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Press Generally

THE NEW YORK TIMES,
THURSDAY, OCTOBER 3, 1996

For Legal Immigrants, a Welfare Reprieve

Congress Extends Deadline for End to Eligibility for Food Stamps

By ROBERT PEAR

WASHINGTON, Oct. 2 — Congress has given a reprieve to legal immigrants who receive food stamps, allowing them to stay on the rolls until April 1, and a few months longer in many cases, despite provisions of the new welfare law.

Some states, including New York and Virginia, had already told some immigrants that they would no longer receive food stamps because of the law. But efforts to carry out the restrictions caused much confusion, as officials in various states set different deadlines.

By extending the deadline at least to April 1, Congress tried to clear up the confusion. The dispensation for immigrants was in an omnibus spending bill that President Clinton signed on Monday. White House officials insisted on the change, and Republicans did not oppose it.

John L. Hilley, the chief White House lobbyist, said today: "We feel really, really good about this provision. We are grateful that members of Congress, on a bipartisan basis, did the right thing."

When he signed the welfare bill on Aug. 22, Mr. Clinton said the cuts in benefits for legal immigrants were "far too deep" and said he would urge Congress to "change what is wrong." Mr. Hilley said the extra time would give the Administration "a chance to rethink some of the provisions on legal immigrants."

About 1.8 million of the 25 million food stamp recipients are legal immigrants. The Congressional Budget Office estimates that one million of them will lose food stamps, while 800,000 will qualify for exemptions, mainly because they are refugees or have worked in the United States for at least 10 years.

Senator Patrick J. Leahy, a Vermont Democrat who voted against the welfare bill, said that the latest measure, delaying the effect on some immigrants, was just "a patch over one of many flaws" in the statute.

"It may have occurred to the negotiators that stories about hungry legal immigrants would play poorly over the Thanksgiving and Christmas holidays," said Mr. Leahy, a longtime defender of nutrition programs. "Having to count this as a victory for hungry people is an emblem of how misguided the welfare bill is."

Congress's action does nothing to help legal immigrants who file new applications for food stamps. They will be ineligible, in most cases. But it does help those already on the rolls, saying they may not be disqualified for their lack of American citizenship until April. State officials must reassess the eligibility of all such immigrants between April 1 and Aug. 22, 1997.

The action by Congress follows a nasty political spat between the Clinton Administration and Gov. Pete Wilson of California. On Sept. 19, Mr. Wilson, a Republican, issued and then rescinded an order instructing county officials to cut off food stamps for most legal immigrants starting Sept. 22. The Governor reversed himself after several prominent California Democrats complained to the White House and the regional director of the Federal food stamp program told California that it did not have to comply "until we provide further clarification."

Sean T. Walsh, press secretary to Governor Wilson, said the mixed signals made the Federal Government look like "a bunch of buffoons."

About 400,000 legal immigrants receive food stamps in California. Mr. Walsh said the new law extending the deadline for them "will allow California to make a smooth transition."

Mr. Wilson has long wanted to restrict benefits for illegal and legal immigrants, and some Democrats suggested that he was trying to embarrass Mr. Clinton by cutting benefits for tens of thousands of needy people a few weeks before the Nov. 5 election.

But Mr. Walsh said it was the White House that was playing politics because it did not want to anger liberal Democrats who abhor the welfare law and its restrictions on benefits for immigrants. Some of those Democrats expressed their concerns to Leon E. Panetta, the White House chief of staff, who has been mentioned as a possible Democratic candidate for governor of California in 1998.

The food stamp program is financed entirely with Federal money and is supposed to be uniform throughout the country. Benefits average $73 a month per person, roughly $2.40 a day.

Under the welfare law, noncitizens will generally become ineligible for food stamps and Supplemental Security Income, but states are allowed to continue public assistance, Medicaid and social services for those who were in the United States on Aug. 22. Immigrants may also qualify for benefits if they have worked in the United States for 10 years, and the children and spouses of such workers may also qualify.

But the Social Security Administration, which keeps track of work histories, does not yet have a way to provide large amounts of its data to state and local officials who need the information to decide if immigrants have worked long enough to qualify for benefits.

"We expect to have the capability to provide large volumes of data electronically by the end of the year," said Philip A. Gambino, a Social Security spokesman.

Environmental Dispute Delays Spending Bill

By JOHN H. CUSHMAN Jr.

WASHINGTON, Oct. 2 — The future of Sterling Forest, an undeveloped tract not far from New York City, was tangled up today with questions about logging in the Tongass National Forest in Alaska as a single Senator from that state refused to relax his grip on broad legislation affecting parks and public lands around the nation.

Also held hostage are scores of other parks, trails and battlegrounds affected by the stalled bill. If the legislation survives the bargaining, it will be one of the last accomplishments of the 104th Congress.

It is an object lesson in the kind of wrangling that often lengthens the final days of a legislative session, and an environmental dispute of the kind that has been especially divisive in this Congress.

In the balance are such farflung properties as the former military base at the Presidio near San Francisco, a tallgrass prairie preserve in Kansas, and even the Craters of the Moon — not the ones on the lunar surface, to be sure, but the park by that name in Idaho, whose borders are to be slightly adjusted.

In exchange for all that, Senator Frank H. Murkowski, Republican of Alaska, taking advantage of Senate rules and deadlines that allow a single naysayer to block almost anything, is seeking an extension of timber sales to a Ketchikan company.

Having lost his earlier attempt to include such a provision in the legislation, he now wants it done by the Administration, by fiat.

The two sides continued today to talk about some inducement, probably falling short of what Mr. Murkowski wants, but enough for him to let the Senate vote on the bill, which overwhelmingly passed the House on Saturday.

The obscure deal Mr. Murkowski is struggling to pull from the dying embers of an exhausted Congress is of paramount interest to logging interests in the Tongass, a vast temperate rain forest rich in ancient trees.

The Ketchikan Pulp Company, a subsidiary of Louisiana-Pacific Corporation, has been allowed for decades to process timber from the forest into pulp, an arrangement that environmentalists strongly oppose. The contract runs out in 2004 and the company has said it will close the pulp mill soon, laying off hundreds of workers, unless the timber contract is extended.

Today, Mr. Murkowski met with the White House chief of staff, Leon Panetta, to see what concession might be extracted — perhaps a supply of timber for a short, transitional period before the arrangement ultimately comes to an end.

Although the White House is not willing to do all that the Senator has sought, its negotiators are attempting to persuade Senator Murkowski that good-faith talks on future logging by the Alaska company would continue, and that he need not hold unrelated legislation hostage.

"We are trying to give him an assurance that we will negotiate these points swiftly and fairly," said a senior Administration official.

While this concession might seem modest for such high-stakes talks, Senator Murkowski is under intense pressure from other Senators to drop his opposition.

Sterling Forest and other matters are tied up with logging in an Alaskan rain forest.

Lawmakers from New York and New Jersey urgently want the bill to pass because it would allow the Federal Government to help those states buy the Sterling Forest, saving from development tens of thousands of acres that sit on the watershed that provides drinking water to much of northern New Jersey.

Lawmakers from California are just as keen to see the bill pass, not just because it would set up a foundation to pay for preservation of the Presidio, but also because it would provide hundreds of millions in Federal aid for a project to restore water quality in the San Francisco Bay and the rivers that feed it.

There are more than a hundred other provisions dear to the hearts of innumerable Senators and Representatives, providing land for an Olympic ski slope in Utah, establishing historic sites commemorating whalers, suffragettes and black patriots, and dozens of other provisions.

But nowhere in this version of the bill is there anything for the pulp mill that Senator Murkowski has been trying all year to assist. A provision that would have extended the company's long-term timber supply contract, set up in the 1950's in an attempt to provide jobs to Alaskans, was stripped because the Administration objected.

Under that contract, the company must operate a pulp mill in Ketchikan. But the company has said that unless the contract is extended from the year 2004 to the year 2019, it will close the mill rather than invest the money to keep it open in compliance with environmental laws.

With the pulp mill closed, the Administration could declare a breach of contract and end the logging. What Mr. Murkowski wants is an agreement not to do that, letting the logging continue for a while, with the wood going to other sawmills that employ fewer people but are more profitable. Environmentalists, who want the logging stopped, would surely object.

Corrections

An article on Tuesday about the financier George Soros's pledge of $50 million to help legal immigrants in the United States referred incorrectly to his humanitarian assistance in Bosnia. He offered $50 million in aid in December 1992, suspended it in May 1993 in protest over Western inaction and resumed it in July 1993.

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An article on Monday in the "American Place" series, about how the Presidential campaign is playing out in Stark County, Ohio, referred incorrectly to Don Singer, head of the local Job Training Partnership agency, who was quoted as saying, "This is a place with a lot of independent voters who make up their minds right at the end." He is an unpaid adviser to the Clinton campaign in Stark County; he is not running the campaign there.

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An article on Monday about budget cutting in the 104th Congress misstated the fate of the Japan-United States Friendship Commission. Congress changed the process of appropriating money for the commission, which is financed by a trust fund, but did not kill it.

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An article on Saturday about the wedding of Mortimer B. Zuckerman referred incorrectly to a position held by a guest, Linda Janklow. She is the current chairwoman of Lincoln Center Theater, not the former chairwoman.

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An entry in the Addenda listing of Business Day on Monday, about the addition of Draft Direct Worldwide to the American Express Company's direct marketing agency roster, misstated the estimated billings involved. They are $5 million, not $50 million.

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A picture caption on Tuesday with a Critic's Notebook article about a program of Shostakovich's chamber music at the Kaye Playhouse omitted the names of two members of the Manhattan String Quartet. They are Chris Finckel and John De...

THE NEW YORK TIMES,

THURSDAY, OCTOBER 3, 1996

Actions by States Hold Keys to Welfare Law's Future

By ROBERT PEAR

WASHINGTON, Sept. 30 — America takes a leap into the unknown on Tuesday as major provisions of the new welfare law take effect.

News Analysis

Whether the law will liberate people from dependence on Government, as Republicans contend, or increase poverty and misery, as liberal Democrats predict, is unknown, and perhaps unknowable, at this stage.

Millions of poor people who receive public assistance, food stamps, disability benefits or other Federal aid face new restrictions on their benefits and may eventually lose them altogether. Much depends on decisions yet to be made by state officials and on the results of Federal and state elections to be held in five weeks.

But on some issues, there appears to be no turning back. Since President Clinton signed the measure on Aug. 22, politicians of both parties seem to have accepted the demise of a major part of the nation's social contract: the Federal guarantee of cash assistance for the nation's poorest children. States will be free to reproduce or ignore this concept of entitlement, devised in the New Deal, but the decision will be made by states, not by Congress.

Even before the new law was signed, the number of welfare recipients had declined by 15 percent from a record of 14.4 million in March 1994. And James Q. Wilson, a professor of management and public policy at the University of California in Los Angeles, said today that the rolls may decline further "simply because there is a new signal that welfare is less available or entails work" in return for benefits.

"Stigma has been reattached to welfare," said Mr. Wilson, a long-time student of social policy. "That will affect the behavior of some people, perhaps a lot of people."

States have until July 1 to tell the Federal Government how they intend to comply with the new law, but 11 — Wisconsin, Michigan, Ohio, Florida, Vermont, Massachusetts, Maryland, Oregon, Oklahoma, Tennessee and Maine — have already submitted their plans.

Wisconsin and Michigan received a green light to move ahead tonight, as the Administration certified that their state plans met all requirements of the new law. President Clinton said Wisconsin had "one of the boldest, most revolutionary welfare reform plans" in the country.

Mr. Wilson said the law "may produce chaos in other states that didn't anticipate this and were doing very little" on their own to redesign welfare.

In an interview today, Representative E. Clay Shaw Jr., the Florida Republican who wrote much of the law, said: "We are changing the welfare system to show people the way out of poverty, rather than have them just survive in poverty. There will be a certain amount of turmoil in making these changes, and there will be some stories of hardship that tug at all our hearts. But I'm confident that many people will be helped and will take control of their lives, which otherwise would have been destroyed by a corrupt welfare system."

States have nine months to make decisions. But the new law declares, "Effective Oct. 1, 1996, no individual or family shall be entitled to any benefits or services" under state welfare programs financed with Federal money.

Just as the revolution in social policy begun by President Ronald Reagan was not immediately discernible on Oct. 1, 1981, so the effects of the new law are likely to emerge gradually for several reasons:

¶Forty-three states had already received Federal permission, or waivers, to carry out policies similar to those mandated by the new law.

¶Most states will initially receive more money under the new law than they would have received under the old law, and some expect windfalls. Each state will receive a lump sum of Federal money, known as a block grant, based on the number of welfare recipients it had several years ago, and the numbers have declined sharply in many states.

¶Congress made hardly any significant changes in Medicaid, which is much bigger than the cash welfare program and provides benefits that are considered more valuable by many recipients.

¶In some states, the biggest changes await action by state legislatures scheduled to meet early next year.

