the answers; in fact Washington doesn't even know what the questions are." Obvious or not, she had it exactly right, which is why the room in Little Rock exploded with applause when she said it.

Obscuring the two messages mentioned above is a confusion in much of politics and government today. The people we talked to see this confusion—and they resent it. It is simply this: Too many people, elected or appointed to run the government, think they are running the country.

The Americans we listened to would rather *that* task be left to them.

And with good reason, we discovered. We went looking for ideas, and we found them—ideas for local, private action to help people from Seattle and Orlando and numerous points

in between; ideas for reducing the size and scope of government came alike from Indianapolis and Massachusetts and other outposts of the American spirit; ideas for improving education—focusing more on the needs of children and less on the needs of school systems—came from parents and teachers everywhere.

On topics from property rights to job creation, from tax reduction to the use of sound science in regulatory decisions, we found solid ideas. These are rooted—as our system of government is supposed to be rooted—in the common sense of people, in their widespread determination to look less to government for answers and to simply try to help each other out, and in the wisdom their experience brings.

We started out with some admitted preconceptions about America and its people, and our convictions about them were confirmed with every forum. This is what we think is true:

- America is a good country with good people in it. There may be more sophisticated ways to say that, but we will use plain words. Though we think this truth apparent, it is challenged these days by the confusions of political correctness and often obscured by the weight of the nightly news. Our Free Individuals in a Free Society council is right in saying this, right to remind us all what should be obvious.

- Ours is a strong country, not just economically but spiritually and politically. Yet the world is fragile, peace is delicate, the times are dangerous. Our councils on U.S. leadership in a changing world and on assuring America's security are right to remind us of this.

- Ours is still the country the world admires and looks to for leadership. Like the National Policy Forum, the world listens to America. So this nation has to lead, and its leaders have to be careful and thoughtful about what they say—not *just* because the world is listening but because our own children are.

These simple truths run counter to the thinking fashionable in some quarters, that America is unsure of itself these days and Americans divided. We think, from what we've heard so far, that most Americans are together, at least on this: They still dare to say, "We hold these truths..."

Michael E. Baroody
President
 National Policy Forum

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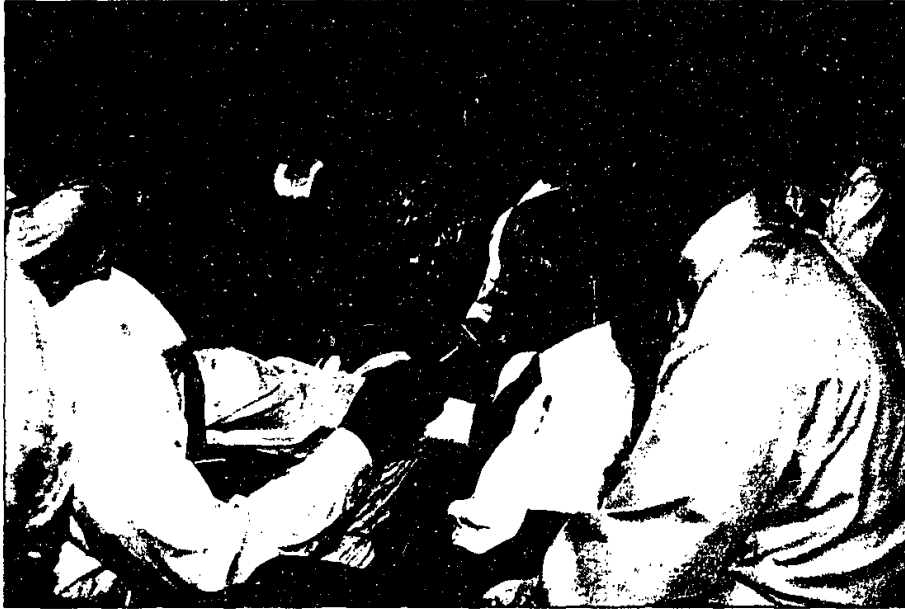
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