While there may be few immediate changes for the typical welfare family, composed of an American citizen mother with one or two children, immigrants face more drastic changes. Many noncitizens are to lose food stamps and disability benefits, known as Supplemental Security Income, in the near future.

Lawrence M. Mead, a professor of politics at New York University, said the work requirements of the new law would ultimately prove more significant than any cut in benefits.

"The social contract is more than symbolic now," Professor Mead said. "There really will be a serious work requirement."

Congress and many experts on welfare policy have concluded that education and training are less important than concrete work experience for welfare recipients. "The education and training strategy has been junked," said Professor Mead. "Education and training are less credible to an employer than a work history."

Under the new law, adults will be required to work within two years of receiving Federal welfare payments, and in each state, half of the recipients are supposed to be working by 2002. Fewer than 10 percent of the adults on welfare are now working.

In Congress, Republicans said that the new law would help many people overcome the culture of "learned helplessness" that has kept them trapped on welfare. The Republicans are confident that the principles of the new measure are right, but they fully expect to be bombarded with stories of hard-working immigrants who suffer extreme hardship in coming months.

"Some people will fall through the cracks," Mr. Shaw said.

THE NEW YORK TIMES,

TUESDAY, OCTOBER 1, 1996

Philanthropist Pledges Aid To Immigrants

By ERIC SCHMITT

WASHINGTON, Sept. 30 — George Soros, the Hungarian-born philanthropist and international financier, said today he would give $50 million to assist legal immigrants in the United States.

Mr. Soros said he was creating the new charity in response to the recently enacted welfare law that greatly restricts public benefits like food stamps and Supplemental Security Income for legal immigrants.

"I am appalled by Congress's recent action to deny vital public assistance to non-citizens who are lawfully resident in this country," Mr. Soros, a naturalized United States citizen, said at a news conference.

"This is a clear-cut case of injustice and is contrary to this country's proud tradition of welcoming immigrants," he said. Mr. Soros emigrated to England from Hungary in 1947, and to the United States in 1956.

The money will go largely to pay for the costs of immigrants applying to become naturalized United States citizens, and to assist local and community organizations that provide English-language classes and other aid to immigrants.

More than 1.1 million immigrants have become naturalized citizens this year, and Federal officials expect the harsh provisions in the welfare bill to push equally large numbers of legal immigrants toward citizenship in the next few years.

The charity, called the Emma Lazarus Fund after the poet whose words are inscribed on the Statue of Liberty, will also support organizations conducting legal or educational efforts on the behalf of immigrants.

Immigrant-rights groups expressed astonishment today at Mr. Soros's new project.

"We're thrilled," said Donald Kerwin, chief operating officer for Catholic Legal Immigration Network, a public-interest organization based in Washington. "This is probably more money in a given year than all the foundations and state bar associations give out. It's really shocking."

The new charity is an offshoot of the Open Society Institute and other Soros philanthropies, which spent $350 million in 1995 mostly in countries undergoing the transition to democratic regimes.

In addition, Mr. Soros was one of the early proponents of lifting the siege of Sarajevo during the Bosnian war. He proposed a $50 million aid plan to Bosnia in 1993, but suspended the offer when logistical details bogged down in bickering.

More recently, Mr. Soros has given out or pledged nearly $15 million to help change the nation's drug policy. For example, Mr. Soros has advocated legalizing the medical use of marijuana, and has been critical of efforts to treat drug use as a crime rather than a medical problem.

THE DETAILS

Restricting Immigrants

Through changes in welfare legislation and anticipated changes in immigration law, Congress has imposed new restrictions on illegal immigrants and on the use of public money for illegal immigrants and in some cases, legal immigrants.

PUBLIC ASSISTANCE Illegal immigrants will be ineligible for most public assistance programs financed by the Federal Government or the states.

They cannot receive grants, Federal contracts or loans, and will not be eligible for benefits under programs like the Earned Income Tax Credit, Supplemental Security Income, Aid to Families With Dependent Children, social service block grants, Medicaid or food stamps, housing, unemployment or financial aid for college.

Medical emergencies will be covered. Children who are illegal immigrants could attend Head Start or receive immunizations.

Under the welfare legislation signed into law by President Clinton in August, most legal immigrants will be ineligible for many public assistance programs.

EMPLOYEE VERIFICATION PROGRAMS Pilot programs will be established in five states with high populations of illegal immigrants so that employers could voluntarily check the legal status of prospective workers through a Justice Department program.

Verification documents will be restricted so that employers must require prospective employees to produce a United States passport, alien registration card or other authorization issued by the Justice Department. Under the agreement, various other forms, like a certificate of citizenship or naturalization, an unexpired foreign passport or a birth certificate will not be acceptable.

EMPLOYER SANCTIONS The new immigration financing will allow for 300 more employees a year for three years to the Immigration and Naturalization Service. They are to be deployed to investigate the unlawful hiring of illegal immigrants and the smuggling of illegal immigrants.

DISCRIMINATION The burden of proof will be raised for prospective employees who claim hiring discrimination on the basis of immigration status, so that a job applicant will have to prove that rejection is a result of intentional discrimination.

BORDER CONTROL The number of border patrol agents will be doubled to 10,000 by 2001.

SMUGGLING Penalties for smuggling people into the United States will be increased for a prison term of up to 10 years.

FRAUDULENT DOCUMENTS Criminal penalties for fraud or misuse of government-issued identification documents will increase from 5 years imprisonment to 15 years.

REMOVAL OF ILLEGAL IMMIGRANTS Anyone trying to enter the country without the proper documents will be subject to deportation. If someone seeking asylum is found to have no credible fear of persecution after an initial meeting with an officer, the person will be subject to removal after a hearing before an immigration judge. Such a hearing will have to take place within seven days, and there would be no additional appeals. Anyone suspected of terrorism will be immediately rejected.

Only one hearing would be held and notices of removal proceedings no longer would be given in Spanish.

Mandatory detention will be imposed on those ordered to leave the country.

EXCLUSION AND DEPORTATION Anyone who represents a terrorist organization will be deported or denied entry. Any former United States citizen who officially renounces citizenship to avoid paying taxes will not be permitted to re-enter the country. And any student who violated a special non-immigrant status visa will be banned for five years.

SPONSORING LEGAL IMMIGRANTS For those who sponsor legal immigrants for citizenship, the income guidelines will be altered so that sponsors would have to earn more than 125 percent of the poverty level. (The poverty level, according to 1995 figures, was less than $15,455 for a family of four.)

THE NEW YORK TIMES,

TUESDAY, OCTOBER 1, 1996

Welfare Overhaul, Shifting Power and Money To the Individual States, Gets Under Way Today

By DANA MILBANK
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — One of the nation's boldest experiments ever in social policy begins today.

States will take home the first of $16.4 billion of federal welfare funds to spend as they please under the historic welfare-overhaul law passed by the GOP Congress and signed by President Clinton in August over the protests of liberals. Six decades after Supreme Court Justice Louis Brandeis spoke hopefully of the states as "laboratories of democracy," they are finally getting a new set of test tubes. And these labs are wasting no time in casting off decades of federal antipoverty strategy.

Michigan, for example, plans to use some of its money on a new mentoring program in which the Salvation Army will refer welfare mothers to religious families, who will help with child care, transportation and the like. New Hampshire plans to put its emphasis on preventing poverty, by reducing school-dropout rates and teen pregnancy. Maine will try to do the same, by giving large, lump-sum payments to families in crisis rather than admit them to the welfare roll.

Driver's Licenses at Risk

Florida will use its new powers to cut payments for additional children born to welfare mothers. Ohio will suspend the driver's licenses of those who owe child support and don't have a court-approved payment plan. Oregon will subsidize the wages of thousands of welfare recipients. Connecticut will create a work incentive by paying a mother of two children full welfare benefits even while she earns up to $13,000 a year.

In all, 11 states — Wisconsin, Michigan, Ohio, Vermont, Massachusetts, Florida, Oregon, Maryland, Maine, Oklahoma and Tennessee — have already filed their plans with the federal government. And at least four more — New Hampshire, Alabama, Texas and Connecticut—plan to do so soon after today's start of federal fiscal 1997.

Nobody knows for sure which—if any—of these techniques will succeed where the federal war on poverty failed. The new approach has been under attack from liberals ever since President Clinton signed what he called a "far from perfect" bill ending the six-decade federal guarantee of aid to the poor. Advocates for the poor plan to challenge the law in court.

Variations and Chaos

A survey of the first states to file plans shows wide variations, even among neighbors. It also finds a good deal of chaos. At least so far, though, there is little evidence that states plan to reduce benefits as part of a "race to the bottom" that critics of the new law feared.

Massachusetts, for example, has one of the toughest overhauls. It limits benefits to two years in a five-year period, and it requires able-bodied beneficiaries with school-age children to work within 60 days. Teen parents must finish high school or its equivalent to receive benefits. And the Bay State reduces benefits by 2.75% in favor of work incentives. Instead of food stamps and the like, it offers wage subsidies of $3.50 an hour for nine months.

But bordering Vermont is far more generous. It encourages recipients to go to school (full-time students need work only seven hours a week to keep benefits), and allows single parents to receive benefits for a full 30 months without working. "Vermont seems to be something of an outlier," says Jane Kitchel, director of the state's Department of Social Welfare.

Making Welfare Pay

A few of the states that will profit from the new welfare law in fiscal year 1997, which begins today.

STATE	FEDERAL GRANT (IN MILLIONS)	INCREASE OVER PAST LAW (IN MILLIONS)
Michigan	$775	$150
Florida	561	60
Texas	486	100
Massachusetts	459	114
Oregon	167	20-30
Oklahoma	148	15-20
Maine	78	18
Vermont	47	1.7
New Hampshire	39	3

How some states plan to spend their added welfare money:

■ Massachusetts	Child care, educational programs such as English as a second language and a contingency fund for future use.
■ Michigan	A $50 million contingency fund, transportation services, mentoring program.
■ New Hampshire	School-dropout prevention, teen-pregnancy prevention, school-to-work programs, child-support enforcement.
■ Florida	Transportation, wage subsidies, child care.
■ Oregon	Skills training, GED and high-school programs, work-search program.
■ Oklahoma	Contingency fund, educational and training programs, grants to community groups to help with transportation and day care.

Source: State social-service departments

All states eventually must meet certain federal guidelines, including a five-year lifetime limit. But beyond this, they're on their own. Some (such as immigrant-heavy Florida) will cut aid to aliens, while others (such as Maine), can afford not to. Some emphasize training and education; others push child care, health care and transportation, while others simply demand work. Several are establishing contingency funds to use in an economic downturn; others will take their chances. And the states are dabbling with a range of aid cutoffs ranging from 60 days to the mandated five years.

Most of the first states to file their plans had already been conducting broad welfare experiments under waivers of federal regulations (and therefore are exempt from parts of the new law until the waivers expire). But many of the other states will have difficulty assembling a coherent plan by the July 1 deadline. "For them, it's more scrambling than innovation right now," says Gerald Miller, who led Michigan's overhaul.

Mr. Miller aims to profit from the scramble. He and top welfare officials from Oregon, Texas, Connecticut, Alabama and the federal government have been recruited by Lockheed Martin Corp.'s Information Management Services, which aims to administer states' welfare plans. Lockheed, which does human-services business with 30 states already, is targeting Texas, which wants to privatize its welfare administration and put the savings back into its programs. Meantime, billionaire investor George Soros has pledged $50 million to help legal immigrants who are denied benefits under what he calls the "mean-spirited" new law.

Most states have a strong incentive to file their overhaul plans quickly. Mark Greenberg of the Center for Law and Social Policy, an antipoverty group in Washington, figures about 40 states stand to reap a windfall in their first year under the new program, because the lump-sum grants they receive are based on older, higher caseloads. (Ohio says it gets an extra $200,000 a day because it filed early.) But Mr. Greenberg warns that this will encourage states to file half-baked plans.

Subsidies in Oregon

Not so in Oregon, where officials are already claiming success. "Oregon is ideally situated to make this work very well," says Jim Neely, the deputy administrator of the state's Adult and Family Services office. Oregon will use its funds to subsidize wages, probably for 2,000 or more of its beneficiaries, up from 500 now. "We're clearly not panicked here," Mr. Neely says.

The mood is less sanguine in Oklahoma. The state will receive an extra $15 million to $20 million in the year beginning today, but it has no grand plans. "I'm apprehensive," says George Miller, the state's human services director. "We're leery about how innovative we get." Mr. Miller does see one encouraging sign: Since Mr. Clinton signed the new law, welfare rolls are down 18% from a year earlier. Mr. Miller thinks the law has scared recipients enough to get some of them into the work force.

There's no shortage of innovation among the first states to file their welfare plans. The law gives the states the option to deny benefits for additional children born to welfare mothers, for example. Some do just that (Massachusetts), some ignore that option (Michigan) and others try something in between. Florida will give half-benefits to the first child and none to the next.

The states' other requirements are equally varied. New Hampshire allows a 26-week job search before forcing beneficiaries to do community work. Ohio cuts off recipients that don't meet the state's demands after six months; it denies benefits to pregnant women who test positive for drugs and refuse treatment. Florida allows a recipient to receive benefits for 24 months out of 60, but moves that to 36 out of 72 for the toughest cases; all have a lifetime limit of 48 months.

This jumble of conflicting strategies has created little but confusion so far. The hope is a few useful plans will emerge from the chaos. "I think we'd be foolish to suggest that five years from now exactly what was passed into law will still be the law," says Richard Chevrefils, New Hampshire's welfare chief. "If we don't learn some things and improve, I think we're missing something."

THE WALL STREET JOURNAL
TUESDAY, OCTOBER 1, 1996

Funding Bill Is Approved By Congress

By David Rogers
Staff Reporter of The Wall Street Journal

WASHINGTON—Congress approved an omnibus bill to fund much of the government for the new fiscal year, and put domestic spending on an upward swing prior to the November elections.

The measure, adopted 84-15 in the Senate, had already won House approval last weekend following negotiations with the Clinton administration. The swift action averts any threat of a government shutdown as fiscal 1997 begins this morning, and the GOP leadership is pressing for an early adjournment this week.

The spending increases, including billions for education and human-service programs, are a victory for President Clinton, who also won broad discretion to reduce the federal work force by offering employees voluntary buyouts of up to $25,000.

In today's political atmosphere, the measure had become a vehicle for supporters of a major crackdown on illegal immigration. Within the Immigration and Naturalization Service, the measure authorizes a doubling of the Border Patrol to 10,000 over the next five years and the addition of 1,200 INS investigators. In addition, deportation procedures for illegal immigrants — and those seeking political asylum in the U.S. — would be expedited, and demonstration projects would be set up to better verify if a job applicant is eligible to work in this country.

With most House members already at home, senators are anxious to follow. But the leadership must first resolve a labor and business fight that has blocked passage of a major two-year authorization bill for the Federal Aviation Administration.

The dispute pits all the political resources of Federal Express Corp. against unions such as the Teamsters, which want to organize the company's truck drivers. At issue is the law that will govern union organizing efforts. Federal Express believes the company comes under the Railway Labor Act, which requires workers to unionize systemwide or nationally. Organized labor wants Federal Express — like its rival, United Parcel Service of America Inc. — to be covered by the National Labor Relations Act, which sets an easier standard by letting workers organize locally.

After earlier skirmishes this year, Federal Express succeeded in attaching its language to the popular FAA authorization bill, which lawmakers are eager to pass at a time when voters are demanding improved airline safety.

The conflict has divided even traditionally pro-labor Democrats. Senate Minority Leader Tom Daschle (D., S.D.), a strong supporter of the FAA bill, sought to play down the conflict yesterday morning, but

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last night it spilled out onto the floor as Sen. Edward Kennedy (D., Mass.) led a labor effort to stall action with time-wasting procedural motions.

Given Federal Express's clout in both parties and the appeal of the FAA bill, labor has a weak hand. The joint leadership said it had enough votes to limit debate, and the real question is how far Sen. Kennedy will go to gain leverage in these last days.

A second dispute affecting a major authorization bill for scores of new parks or land exchanges sought by lawmakers faces a similar dilemma. Again, the underlying vehicle is very popular with members in both parties, but Senate Energy Committee Chairman Frank Murkowski (R., Alaska) has delayed action after the Clinton administration and House members crafted a compromise that sacrificed provisions related to logging in the Tongass National Forest in Alaska.

In these closing days, the White House may have the most leverage. The appropriations bill testifies to the increased standing the president enjoys in political polls, and the GOP retreat represents a third major turning point in this Congress. The first came in the spring of 1995 when the bitter House debate on welfare reform set the tone for partisan conflicts that ran through the budget battles of the summer and the government shutdowns last winter. That confrontation led to a spending pact this past April that established a new balance of power between the opposing parties and opened the door to a period this summer when major health insurance and welfare bills were enacted.

The bill last night tips this balance more in favor of President Clinton; if he should win re-election, he will be better positioned to confront the next Congress, when he will also have new line-item veto powers.

THE WALL STREET JOURNAL
TUESDAY, OCTOBER 1, 1996

NEW YORK LOSING MILLIONS FOR LACK OF WELFARE PLAN

The New York Times
WEDNESDAY, OCTOBER 9, 1996

DUE OCT. 1 UNDER U.S. LAW

Albany Blames Complexity of Revision, but U.S. Says It Needs Barest Outline

A1

By DAVID FIRESTONE

While Republicans and Democrats argue in Albany over the future of the state welfare program, New York State has been losing an estimated $1 million a day since Oct. 1 because it has not filed a plan showing how it intends to comply with the new Federal welfare law.

By Friday, half the 50 states had submitted plans to the Federal Department of Health and Human Services showing how they intended to use the new block grants that replace the old welfare programs abolished by the law. Two of those plans, Wisconsin's and Michigan's, have been approved; the rest are pending.

Some of those plans have little detail of the kind being debated in Albany, but are instead drafted simply to meet the minimum Federal requirements for submitting a plan. Once a plan is accepted, a state can get the new grants, which are based on a formula that offers a windfall for states that have cut their welfare caseloads. Until then, they are paid under the old formula.

A spokesman for the Federal agency said the law does not require states to explain in great detail how they will carry it out, only to certify that they plan to comply with such provisions as putting welfare recipients to work and providing them child care, if necessary. Federal guidelines issued to the states, in fact, say that plans need be no longer than a 15- or 20-page outline.

But in New York State, overhauling one of the country's largest welfare systems is mired in political disputes. Republicans and Democrats in Albany have clashed for years on welfare reform, resulting in a stalemate, and Gov. George E. Pataki said yesterday that he doubted an accord could be reached before January. That could mean losing at least $90 million, according to figures prepared by the New York City Council, whose Finance Committee plans a hearing on the issue today.

"I don't know that we can resolve all of the issues surrounding welfare prior to January," Governor Pataki, a Republican, said at a news conference. "But if we can achieve a consensus, I would like to try to get it done before January."

He added that he believed a special session of the Legislature would be necessary to change the welfare system, but that it could not be held before the November elections.

Thomas L. McMahon, the finance director of the City Council, said the Governor could file a plan with Washington on his own to begin collecting the block grant, and then

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amend it after the Legislature acts.

"Every day starting Oct. 1 that you don't have a plan filed, you lose the opportunity to generate that additional money," he said. "We argue that the state should be getting that money and investing it in child care, in workfare, and other programs to make welfare reform a reality."

Donna Arduin, the Deputy State Budget Director, acknowledged the state's loss because of the delay, adding that the amount might be less than the City Council's estimate. She said, however, that New York's welfare system was so large and complicated that a simple plan would not suffice. A task force of state and city officials has been working on a plan for the last month, she said, and must wait for legislative approval before it can be submitted.

New York State's annual block grant under the new law will be $2.359 billion once it files a plan, according to the Department of Health and Human Services. Under the old law, according to City Council estimates, the state is receiving $2.009 billion for its welfare programs, about two-thirds of which is spent in New York City. That $350 million difference, equal to almost $1 million a day, is because the state's welfare caseload has declined more than 7 percent over the last year.

State block grants are in most cases higher than the amount states have been receiving, because they are based on welfare caseloads of two and three years ago. In many states, welfare caseloads and Federal reimbursements have fallen sharply in the last two years.

City officials and welfare experts around the country said that the Pataki administration might be overestimating the kinds of details necessary to file a plan with the Federal Government for the new block grant. Many states have filed only barebones plans, answering questions in the most perfunctory way.

Wisconsin, for example, submitted a three-page plan on Aug. 22 that simply promises to provide assistance to needy families and "provide parents with job preparation, work, and support services to enable them to leave the program and become self-sufficient." Because Wisconsin's workfare program had already received Federal approval, the state was not required to submit any new documents. Washington certified the plan as complete on Sept. 23.

"Most states haven't had their legislatures go through this process, because the Federal Government is being very hands-off in terms of instructions," said Jack Tweedie, the welfare policy specialist of the National Conference of State Legislatures in Denver. "They don't seem to be very tough in asking for details."

Michael Kharfen, a spokesman for the Department of Health and Human Services, said the plans received so far ranged from relatively short to volumes of several hundred pages. Each state has different processes, he said. Some are submitting plans quickly, without legislative changes, while others are having extensive debates.

"The intent of the new statute is that the states are responsible for this new program," he said. "How they go about the development and submission of a plan is really up to them, and they can decide how much detail they're going to put in." The plans can easily be amended after they are submitted, he added.

Some states, like Maryland, had anticipated the new law's passage.

"There's a financial advantage to getting your plan in quickly," said Lynda Fox, Maryland's Deputy Commissioner for Human Services. "We made sure our plan was ready to go." It was only 12 pages long.

The 25 states that have not yet submitted plans tend to be larger, with more extensive welfare systems that have produced longstanding political divisions. In New Jersey, for example, Jacqueline Tencza, a spokeswoman for the State Department of Human Services, said the state was waiting to achieve "bipartisan consensus" before filing its plan in the near future.

Connecticut has submitted its plan, and its officials have said they expect perhaps $90 million more.

Councilman Herbert E. Berman, a Democrat of Brooklyn who heads the Finance Committee, said that even once the state begins collecting what remains of the $350 million, he wants to make sure the Pataki Administration uses the money for welfare-related spending, and not to close the state's general budget gap.

On Volatile Social and Cultural Issues, Silence

A1

By ADAM NAGOURNEY

Political Memo

WASHINGTON, Oct. 8 — The contours of the final weeks of the Presidential campaign seemed clear when this race began a year ago: The Republican candidate would use divisive social issues — chiefly, affirmative action, immigration and welfare — to drive President Clinton to the left and ultimately off the edge of the electoral map.

But for all of the hopes Republicans once attached to these three subjects that served them so well in the 1994 Congressional and gubernatorial elections, they have essentially vanished from sight as Mr. Dole moves into the last weeks of his Presidential campaign. So have the less prominent but equally volatile social issues of abortion and homosexuals in the military.

They did not come up in the course of 90 minutes of debate between Bob Dole and Mr. Clinton on Sunday evening. None is featured in Mr. Dole's television advertisements, and they are rarely, if ever, mentioned in his stump or policy speeches these days. Nor are there plans, at least for now, Mr. Dole's aides said today, to invoke them in speeches or advertisements in the weeks ahead.

Indeed, Mr. Dole's electoral strategy has become notable as much for what it is not, as for what it is. It is principally about his economic plan to cut taxes 15 percent and, if today's remarks in New Jersey were any indication, sharp attacks on Mr. Clinton's ethics and character. It is not about the kind of issues that Republican strategists and candidates once calculated would bring down a sitting President.

"The whole medley of social and cultural issues utterly disappeared Sunday night," William Kristol, the editor of a conservative publication, The Weekly Standard, said today. "And what's ironic are that those are the issues on which you could make a real case that Clinton is a liberal — and stayed to the left."

That Mr. Dole has not been able to turn these issues to his advantage is a comment on Mr. Clinton's success in defusing them by embracing them, with welfare being the most obvious example. But it also suggests just how much Mr. Dole's fellow Republicans in the House let the air out of his tires by compromising with Mr. Clinton on matters like immigration restrictions, before adjourning for their own campaigns.

The campaign's public statements to the contrary, it suggests that Mr. Dole may well have given up on California, a state where tough stands on immigration and affirmative action have proven to be electoral winners, as Gov. Pete Wilson demonstrated in his come-from-behind victory in 1994.

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Dole Prefers to Talk of Taxes, Not Welfare and Immigration

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And it shows the price that Mr. Dole is paying for aligning himself with two Republicans whose views on social issues are often close to the center of the Republican Party (and, some conservatives might argue, to those of Mr. Dole himself): Jack Kemp, his running-mate, and Gen. Colin L. Powell, who will travel with Mr. Dole again on Thursday in Ohio. Mr. Kemp and Mr. Powell have been among the party's defenders of the kind of affirmative action programs that Mr. Dole had introduced legislation to abolish as he prepared to run for President. At the time, he was contemplating a field of Republican Presidential hopefuls including Governor Wilson.

For many conservatives, Mr. Dole's performance on Sunday resurrected long-standing concerns about whether Mr. Dole is indeed the true conservative he declared himself to be this past winter as he sought the party's nomination from a generally conservative primary electorate. His choice of subjects on Sunday, and on the campaign trail beforehand, only seemed to confirm their greatest fear — that he had cast aside social issues, even Mr. Clinton's veto of legislation that bans some forms of late-term abortions.

"That's an issue that strikes home with an awful lot of people," said Lyn Nofziger, a former aide to President Ronald Reagan, who was among those surprised that Mr. Dole never raised it in the Presidential debate. (He mentions it only intermittently while campaigning.)

Why this has happened is the subject of discussion among conservatives, who are beginning to raise questions with which Mr. Dole and his campaign strategists will have to deal with should he not win this election after failing to heed the conservatives' advice. On the morning after the debate, several conservatives sent memorandums to the campaign, asking why Mr. Dole insisted on relying so heavily on economic arguments when the public perception of the economy was so cheery.

"I think the tax cut and the fiscal message is a winning message — but only if it's complemented with a moral-and-values message," said Ralph Reed, the executive director of the Christian Coalition. He said the campaign needed "to take some of the cultural wedge issues and use them as a magnet to draw traditional voters."

Part of what is going on is the result of an ongoing struggle in Mr. Dole's campaign, among those who believe that his tax cut plan will win out in the end.

But Mr. Reed was among several suggesting that the number of people who will switch their vote in this economy is, in truth, minimal.

To a limited extent, Mr. Dole's inability to use these issues reflects forces beyond his control. Mr. Dole, in his announcement speech, said affirmative action was "another Federal policy out of control," and his aides welcomed an anti-affirmative action referendum initiative in California as a way to sharpen their differences with Mr. Clinton.

Since then, Mr. Dole has avoided advertising his position in that debate, in part because opposition to affirmative action worries the very constituency with which he most needs to improve his standing — women.

"Quite frankly there are concerns about fostering a debate in a broad sense on an issue that can be divisive," Mr. Dole's communications director, John Buckley, said today.

It is that cautiousness that has bothered Mr. Dole's conservative critics from the start. "The problem is that Dole is spooked on these social and cultural issues," Mr. Kristol said. "He is not comfortable making the case about them. But these are in fact that issues that accounted for the Republican victory in 1994."

The New York Times, WEDNESDAY, OCTOBER 9, 1996

Law Sowing Fear and Confusion at Welfare Offices

Many Immigrants Unsure of Their Benefits

By N. R. KLEINFIELD

Workers on the front lines of welfare reform, under new orders to deny food stamps to innumerable legal immigrants who had previously qualified for them, are finding that translating Federal law into reality is not coming easily.

Field workers are befuddled about what to do when, and some are fighting their torment about the justness of it all. Recipients, some newly ineligible, are showing up in pursuit of clarity and sympathetic ears.

"It's rough," said a harried worker yesterday morning at the jam-packed food-stamps office on East 16th Street in Manhattan. "We don't know what we're doing. We're in utter confusion."

Sonia Alava, who immigrated from Ecuador as a child in 1949 but never became a citizen and has worked only sporadically, was stunned to learn at the Coney Island food-stamp office of the new rules, which might erase her benefits.

"My son is very, very sick," she said. "My husband is out of work. If I'm no longer eligible for food stamps, you're going to hear me scream."

Maria Victoria Reroma, an immigrant from the Philippines who lives in Belleville, N.J., said at a benefits office in Newark that her 70-year-old mother, who is not a citizen and has never worked in this country, may return home.

"She's very scared," she said. "She talked to a lawyer, who said she might be able to become a citizen in three months. But she's thinking she might be better off to go home."

At food-stamp outposts throughout the New York region and in other states, there seemed to be more confusion than certainty, more anguish than mute acceptance, about the first cuts ordered by the new Federal welfare law.

A raft of changes in welfare provisions are mandated by the measure signed last month by President Clinton, but the first round is to eliminate food stamps for legal immigrants who are not citizens, unless they are refugees or military personnel or can prove they have worked for at least 10 years.

While states have drawn varying conclusions about what they must do, New York, New Jersey and Connecticut are among those that decided that the guidelines for new food-stamp applicants had to be put in place this week to escape Federal penalties.

A spokeswoman for the city's Human Resources Administration said that the new procedures were sent to field offices on Friday, but that workers probably were not using them yet because managers did not receive training in the procedures until yesterday. The managers are now to begin educating their workers.

The managers were advised to suggest to field workers that they not bluntly tell applicants they are no longer eligible, but rather urge them to find out whether they qualify under an exemption.

Advocates for immigrants estimate that 100,000 to 200,000 of the two million people on food stamps in New York State will lose their benefits under the new law. Since it takes at least a month to process an application, it may be a while before denials are issued.

Visits to food-stamp offices around the nation yesterday suggested that many field workers were having a hard time of it. While managers said they were starting to put the rules into effect, no one at several offices visited could point to an example of an applicant who had been rejected.

"We don't have the information yet," said the assistant manager at the office in Long Island City, who would not give her name. "We can't tell you anything."

Many workers said they were troubled by the welfare changes, pointing out that they were the ones who saw the actual faces of need in chairs before them. "I believe it's going to be hard for them to prove 10 years of work," said a worker in the Long Island City office, who spoke on condition of anonymity. "I believe it's fair and it's not fair.

"It's not fair because some people come here and though they have worked nine years, this will limit their ability to get food stamps. They have families to support and they might become homeless. On the other side, the Government has to balance what it has to balance."

Recipients confused about their fate were turning up at the office in search of answers. There were many confusing possibilities, including those in which parents and grandparents lose benefits, but their children retain them.

'If I'm no longer eligible for food stamps, you're going to hear me scream.'

Jesusita Solares, 52, went to the Long Island City office yesterday morning. She is a legal immigrant from the Dominican Republic who lives in Queens with her seven children. She said her husband deserted her a year and a half ago. She relies on food stamps to put meals on the table.

She is not a citizen, but she said that she worked for 11 years in a factory trimming threads from clothing. If she can prove her work history, she will qualify for food stamps.

"I see on the television that this food stamp program will not continue," she said. "I understand some things and I don't understand others, so I don't know what to do."

She was fearful of losing her benefits. "I want to work," she said, "but with what I'll earn, how am I going to pay the rent and provide food for seven children?"

She said she wanted to become a citizen, but said her English was bad. She said she was enrolled in a program to learn English.

In Hudson County, N.J., which estimates it has the 10th-largest immigrant population of any county in the country, Carol Ann Wilson, the director of the Department of Human Services, said her workers would give recipients who are cut off at least a month's worth of stamps before halting their benefits. She also said her staff would not turn in illegal immigrants, as the new law requires. "We still have compassion here," she said.

In some states, food-stamp recipients were already hearing about loss of eligibility. In Santa Maria, Tex., a 47-year-old migrant worker, who would only give his name as Juan, said Sylvia Galvan, his caseworker at the Department of Human Services, called him on Tuesday to tell him he might no longer qualify.

He said he hoped he would be exempt because he has worked for more than 10 years, though Ms. Galvan said if his bosses did not report his earnings, he would not be able to prove his work history. "It's O.K. to have this rule," Juan said, "but there are no jobs."

At the food-stamp office on Coney Island in Brooklyn, Svetlana Vokyo was not only unclear about the new Federal welfare law, she was unaware that there was a new Federal welfare law.

Ms. Vokyo, who lives in Brighton Beach, said that she left a difficult life in Russia four months ago. She was at the office yesterday to recertify her benefits.

"I need a little more time to find a job to support my little 8-year-old daughter," Ms. Vokyo said. "If we don't get food stamps, it will be much worse. The future of my daughter will be much worse."

A caseworker at the office, who would not give her name, said that few people knew about the rules, but predicted a backlash once they understood them. "The masses will be revolting," she said.

At the food-stamp office in Borough Park, Brooklyn, Juliana Rodriguez, 28, was in doubt about her future. She said she went to the United States from the Dominican Republic 13 years ago and has received food stamps for the last four months as a legal immigrant. She said her husband, Felix Valdez, makes little money manufacturing clothes, and they have two young children.

She said she hoped to become a citizen, perhaps as soon as next month, but feared she would forfeit her food stamps if unable to do so.

"I hear a lot of people saying that if you don't become a citizen you're not going to be eligible for a lot of social services," she said.

Some of the other applicants at the food-stamp offices, whose continuation in the program was insured by their citizenship, had mixed feelings about the new law.

Jill Perlmutter, 33, who is raising an 8-year-old daughter alone and is a citizen, said at the Long Island City office, "Women with children who have kids and need it should get food stamps.

"But sometimes, I see girls in there with brand new clothes and their nails done and all these brand-new things while I'm trying to figure out how I'm going to get the second half of the month's food in my home."

THE NEW YORK TIMES, THURSDAY, SEPTEMBER 26, 1996

New U.S. Bonds Could Prove To Be Tax Trap for Unwary

By ROBERT D. HERSHEY Jr.

WASHINGTON, Sept. 25 — What could be more enticing to the long-term investor than a promise to protect returns from inflation's corrosive effect?

Economic Analysis

But the inflation-proof Government bonds announced today by President Clinton do not banish risk so much as exchange one kind of risk for another, experts say. As a result, they are likely to appeal mainly to highly conservative investors and could even prove a tax trap for the unwary.

"To herald them as a great investment for education and retirement may be a bit misleading," contended John R. Ziegelbauer, a senior manager at Grant Thornton, the accounting firm. "If you're going long term, you really should look for a mix of stocks and bonds."

Still, the novel securities will fill an important niche for both individual and institutional investors, analysts said. They will also benefit the Government — and thereby taxpayers. The Treasury will get an additional tool for managing its huge debt that could save it money as long as inflation remains under control, while the Federal Reserve will get a pure gauge of inflation expectations that will aid its formulation of monetary policy.

Every investment represents a balancing of acceptable risk and potential rewards. Stocks go up and down by the minute and are worth whatever they will fetch when you want to sell. Bonds, which also fluctuate in price, generally give a lower rate of return over time. And while that rate is guaranteed in dollars, an unanticipated rise in inflation would mean that these dollars would not buy as much as the investor had hoped.

The trade-off for buyers of the inflation-proof bonds is that they accept an even lower stated rate of return in exchange for a guarantee that their buying power will not be diminished by inflation alone. Following up the May announcement of its

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intention to issue bonds that protect buyers from inflation, the Treasury said today that it would conduct its first auction in January and would offer the securities quarterly.

Yields will be determined by those bidding in the market. In Canada, Britain and other countries that have offered such bonds the real interest rate — that is, the rate after inflation — has fluctuated between 3 and 5 percent, experts said.

Initially, the Treasury will sell 10-year notes but other, so far unspecified, maturities will be added within a year. The amount will not be set until the close to the auction day but the Government pledged to sell enough to support a liquid trading market. Some private specialists believe the Government eventually hopes to have 15 percent of its roughly $5 trillion debt in what it calls "inflation protection" bonds. One official noted today that even 2 percent of today's debt would mean the Government would have to sell $100 billion worth.

From various choices, the Treasury decided to structure the securities like those that Canada began issuing in December 1991. These are so-called bullet instruments, whose principal amount is adjusted for inflation while the interest rate remains fixed.

Inflation will be measured by the most popular yardstick — the Consumer Price Index for urban areas — without any adjustment for recurring seasonal variation. There will also be a lag so that, for example, the rate to be applied on Dec. 1 is the C.P.I. for September.

The security is tailored with pension funds and Wall Street's traders particularly in mind.

"We think they work well," said Dan Bernstein, director of research at Bridgewater Associates, a Wilton, Conn., firm with experience in indexed Canadian bonds and whose pension fund clients will find their risk of mismatched assets and liabilities "completely erased."

Treasury officials said they delayed the first auction to give Wall Street time to develop a market for stripped versions of the securities, which will resemble today's zero-coupon bonds. They will be split into their principal and interest components and marketed separately. Money managers are already creating mutual funds based on inflation-proof securities.

The officials would not say whether the second maturity to be offered would be shorter or longer than 10 years. Private analysts predicted it would be a two-to-five-year issue, which they said would have greatest appeal for individual investors. A 30-year issue, by contrast, is most attractive to institutions.

The bonds will be sold in denominations as low as $1,000, mostly for 401(k)'s and other tax-deferred accounts, but others who bid for them were cautioned about adverse tax consequences should inflation surge.

With the new bonds paying the real part of their interest on a semiannual basis — the inflation adjustment comes only at maturity — it is possible that the bond will not generate enough cash in a given year to cover the tax liability it creates.

But that only happens at sharply higher inflation rates, Barbara J. Moore, a managing director of the SEI Corporation in New York, said. The break-even inflation rate for a taxpayer in the 28 percent bracket is 8.5 percent.

Representative Bill Archer, the Texas Republican who heads the House Ways and Means Committee, promptly denounced the Administration for what he said was a failure to consult Congress about inflation-proof bonds. Mr. Archer argued that the bonds would create a "new level of uncertainty" about budget projections and asked the Administration to defer implementation.

A Treasury spokesman, Howard Schloss, said that Treasury officials had repeatedly discussed inflation-protected bonds with the Ways and Means Committee staff since April.

The Administration also announced today that it will offer by January 1998 a new inflation-protected savings bond to be sold in denominations as low as $50.

It also said it would propose legislation to expand the tax-exempt use of savings bonds to include vocational and other schools not now qualified and to eliminate the current requirement that buyers of bonds for this purpose be at least 24 years old.

THE NEW YORK TIMES, THURSDAY, SEPTEMBER 26, 1996

MOST STATES FIND WELFARE TARGETS WELL WITHIN REACH

WORK RULES ARE FLEXIBLE

Nearly All Have Reduced Aid Rolls, and Those Will Need to Move Fewer to Jobs

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By ROBERT PEAR

WASHINGTON, Sept. 22 — State officials are discovering that the work requirements of the new welfare law are much less onerous than they first believed.

The work requirements will be substantially reduced for any state that reduces the number of families receiving welfare, compared with the total in the 1995 fiscal year, and that number is already way down in most states. Thus, a state can comply with the law by putting some people to work and by simply removing others from the rolls, regardless of whether they find jobs.

In the fiscal year that begins Oct. 1, at least 25 percent of the adults on welfare in each state are supposed to be working, the law says. But if, for example, a state reduces its caseload by 10 percent, compared with the 1995 fiscal year, its work target will be reduced by 10 percentage points, so only 15 percent of the adults on welfare will be required to work.

Since the welfare caseload is down an average of 9 percent nationwide from last year and still falling, that means many states will face a far smaller task in meeting the Federal requirements. If a welfare recipient moves to a job or simply ceases to receive aid, the state gets the same credit toward the work requirement.

That worries some welfare advocates. Mark H. Greenberg, a lawyer at the Center for Law and Social Policy, a research and advocacy group, said the "caseload reduction credit" was troubling to him because it rewarded states for reducing the welfare rolls even if they did not put more people to work.

"Under this provision," Mr. Greenberg said, "states will be equally rewarded if their caseload goes down because more people are working or simply because the state has has made it more difficult for families who need help to receive it."

The welfare law ends the 60-year-old Federal guarantee of cash assistance for the nation's poorest children, sets a five-year limit on payments to any family and gives states vast new power to run their own welfare and work programs with lump sums of Federal money.

The caseload-reduction credit will prove useful to most states. In June, the last month for which Federal data are available, the number of families on welfare was less than the monthly average for the 1995 fiscal year in 47 of the 50 states — all but Alaska, Hawaii and Minnesota.

The declines are striking in Maryland (26 percent), Wisconsin (24 percent), Indiana (21 percent), Oklahoma (18 percent), Louisiana (15 percent) and Michigan (14 percent). For the nation as a whole, the number of families on welfare has declined 14 percent, to 4.4 million, from a peak of 5.1 million in March 1994.

Evelyn Ganzglass, director of em-

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ployment and social services policy at the National Governors' Association, said: "It's staggering how much change there has been in caseloads. It's incredible."

Officials suggest several reasons for that: a strong economy, aggressive efforts to put people to work, restrictive new state laws and a new political climate that discourages people from seeking or staying on welfare.

Many state welfare officials say the provisions mean that they will probably be able to meet the requirements without making major changes in their programs. In New York, however, city and state officials are scrambling to prepare for the largest public jobs program since the Depression, and some experts say it will be extremely difficult for New York to find employment for the thousands of unskilled people now receiving welfare.

Even so, New York State's welfare rolls have been declining, and this trend will reduce the burden of the new work requirements. The number of families on the Federal welfare rolls in New York State has dropped nearly 7 percent, to 425,370 in June from a monthly average of 456,929 in the 1995 fiscal year.

That reduction means that New York will need to put 18 to 20 percent of its welfare recipients to work, and aides to Gov. George E. Pataki said last week that the state was well on its way to meeting that goal.

In Connecticut, the number of families on welfare has dropped 6 percent, to 57,120 in June from an average of 60,985 in the 1995 fiscal year, while in New Jersey, the number has declined by 7 percent, to 110,700 from 118,883.

In Mississippi, Larry E. Temple, deputy director of the state Department of Human Services, said, "Our caseload is going through the floor." As a result, he said, the state will easily meet the new work requirements.

From 1990 to 1993, more than 60,000 Mississippi families were on the welfare rolls. That number declined to 52,500 in 1995 and then declined a further 10 percent, to 47,300, in the first nine months of the current fiscal year.

So under the new law, Mississippi will have to put about 15 percent of its adult welfare recipients to work, and that goal is well within reach, Mr. Temple said. He said 10 to 15 percent of the recipients were already working.

Mississippi, like other states, is emphasizing work. "When a client comes in to apply or be recertified," Mr. Temple said, "we have job placement people on site trying to find them a private-sector unsubsidized job as a first priority."

In Indiana, Cheryl Sullivan, the Secretary of Family and Social Services, said, "We don't anticipate any problem meeting the work requirements set by the Federal Government." Twenty percent of Indiana's adult welfare recipients are already working, Ms. Sullivan said. In general, 25 percent of welfare recipients are supposed to be working in the fiscal year that begins Oct. 1. But, for Indiana, this figure will be much lower because of the credit it gets for having already made sharp reductions in its rolls. Thus, Indiana is already satisfying the work requirements imposed on it by the new law.

The Republicans who devised the caseload-reduction credit acknowledge that they do not know what happens to all the parents and children leaving the welfare rolls. Democrats say many of these families sink deeper into poverty. Republicans say the adults will find jobs and will ultimately be better off.

Even without changing eligibility criteria, Mr. Greenberg said, a state can reduce its welfare rolls in many ways — for example, by closing some welfare offices, by imposing new paper-work requirements or by demanding that an applicant produce additional records as proof of identity or income.

Gary J. Stangler, director of the Missouri Department of Social Services, closely followed the Congressional debate on welfare legislation, but he said he had been pleasantly surprised to learn of the caseload-reduction credit just last week.

Because of this credit, he said, "we're within striking distance" of the new work requirements and may already have met them.

Rose Masure, the welfare director in Maine, said: "The credit is a reward or recognition for something we've already done. We've already reduced the caseload." The number of Maine families on welfare totaled 20,590 in June, down 5 percent from 1995 and 14 percent from 1992.

Republicans like Representatives James M. Talent of Missouri and Tim Hutchinson of Arkansas were determined to set stiff work requirements. They did this in two ways. They established a much stricter definition of work, which excludes many types of education and training that were previously counted as work. At the same time, they made more welfare recipients subject to the work requirements. In the past, many welfare recipients were exempt from the requirements and excluded from the calculations.

States that do not meet the work requirements of the new law face financial penalties. They may lose 5 percent of their Federal welfare money in the first year, and penalties would grow in subsequent years.

The work requirements became even more stringent under pressure from President Clinton, who denounced the Republicans as "tough on kids and weak on work." By that, he meant that the Republicans did not provide enough money for child care and other services that welfare recipients need to enable them to work. The work requirement rises to 50 percent of the adults on welfare in the fiscal year 2002.

Like much of the new welfare law, the work requirements are based on an assumption that the economy will remain strong. No one can be sure what will happen in a recession. If the economy softens, the demand for welfare will almost certainly increase, and fewer states will qualify for the caseload-reduction credit. But jobs will be harder to find in a soft economy, so the work requirements will be harder to meet.

THE NEW YORK TIMES, MONDAY, SEPTEMBER 23, 1996

"All the News
That's Fit to Print"

The New York Times

New York: Today, early shower, then clouds, breezy. High 70. Tonight, partly cloudy. Low 56. Tomorrow, late showers. High 69. Yesterday, high 66, low 62. Details are on page B10.

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$1 beyond the greater New York metropolitan area

Sarah Martone for The New York Times

Across Rwanda, women raped during the violence of 1994 are struggling to raise the children of those rapes.

New York Union Leader Urges Halt to Broadening Workfare

By STEVEN GREENHOUSE

Troubled by a new plan to use welfare recipients to clean New York City subways and buses and by new Federal workfare requirements, the head of New York's largest municipal union has called for a moratorium on expanding the city's workfare program, a demand that reflects the growing anxiety of labor leaders nationwide over workfare.

"I think there should be a moratorium on workfare right now," said Stanley Hill, executive director of District Council 37, the umbrella union of nonuniformed city workers. "There's too much workfare now. We have to sit down and evaluate the whole program and the new welfare law. We have to come up with a plan that is more humane than this new law. Otherwise, it will be suicide."

Mr. Hill is demanding that City Hall place a freeze on its current 35,000-person workfare force until Mayor Rudolph W. Giuliani sits down with unions to talk. This demand comes several days after the Metropolitan Transportation Authority announced an agreement with the Transport Workers Union that allows it to use thousands of welfare recipients to clean subways and buses while eliminating 500 union cleaning jobs through attrition.

Mr. Giuliani, who has long been a champion of workfare but who opposes the transit agreement, said Mr. Hill called him on Friday to demand a moratorium, but the Mayor said he refused to halt the program's expansion.

"We're going to continue with our workfare program as we've been operating it, which means it grows virtually every month by 4,000 to 5,000," Mr. Giuliani said in an interview. "They understand the principles we use, which are we fill jobs that haven't been done by other people in some time, and we negotiate with them and work with them."

Mr. Hill's new attack represents a significant change of heart for the highly visible labor leader who had sold the workfare

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Jose R. Lopez/The New York Times

Stanley Hill, city union leader.

MOST STATES FIND WELFARE TARGETS WELL WITHIN REACH

WORK RULES ARE FLEXIBLE

Nearly All Have Reduced Aid Rolls, and Those Will Need to Move Fewer to Jobs

By ROBERT PEAR

WASHINGTON, Sept. 22 — State officials are discovering that the work requirements of the new welfare law are much less onerous than they first believed.

The work requirements will be substantially reduced for any state that reduces the number of families receiving welfare, compared with the total in the 1995 fiscal year, and that number is already way down in most states. Thus, a state can comply with the law by putting some people to work and by simply removing others from the rolls, regardless of whether they find jobs.

In the fiscal year that begins Oct. 1, at least 25 percent of the adults on welfare in each state are supposed to be working, the law says. But if, for example, a state reduces its caseload by 10 percent, compared with the 1995 fiscal year, its work target will be reduced by 10 percentage points, so only 15 percent of the adults on welfare will be required to work.

Since the welfare caseload is down an average of 9 percent nationwide from last year and still falling, that means many states will face a far smaller task in meeting the Federal requirements. If a welfare recipient moves to a job or simply ceases to receive aid, the state gets the same credit toward the work requirement.

That worries some welfare advocates. Mark H. Greenberg, a lawyer at the Center for Law and Social Policy, a research and advocacy group, said the "caseload reduction credit" was troubling to him because it rewarded states for reducing the welfare rolls even if they did not put more people to work.

"Under this provision," Mr. Greenberg said, "states will be equally rewarded if their caseload goes down because more people are working or simply because the state has made it more difficult for families who need help to receive it."

The welfare law ends the 60-year-old Federal guarantee of cash assistance for the nation's poorest children, sets a five-year limit on payments to any family and gives states vast new power to run their own welfare and work programs with lump sums of Federal money.

The caseload-reduction credit will prove useful to most states. In June, the last month for which Federal data are available, the number of families on welfare was less than the monthly average for the 1995 fiscal year in 47 of the 50 states — all but Alaska, Hawaii and Minnesota.

The declines are striking in Maryland (26 percent), Wisconsin (24 percent), Indiana (21 percent), Oklahoma (18 percent), Louisiana (15 percent) and Michigan (14 percent). For the nation as a whole, the number of families on welfare has declined 14 percent, to 4.4 million, from a peak of 5.1 million in March 1994.

Evelyn Ganzglass, director of em-

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Outsiders Bring Islamic Fervor To the Balkans

By CHRIS HEDGES

BAKOTICI, Bosnia and Herzegovina, Sept. 19 — At a sharp bend in the Bosna River this small village, with its white stucco homes topped with terra-cotta roofs, climbs gently up a wooded slope.

But while the architecture may be Balkan the inhabitants are not. Heavily bearded men, in flowing Afghan dress or long robes, walk in groups down the street. Others, wearing Arab headdresses, cluster in small knots outside houses adorned with Arabic script. Three women holding small children chat outside a nursery. They are completely covered, black gauzy veils draped over their faces, their hands and forearms hidden under long gloves.

Bosnians, at least those who have not adopted a strict religious way of life and embraced the politics of radical Islam, have been driven from the town over the last year, former residents say.

The foreign men here are some of the roughly 4,000 volunteers who came to Bosnia as part of the effort by Iran and other Muslim countries to bolster the outgunned army of the Muslim-led Bosnian Government during the war against the Bosnian Serbs.

Many of them were among the Islamic guerrillas who drove the Soviet Army out of Afghanistan, and they proved to be dedicated and ruthless combatants here, too. They were lionized in the Muslim world, where gruesome videos of their combat were available on street corners from Morocco to Teheran.

Long after they were expected to leave the country, the presence of perhaps of 50 to 100 foreign men in this small village along with dozens more in nearby villages and suspi-

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Legacy of Rwanda Violence: The Thousands Born of Rape

By JAMES C. McKINLEY Jr.

KIGALI, Rwanda, Sept. 22 — Some days, when she looks at her round-faced baby boy, Leonille M. feels that she no longer wants to live.

It is not the child's fault. He peers back at her mother with innocent eyes. But the baby reminds her of all of her family members who died in the massacres that took at least 500,000 lives of Rwandans, most of them members of the Tutsi ethnic minority, in 1994. He also reminds her of the three soldiers of the majority Hutu group who gang-raped her.

"Everything for me is a tragedy," she said in an interview at a relative's home, surrounded by pictures of the Virgin Mary and the baby Jesus. "Some days I say maybe it is better for me to have died, because I have nothing in this world."

All across Rwanda, women who were brutally raped during the carnage are struggling to care for children fathered by their tormentors, often the same men who killed the women's entire families.

By conservative estimates, there are 2,000 to 5,000 unwanted children in Rwanda whose mothers were raped during the civil war and mass killings, a new report by Human Rights Watch says. These children, not yet 2, are known in Rwanda as "enfants mauvais souvenir," children of bad memories.

They are the legacy of a horror seldom talked about during the violence that racked Rwanda for three months in the spring of 1994.

While Tutsi and moderate Hutu were being rounded up and massacred by troops of the Hutu-led Government then in power and allied militias, hundreds of thousands of women were being raped or forced into sexual servitude.

The militias were fueled by propaganda that portrayed Tutsi women as high-class seductresses — beautiful women who would corrupt a pure Hutu society. During the widespread violence, women were raped by individuals, gang-raped, raped with sharpened stakes and gun barrels and held in sexual slavery, sometimes alone, sometimes in groups, the report says. In many cases the genitals and breasts of rape victims were mutilated.

Almost all of the women were raped after witnessing the deaths of their loved ones. About 35 percent of these women became pregnant as a

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Both Parties Tangled in Bickering Over How to Divide Their Money

By RICHARD L. BERKE

WASHINGTON, Sept. 22 — President Clinton's dominance in the polls and the fierce battle for control of Congress have set off tensions between the Presidential campaigns and their political parties over how best to divide a limited financial pie in the crucial last full month of the campaign.

Some top aides to Bob Dole, the Republican nominee, say they are concerned that Republican Party officials are diverting an excessive proportion of available money to helping House and Senate candidates because they fear that Mr. Dole will lose.

Democrats face the question in reverse: with Mr. Clinton comfortably ahead in the polls, many advisers to Democratic Congressional candidates criticize the White House for not freeing up more resources to help them. Mr. Clinton, these officials argue, can afford to be more generous.

While the Presidential campaigns are supposed to be financed solely with Federal subsidies, the parties have amassed well over $100 million this year — often through their state party organizations — to be pumped into things like generic television commercials, polling and campaign workers that can benefit both Presidential contenders and other candidates on the ballot.

But not all spending helps all candidates equally. A Presidential candidate may not want his party to spend much in a state where he is well ahead or behind, yet such help could make the difference for House candidates in the state.

"The competing geographic imperatives naturally set up some degree of conflict," said Mark Mell-

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Envisioning Clinton II

Although Bill Clinton could very well be on his way to re-election, there is little agreement on what a second term would bring. Page A13.

Linda Rosier for The New York Times

For Jets fans like this one at yesterday's game, getting soaked was just one of several unpleasant experiences.

The Battle of New York, a Sad and Soggy Saga

By WILLIAM C. RHODEN

EAST RUTHERFORD, N.J., Sept. 22 — Wayne Rusakks looked out disgustedly from his rain-soaked seat at the 50-yard line and shook his head: If ever there was a day that summed up the state of professional football in New York, this was it.

With a punishing downpour soaking Jets and Giants fans alike, two teams going nowhere were sloshing and slithering for the right to be called the winner of the Losers Bowl. In a game being played on artificial turf, the only thing missing from the day was mud.

In the end, the 0-3 Giants waded to their first victory of the season, while loss. But Rusakks, looking down at his soaked jeans and water-logged shoes, said he really couldn't distinguish between winner and loser.

This was the battle of New York, being played out in New Jersey. The Jets were the home team but, as usual, were playing in Giants Stadium. The game meant a lot to both teams, but it was punctuated by fumbles and penalties and other mistakes.

"With my luck, the game will end in a tie and I'll have to stay out here for another hour,'" Rusakks said at one point.

Rusakks is a Jets fan, but he had been unhappy enough about both local teams to bring a banner to the game. It read: "Dr. Kevorkian 800-Giants-Fan. I'm in a lot of pain. It's hopeless."

Stadium security, citing stadium policy, eventually confiscated the banner, even after Rusakks pleaded that it was just a fan's cry for help. It was one more setback for a loyal Jets fan. But then again, Jets fans are used to being rained on.

Consider Jeanine D'Addario, who was looking at the bottom line: Jet losses cost her money.

For the last three years, D'Addario and her partners have operated Jets Vacation, an enterprise that takes Jets fans to the team's road games.

She previously worked exclusively on Giants games, coordinating some

Newcomers in Porch Swings Show Rural Life's on Upturn

By DIRK JOHNSON

WASHINGTON, Iowa, Sept. 19 — After graduating from college a few years ago, Marty Beanblossom did something that would once have seemed remarkable for an ambitious young man from this Midwestern prairie town. He came back.

George Schaefer, a local farm boy, lived in San Francisco for 15 years, traveled the world and became a Zen Buddhist. Now he has returned to work the family farm overlooking the English River in Washington County.

New young professionals in town, Bridget Quinn Carey, a librarian from Long Island, and her husband, Jim Carey, a lawyer who grew up in Buffalo, recently bought a turn-of-the-century house on a shady street in this little town of rambling porches and picket fences.

And a fledgling Hispanic community, though still small, has grown large enough for the Washington State Bank to need a Spanish-speaking teller.

Ten years after the nightmare of a collapsing agricultural economy, when many family farms went broke, stores closed, suicide rates soared and young people fled the countryside, rural America is growing again.

It is what a new study labels "The Rural Rebound," and economists explain it by citing a big jump in the number of small-town manufacturing jobs, a stronger farm economy, quality-of-life concerns among baby boomers, especially those with young children, and the technological advances that allow many people to do their work wherever they wish.

Reversing a longstanding rural-to-urban trend, 1.6 million more people moved to rural areas from cities and suburbs from 1990 to 1995 than went the other way, according to a study by Calvin Beale, a demographer with the United States Department of Agriculture, and Kenneth M. Johnson, a sociologist at Loyola University in Chicago.

Many rural counties continue to hollow out, especially in the Great Plains. But 50 percent of farm-based counties have seen a population in-

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INSIDE

Party Rebellion in Mexico

The rank-and-file members of Mexico's governing political party started a raucous revolt against the party leadership. Page A3.

The Sharpton Factor

Democrats say the Rev. Al Sharpton's entry into the mayoral race could complicate their efforts to defeat Mayor Giuliani. Page B1.

No Longer Bachelor No. 1?

John F. Kennedy Jr. has reportedly ended his lengthy reign as the nation's most eligible bachelor, marrying Carolyn Bessette. Page B3.

On the Internet: www.nytimes.com

Some Immigrants Begin to Lose Food Stamps Under New Law

New York Is Among States Taking Early Action

A1

By VIVIAN S. TOY

New York and other states this week began the first cuts mandated by the new Federal welfare law, starting to drop some legal immigrants from the food stamps program.

Under provisions of the law signed by President Clinton last month, only citizens and select categories of legal immigrants can receive food stamps. The Department of Agriculture, which administers the food stamps program, will impose financial penalties on states that fail to check the citizenship of people applying for food stamps or to impose the stricter guidelines.

After months of partisan sniping over an issue that has loomed over the Presidential campaign, legal immigrants in New York who walked into food stamp offices from Union Square to Coney Island were faced with the news that unless they were refugees or military personnel, or they could prove they had worked for 10 years or more, they would not be eligible for the benefits.

Highlighting the confusion over the huge changes in welfare programs mandated by the new law, officials in different states have come up with different official starting dates for their new food stamp guidelines.

New York, New Jersey, Connecticut and California are among the states that determined the rules for new food stamp applicants had to be put into effect no later than Sept. 21 to avoid Federal penalties, while other states have decided to wait until October and next January. What happens when a noncitizen applies this week for food stamps seems to depend on the training and directives of individual county offices.

At least one worker at the 125th Street food-stamps office in Harlem said yesterday that he was still uncertain what he was supposed to be telling people. "We are still not sure what's going on," said the worker, who would not give his name. "Our manager is supposed to meet with us to fill us on in what we are supposed to tell the public."

States have equally varied interpretation of the mandates covering current food stamp recipients. New York officials said they were starting to drop some recipients from the rolls now as they come up for recertification. New Jersey, for example, said it would take advantage of a six-month "window" before dropping any current recipients.

City officials said workers in field offices have called in with technical questions, but so far the new rules were taking effect smoothly.

Advocates for immigrants said, however that the directions handed down by the Federal Government have been confusing and nearly impossible to decipher. They estimate that between 100,000 and 200,000 of the 2 million people who are on food stamps in New York State will even-

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tually lose their benefits. The majority of those recipients, 1.3 million people, live in New York City.

City officials said yesterday that they were grudgingly adhering to the new policies and believed that the law's impact on legal immigrants was unfair and inhumane.

"Immigrants are an integral, essential part of the fabric of our city," said Marva L. Hammons, the city's Commissioner of Human Resources. "This administration opposed the anti-immigrant bias of the law and we will continue to do so."

Testifying at a hearing of the City Council's Subcommittee on Immigration, Ms. Hammons said she was concerned that the new law, which overturns a city law that prohibited city employees from turning in illegal immigrants who seek services, would discourage many of those people from applying for services.

Mayor Rudolph W. Giuliani has said he plans to sue the Federal Government to block the reporting provision. City officials have said they will not give information on illegal immigrants to the Immigration and Naturalization Service until the suit has been resolved.

City and state officials said they have never before kept track of the citizenship status of applicants and therefore have no estimates on how many recipients would lose their benefits. Officials also would not say how many new applicants have so far been affected by the new law, noting that the application process usually takes at least a month before eligibility is determined.

The portion of food stamp beneficiaries expected to lose benefits varies around the nation, with officials estimating that nearly 40 percent of beneficiaries in Orange County, Calif., and about 2 percent of Connecticut beneficiaries will lose benefits. New York officials say from 5 to 10 percent of state beneficiaries will be affected.

In addition to checking the citizenship of new applicants, food stamp offices across New York State must redetermine the eligibility of the 1 million households already receiving food stamps. City and state officials said a Federal waiver allowed them to defer the eligibility determination for some current recipients for up to eight months.

Recipients who go to a food stamp office for their four-month recertification appointment, for example, would get an eight-month grace period before they would be re-evaluated for eligibility. Legal immigrants due for a 12-month recertification, however, would be out of luck and would lose their benefits immediately.

"We expect enormous confusion with this because it comes with the territory," said Liz Krueger, associate director of the Community Food Resource Center, a nonprofit agency serving low-income communities.

She said that after just two days under the new rules, it was unlikely that any families had been rejected yet. "It will be several months before we see the real hit," she said.

In New York City, the typical one-person household gets about $79 a month in food stamps, and the average three-person family gets $240.

Richard E. Blum, a lawyer with the Legal Aid Society in New York City, said New York and other states that have opted to begin the changes potentially could illegally deny benefits to many legal immigrants because the Federal Government has not provided adequate procedures for assessing the exemptions.

"They should wait to get proper instructions from the Federal Government before they march forth with something they are ill equipped to handle," he said. "If they have a choice of violating the law, I would like to see them err on the side of not letting people starve rather than cutting off their food stamps before they know what they're doing."

The director of financial assistance for the Social Services Agency for Orange County in California, Angelo Doti, said the agency was continuing to take new applications from legal immigrants but added that new applicants from legal immigrants would be denied within the next few days. "We are training our staff today as we speak," he said.

In New Jersey, state officials informed county officials about the new rules last week, but training for county administrative supervisors was not held until yesterday, making it unlikely that any legal immigrants would have been affected yet. New Jersey officials also interpreted the status of current recipients differently than New York did, concluding that all legal immigrants already collecting food stamps would automatically get a six-month grace period.

Connecticut officials said the new policy kicked in on Monday, but also said they were not sure if anyone had been denied food stamps yet. They estimated that less than 2.5 percent of the families on welfare in Connecticut are legal immigrants, less than a fourth of the New York percentage.

Florida officials have interpreted the law to mean that noncitizens who get food stamps have until next January to receive benefits. And in Illinois, the plan is "still up in the air," said Dean Schott, a spokesman for the Illinois Public Aid Department. "We're trying to figure out what the Federal Government policy will be toward other states with a significant immigrant population."

In Texas, Sharon Heinemann, a spokeswoman for the State Human Services Department, said the agency had decided to refer legal immigrants who might qualify under the 10-year work rule to the Social Security Administration.

"You can well imagine this is something we're implementing even as we're still sorting out the law itself," she said.

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U.S. Economy Is Off Track, Dole Declares

A1

By KATHARINE Q. SEELYE

DETROIT, Sept. 24 — In an hour-long address today, Bob Dole stepped up his attacks on President Clinton and signaled that he was returning full-bore to his economic message.

"In every state I visit, every talk show, at every rally I address, I will be saying to the American people that you know how to spend your money better than the Government," the Republican Presidential nominee said to more than 500 people at the Economic Club of Detroit. "I will be saying that this economy is not good enough, and not on the right track."

Mr. Dole suggested that President Clinton's inclination toward "activists meddling in expansive Government," as revealed in his failed health-care plan, resulted not from his being "a finger-in-the-wind politician who is waiting for the polls," but from a deep-seated, liberal pre-disposition to tax and spend.

Citing Mr. Clinton's 1993 tax increase and his "pork-barrel" stimulus package, Mr. Dole declared: "These are the actions of an old-style, dyed-in-the-wool, big-spending liberal committed to a government that spends and spends and taxes and taxes."

And, he warned, "These are the actions of someone who, once the spotlight of the campaign has turned off, will take every opportunity to

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increase the size of Government even as he decreases the size of your wallet."

As an example of a tax increase that Mr. Dole said lurked in a second Clinton term, he said that Bruce Babbitt, Mr. Clinton's Interior Secretary, just last week proposed a tax on outdoor equipment, including binoculars and bird seed.

"Remember last week, Secretary of the Interior Bruce Babbitt was roaming around out West?" Mr. Dole said. "And he thought of another tax. And he ran it up the flagpole, endorsing a Federal sales tax on outdoor equipment."

But Mr. Babbitt did not propose this tax. It evolved over the last several years from state environmental and parks officials who said that because their state governments were too strapped for cash to maintain wildlife and conservation projects, they wanted a user fee on outdoor equipment. Hunters have paid such fees on guns and ammunition since the 1930's to help restore wildlife.

Naomi Edelson, the wildlife diversity director for the International Association of Fish and Wildlife Agencies, which heads a bipartisan coalition of 1,200 organizations that support the fee, said she informed the Dole campaign a week ago that Mr. Dole's characterization of Mr. Babbitt's role was not accurate. She said Dole aides asked for more information, which she faxed to them.

"It's not a Clinton Administration proposal," she said in a telephone interview today from Washington. "We know Babbitt has never seen the full proposal. He didn't endorse this list of products. It has nothing to do with the Clinton Administration."

Mr. Dole said that while the Clinton campaign has said the fee is not official White House policy, Mr. Babbitt's "real mistake was to let the tax-cat out of the bag before Election Day."

But whatever the source of the proposal, Mr. Dole drew chuckles from his Detroit audience today as he ridiculed it as an example of the Administration's tendency toward excessive taxation.

"If they get their way," Mr. Dole warned, in a waltz into unscripted terrain, "you won't even be able to escape the I.R.S. when you're hiking. They'll suddenly be walking along with you, somebody from the I.R.S., saying, 'You having a good time? Have you paid your taxes? Have you fed the birds? Have you looked in your binoculars? If you haven't, you don't have to pay the tax. You don't feed those birds, you're all right.'"

After spending most of his time lambasting Mr. Clinton and his policies, Mr. Dole outlined his own economic proposal — including a 15 percent cut in Federal income taxes, a $500-per-child tax credit and a halving of the capital gains tax rate from 28 percent to 14 percent — as a sound way to restore economic growth.

Touting his book, "Trusting the People," which describes how he would simultaneously cut taxes and balance the budget, Mr. Dole said: "The bottom line: Under our plan, a family of four making $30,000 will save $1,261 on their Federal tax bill."

Joe Lockhart, a spokesman for the Clinton campaign, said that despite Mr. Dole's "negative attacks, the economy is on the right track." Mr. Dole's plan would lead to cuts in Medicare and Medicaid, education and the environment, "even deeper than last year's Dole-Gingrich budget," Mr. Lockhart said.

Meanwhile, a battle over endorsements was escalating between the Clinton and Dole campaigns.

The Dole campaign ran an advertisement on Monday in USA Today boasting that more than 100 economists and four Nobel laureates had endorsed the Dole economic plan.

Today, the Clinton campaign countered by pointing to a statement by the Economic Policy Institute, a liberal think thank in Washington, denouncing the Dole plan as "not credible" and saying it would lower future living standards. It was signed by 546 economists, including seven Nobel Prize winners.

The Dole campaign also released a list of 195 executives from high-tech companies in Silicon Valley who endorsed Mr. Dole's plan.

In His Own Words

BOB DOLE

Speaking yesterday at the Economic Club of Detroit:

"Remember last week, Secretary of the Interior Bruce Babbitt was roaming around out West and he thought of another tax, endorsing a Federal sales tax on outdoor equipment....

"Backpacks, canteens, mountain bikes, hiking boots, skis, scuba gear, binoculars, even birdseed would be hit with a 5 percent tax. That would stop a lot of birds....

"There would be a new tax on sport-utility vehicles, which must be greeted with great enthusiasm here. I know you're crazy about it. That's a tax on some of your most popular lines, the Ford Explorer, the Chevy Blazer and the Jeep Cherokee....

"Someone saw that bird flying over and said, 'There's something we haven't taxed. We can't catch the bird, but we'll tax the seed.' They tax you when you work. They tax you when you save. They tax you when you take some time off with your family and go to a park.

"If they get their way, you won't even be able to escape the I.R.S. when you're hiking. They'll suddenly be walking along with you, somebody from the I.R.S., saying, 'You having a good time? Have you paid your taxes? Have you fed the birds? Have you looked in your binoculars? If you haven't, you don't have to pay the tax. You don't feed those birds, you're all right.'

"Well, I say it's time to put the shoe on the other foot and tell the big taxers to take a hike! Take a hike!"

Companies Race to Gain Welfare Profits

Continued From Page 1

ple into jobs.

States that are slow to shrink administrative costs will have no money for the additional child-care and transportation spending that are needed to move recipients to work. With the clock ticking on a five-year lifetime limit on benefits, recipients are ultimately the ones who will pay the penalty for delay.

"The days of spending any amount on welfare and going to the Federal Government for a match are over," said Russell Beliveau, president of the Government Operations Group of Maximus Inc., a consulting company in McLean, Va., that had $100 million in business this year, including $7 million in welfare-to-work programs in Boston, two California counties and Fairfax, Va.

"If they don't perform, they're going to have to overspend," Mr. Beliveau said. "If they underspend, they can find other uses for that money. I've been telling states this is the golden opportunity to turn to private companies for a risk-and-profit-sharing arrangement."

In Texas, the Health and Human Services Commissioner, Michael McKinney, said states would receive their money's worth if they wrote contracts correctly.

Texas is revising its request for offers to combine, overhaul and run the separate systems that now determine eligibility for welfare, food stamps, Medicaid and more than 25 other programs. Lockheed has teamed up with International Business Machines and the state's work-force commission, offering a fixed-price contract with penalties for failures to perform.

Electronic Data Systems, which has long designed computer systems for welfare and Medicaid, is collaborating with Unisys and the Texas Human Services Commission. A third bid will come from Andersen, which offers to take a percentage of the savings it achieves as its only fee.

Like Wisconsin, where similar bidding is under way county by county, Texas is seen by many as the forerunner of a new wave of privatization. Until now, churches and groups like Goodwill Industries had been the main competition for the three companies in the welfare-to-work niche: Maximus; Curtis, which began as the pet project of a communications professor in Kearney, Neb., and America Works, a $7 million job broker with contracts in New York City, Albany and Indianapolis.

Selling Federally subsidized management systems to welfare departments was a separate and much bigger business, the province of huge information-technology companies. Now the separation has vanished, and the welfare-to-work crevasse is suddenly a canyon. Sheer scale puts the big companies in command.

"When you talk about small players like a Maximus, an America Works and a Curtis & Associates, they do not have the ability to indemnify the state the way a large corporation would," Ms. Ploog, of Lockheed, said. "The larger states want to make sure they can hold you accountable and can dip into your pockets if there's a problem."

A welfare niche is now a canyon, and the big companies are in command.

The line where Lockheed's resources end and those of the United States Treasury begin sometimes blurs. The corporation, which the Government bailed out in the 1970's and 80's, has a backlog of more than $50 billion in contracts, mostly with the Defense Department, and it is lobbying for $1.6 billion in subsidies for mergers with two former competitors, Martin Marietta and Loral.

Members of a bipartisan Congressional coalition opposed to the subsidies have called them corporate welfare at its worst and payoffs for layoffs, because the mergers are tied to 30,000 layoffs and $92 million in executive bonuses.

The chief executive of Lockheed, Norman Augustine, who received an $8.2 million bonus, has argued that the subsidies will eventually save taxpayers money. Although a voice vote in the House would have blocked the subsidies, the issue is back in the military appropriations bill, which is in a conference committee.

One opponent, Representative Christopher H. Smith, Republican of New Jersey, has a Lockheed plant scheduled to close in his district. Last week, Mr. Smith's staff director, Andrew Napoli, said the prospect of Lockheed's winning major welfare contracts gave new meaning to the phrase double dipping.

"They would be getting a subsidy to lay off these folks and then could be getting additional money from the Government to help these people get jobs," Mr. Napoli said.

Few companies come to the marketplace with clean slates. The Florida Attorney General tried unsuccessfully to bar Electronic Data Systems from doing business in the state last year in a dispute over what officials called a "grossly inefficient" $240 million Lockheed computer-management system for welfare eligibility, benefits and child-support enforcement.

A spokesman for Electronic Data Systems, which has contracts in 30 states, called the dispute unfortunate.

America Works has been embraced by Mayor Rudolph W. Giuliani of New York and former Gov. Mario M. Cuomo. But it left a trail of unhappy officials in Ohio, Massachussetts and Erie County, N.Y.

In West Virginia, an independent consultant whom Maximus paid to help prepare its bid for an automated statewide child-welfare system in 1994, turned out to be the state employee in charge of the project. He was later indicted, and Maximus lost the contract to Lockheed.

Lockheed, meanwhile, agreed to forfeit the chance to bid on contracts in New York City for four years after an investigation found that aides to Mayor David N. Dinkins had shown favoritism in awarding the company a $150 million contract to run the Parking Violations Bureau in 1993, a case that revived memories of scandals in the 80's, when a Lockheed executive admitted bribing officials to obtain such contracts.

Leaders at the American Federation of State, County and Municipal Employees say privatization opens the door to big campaign contributors and their cronies. They also fear that welfare privatization may come at the expense of their members, whose jobs could be cut or reinvented at lower pay by the companies.

But on the front lines of change, even some public employees are converts.

In San Francisco, welfare recipients with children 3 and older are now ordered to report to the Express for Success Center, an employment and training program redesigned by Curtis in February. Staff members are still employed by the Human Services Department. But they had to apply to Curtis for jobs at the center and take its training.

The supervisor, Casey Brenner, said that at first, she and other social-service veterans were skeptical of the "cheesy, smiley" approach of the trainers from Curtis.

"We were like, 'Oh, yeah, right, Kearney, Neb., is not going to work in San Francisco,' " Ms. Brenner said. "But you know what? It did."

She showed off walls with photographs of smiling recipients who had landed jobs after a six-day workshop.

As the latest workshop reached its end, a trainer led the graduates in cheering one another. Elsewhere, job seekers worked a telephone bank to set up interviews and helped one another fill out job applications.

Later, Ms. Brenner said the center was placing 40 of the 60 people a month who completed the program, which has a 17 percent dropout rate. That represents a 20 percent improvement on the city-run program, which dealt with recipients one at a time, lacked a sense of urgency and focused more on barriers to employment than on strengths, she said.

Many local aid programs are likely to end up in private hands.

"It really lifted me up," a job seeker, Denise Hunter, said. "But I can't *make* nobody give me a job."

She said that after looking for work for three weeks, she saw the way that the welfare law would play out. "People that's been working 20 years, they're going to give us their jobs for minimum wage," she said.

Most of the companies seeking to inject marketplace efficiency into government bureaucracies were built on government contracts and have long staffed their top ranks with once and future officials.

To some longtime workers in social services, the new systems seem like a bad dream.

"For us old bleeding-heart liberals who were on the streets in the 60's, the idea that Lockheed, of the military-industrial complex, would be in charge of welfare is out of somebody's nightmare fantasy," said the director of the JOBS program in a Northeastern state.

Then he begged not to be identified, "We may end up working with them," he said.

PROFILE

Profits Out of Poverty?

Before the new welfare law, moving people from welfare to work was the domain of nonprofit organizations and three relatively small businesses. Now, some large companies see a potentially multibillion-dollar industry that could run entire welfare programs for states and counties.

Three Small, For-Profit Veterans . . .

America Works
$7 million in contracts in New York City, Albany and Indianapolis.
SPECIALTY Provides support services for the first four months on the job while paying minimum wage and collecting a higher wage rate from the employer; charges about $5,000 per successful job placement.

Curtis & Associates
$9.2 million in contracts last year in 11 states, including California, New Jersey, Indiana, Vermont and Wisconsin; was founded by a professor of communications from Kearney, Neb.
SPECIALTY Markets a jobs club model to government as a contracted service or a public-private partnership and sells schools and churches a line of training manuals and accessories.

Maximus Inc.
$100 million government consulting company in McLean, Va., founded by a former H.E.W. administrator.
SPECIALTY Provides child support enforcement in six states, has a $10 million contract in California to recruit Medicaid recipients into H.M.O.'s, and has $7 million of welfare-to-work contracts in Boston, Fairfax, Va., and two California counties.

. . . And Three Giants Looking to Expand

Andersen Consulting
$4.2 billion global consulting business and sister company to Arthur Andersen, the accounting firm.
SPECIALTY Contracts in 14 states, including child support enforcement and redesigning the management of child welfare programs. Marketing a profit-sharing approach to welfare and recently won contracts with two Canadian provinces.

Electronic Data Systems
$12.4 billion informa-tion services company founded by Ross Perot.
SPECIALTY Began to computerize Medicaid billing and welfare eligibility 20 years ago and now gets about 12 percent of its revenue from computer-services contracts in 30 states.

Lockheed Information Management Services
A nonmilitary division of the publicly- traded $30 billion-dollar Lockheed Martin.
SPECIALTY Child-support enforcement contracts in the District of Columbia and 16 states, including New York, and contracts in 20 states to convert welfare benefits to a debit card system. Launching a "welfare reform/self-sufficiency line of business" with a bid to take over $563 million in welfare agency functions in Texas.

The New York Times

Giant Companies Entering Race To Run State Welfare Programs

Powers Like Lockheed Explore New Profit Area

By NINA BERNSTEIN

The new welfare law is still a matter of confusion in statehouses and city streets. But to some companies, it already looks like the business opportunity of a lifetime.

The players are as diverse as Electronic Data Systems, the $12.4 billion information-technology company that Ross Perot founded, and companies at least a thousand times smaller, like Curtis & Associates, which supplements its successful welfare-to-work jobs clubs with accessories like "motivational fortune cookies" at $3.99 a dozen. A sample message is, "The way to control your future is to work hard today."

The newest and most formidable entrant in a field once left largely to local charities and several small companies is Lockheed Martin, the $30 billion giant of the weapons industry. A nonmilitary division, Lockheed Information Services, is bidding against Electronic Data Systems and Andersen Consulting to take over $563 million in welfare operations in Texas.

And that is only the beginning, Lockheed executives say. Having hired two longtime Federal welfare employees and top officials from Texas, Oregon and Alabama, the corporation plans to market even more comprehensive welfare contracts to states and counties in what is potentially a new multibillion-dollar industry to overhaul and run welfare programs.

"We're approaching this marketplace the way we approach all other marketplaces," said Holli Ploog, senior vice president of business development at Lockheed Information Services.

It is a market that expanded overnight when President Clinton signed a law to replace the 60-year-old guarantee of Federal aid to poor children with lump-sum grants to the states.

To state and county officials facing capped welfare budgets and financial penalties if they fail to move most recipients into jobs in two years, a fixed-price contract with a corporation has a strong appeal.

For the first time, the law allows states to buy not only welfare services but also gatekeepers to determine eligibility and benefits.

"There's some easy money if the states aren't careful," said Robert Tyre, head of the government contracts division of Andersen Consulting, a $4.2 billion subsidiary of Arthur Andersen, the accounting firm.

The jockeying frightens longtime social-service workers and public-interest lawyers. No company can be expected to protect the interests of the needy at the expense of its bottom line, least of all a publicly traded corporation with a fiduciary duty to maximize shareholder profits, said Henry A. Freedman, executive director of the Center on Social Welfare Policy and Law, a research and advocacy law office.

If a gatekeeper's profits are linked to reducing the welfare rolls, Mr. Freedman said, the incentive to deny aid will be overwhelming.

But proponents say turning over welfare to the private sector will prove to be the most cost-effective and humane way for states to face up to the fiscal imperatives of the new law. A profit-making company has the flexibility to reward employees for results, the proponents argue, and to change the culture of the welfare office from one focused on calculating deprivation and issuing checks to one that quickly helps peo-

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New York Girding for Surge in Workfare Jobs

By DAVID FIRESTONE

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New York City and State officials are scrambling to prepare for the largest public jobs program since the Depression — in their effort to meet the requirements of the Federal welfare bill passed by Congress this summer. The program could create a statewide work force of welfare recipients as large as New York City's municipal payroll at a cost that may exceed $1 billion a year.

Under the plan, within two years as many as a quarter of the state's adult welfare recipients — 100,000 people, mostly single mothers — are to begin working for the city and other governments around the state in exchange for their welfare benefits. By 2002, that number may grow to nearly that of the city's current work force, 204,000 employees.

But city officials acknowledge that they have no idea where they will get the money to administer such a huge program, particularly in the case of mothers whose children need day care.

"There's always work to be done in the city of New York," said Richard Schwartz, a senior adviser to Mayor Rudolph W. Giuliani who supervises welfare policy. "But there's clearly a deficiency in the bill in covering the costs of workfare."

The Mayor has said the bill deliberately shifts costs from Federal to local taxpayers, leaving cities and states without the money to take care of workers' children in a "humane or a decent way."

The welfare bill, which President Clinton said he would sign into law this month, ends the guarantee of cash assistance under Aid to Families With Dependent Children and imposes time limits and work re-

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quirements on welfare benefits. City and state officials said that rather than subsidize private employment or face the financial penalties written into the bill, they will find work for welfare recipients. The officials listed a variety of tasks, including cleaning parks and courthouses, answering telephones and doing clerical work in city agencies, and possibly supervising school lunchrooms.

There are provisions in the bill that could reduce the number of people required to work, particularly if the state is successful in reducing its welfare caseload. But even if only 100,000 people eventually go to work, the cost of day care and administering the workfare program would be $950 million a year, not including the benefits that workers receive, according to city and state estimates. Only a fraction of that amount will be covered by the Federal funds appropriated in the new welfare bill.

New York City already has the largest workfare program in the country, with 34,000 people now working in exchange for their welfare benefits. But most of those workers are part of the state's Home Relief program, which provides benefits primarily to childless adults. The new workers in the program required under the bill are almost entirely single parents, who will need child care that could cost the state and the city about $540 a month for each case. That's almost as much as their welfare benefits, which are now $577 a month for a family of three.

Although the total costs will loom large in tight city and state budgets, the cash benefits that would go to individuals in the year 2000 amount to less than they would make working the required 30 hours for the minimum wage.

The new workers — who would be given no benefits other than Medicaid and within a few years would receive less than the newly approved minimum wage — are also likely to raise significant labor issues for the city and its powerful municipal unions. Local union officials have thus far been compliant with the existing workfare program in the city, and helped negotiate a clause in the new Federal bill that prohibits the direct replacement of current employees by welfare recipients. But under the bill, cities are still free to fill all vacancies with welfare workers and could also reduce the size of the city work force, even if the welfare work force is growing.

Stanley Hill, executive director of District Council 37, the largest municipal union, representing 125,000 city workers, said he would not stand by and allow the bill to create a "separate, second-class work force" as large or larger than his own union. He said his union was exploring how to begin organizing the new welfare workers, possibly as members of the union, to prevent their exploitation.

Because the workers are participating in a welfare program and are not city employees, however, they do not appear to be covered by Federal labor law and could instantly lose their welfare benefits if they attempt a work slowdown or other collective action, according to Charles Loveless, legislative director of the American Federation of State, County and Municipal Employees, the parent body of District Council 37.

Currently, workfare participants can lose their benefits for even small infractions of the rules, and dissatisfaction with the program has led to a tiny but growing effort to organize the workers now cleaning the parks and streets. The effort, led by the Urban Justice Institute, an advocacy organization, has enlisted about 100 workers in the last six weeks, drawing on their frustration over the menial nature of their jobs and the lack of meaningful training.

"We're not stupid people who never had a job," said Pat Wiley, a Brooklyn woman picking up trash recently in Prospect Park. "I was never a bum. I don't want welfare.

"What am I learning? Learning to clean up? I learned that in my backyard when I was 4 years old. The whole thing just makes you more cynical."

The new Federal minimum wage recently passed by Congress will be $5.15 an hour beginning in September 1997. Although workfare benefits are not meant to be wages, program

The city faces having to absorb thousands of new workers.

participants — based on the state's current welfare grant of $577 a month and an initial requirement of 20 hours of work a week — will receive the equivalent of $6.66 an hour. But the work requirements go up gradually, and by 2000, when participants must work 30 hours a week, they will have slipped below the new minimum wage.

But in fact, Gov. George E. Pataki, with the Mayor's support, has proposed cutting it to $424 a month, and the reduced financing in the Federal bill has increased the likelihood that the grant will be cut.

Stephen DiBrienza, a Democrat, who is chairman of the City Council's General Welfare Committee, said the program has created "a permanent underclass of people pushing brooms around the city" without training them for permanent jobs. The coming wave of welfare workers will allow the city to make up for cuts in services while paying less than the minimum wage, he said.

But the Giuliani administration is quite pleased with the progress of the workfare program, and hopes it will be seen as a model for the kinds of programs that could eventually employ 2.3 million welfare recipients by 2002. Mr. Schwartz, the program's architect, said it has improved the city's cleanliness at a modest cost and has put more people to work than anyone had predicted when the program began in March 1995. Rather than provide specific job training, he said, the program teaches people the dignity of work, the responsibility of showing up every day, and the nature of working under supervision.

"We have an extra degree of [illegible]dence that we will be able to meet Federal goals," Mr. Schwartz sa[illegible] "because we know exactly what [illegible] means to have a workfare program with tens of thousands of participants and how to assign them efficiently in a way that makes sense for public agencies, in a way that doesn't conflict with unions."

He said that while the administration's workfare program and tougher screening procedures had reduced the welfare rolls by 155,000 people, the city did not have documentation on how many of those people had actually received permanent private jobs.

The workfare program has cost the city between $1,200 and $3,000 a year per welfare worker, Mr. Schwartz said; other city officials said the cost was closer to $3,500. That amount pays for supervisors for the workers, transportation, supplies and the administrative cost of monitoring the program. But it does not include the cost of child care, which now costs the city about $6,500 a year per child. The combined cost could force the city to spend $400 million a year of its own money on the program, beyond what the Federal bill will pay for, according to estimates by the city's budget office.

Under the Federal bill, states will lose substantial amounts of Federal financing if they fail to meet the targets of the workfare program: 25 percent of welfare recipients in the first year and 50 percent by 2002. Some states have already said they expect to be penalized.

New York State officials said they planned to comply with the workfare requirements, based in part on the workfare program already begun by the city. About 70 percent of the state's 450,000 families on welfare are in New York City.

One way the city and the state can reduce the number of required workfare participants is by reducing the overall number of people on welfare. If it can reduce the welfare rolls by 10 percent, for instance, only 15 percent of recipients would have to enter the workfare program within two years, and 40 percent in six years. Mr. Schwartz, noting that the city has already reduced its rolls by 13.4 percent, said the city and the state might be able to cut the number of people required to participate in workfare.

Though it is unclear whether the city and the state will experience a continued drop in the welfare caseload, many welfare advocates are concerned that this provision gives governments a strong incentive to make it harder for people to stay on welfare. The city has already imposed a rigorous screening process for Home Relief, and the advocates fear that in the sudden absence of Federal regulation, recipients may face increasingly onerous obstacles to staying on welfare.

"With the new bill, all bets are off on rules, regulations, protections and standards," said Liz Krueger, associate director of the Community Food Resource Center, an advocacy group in Manhattan. "Governments are going to go after the tightest restrictions possible to keep their costs down."

Mr. Schwartz said the city has no plans to change its current eligibility standards.

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TUESDAY, AUGUST 13, 1996

THE NEW YORK TIMES
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Yeltsin Security Aide Denounces Russian War Effort in Chechnya

By ALESSANDRA STANLEY A1

MOSCOW, Aug. 12 — Russia's new national security adviser, Aleksandr I. Lebed, returned appalled and angry today from secret talks with rebel commanders in Chechnya, but his rage was not directed at the enemy. At a news conference, Mr. Lebed, a former general and Afghan war hero, expressed horror at the condition of Russian troops and disgust over the conduct of bureaucrats leading the war effort.

"I suspect partisans in World War II were better clothed," he said of the Russian servicemen he saw at checkpoints and whom he described as "hungry, lice-infested and underclothed." He said the soldiers stationed in Chechnya were kept there as "cannon fodder" and should be removed from combat "for purely humanitarian considerations."

In a fierce, startling indictment of the Government he has recently joined, Mr. Lebed derided Russian security officials as inept and corrupt, denounced the Moscow-installed Chechen government as liars, and praised the courage of the rebels.

Mr. Lebed said today that he thought a cease-fire could be arranged within the next 24 hours, and that such a truce was necessary to prevent further useless slaughter of Russian troops.

As he spoke, the Chechen capital thundered with the sound of aerial bombardment and thousands of civilians tried to flee for their lives from what has become a deadly stalemate. [Page A6.]

Mr. Lebed expressed no sympathy for either the Moscow-appointed Chechen leadership or his colleagues in Moscow, asserting that the state commission for settling the crisis in Chechnya, which is headed by Prime Minister Viktor S. Chernomyrdin, had "failed."

He railed against the "passivity" and "corruption" of Government officials in charge of seeking a settlement of the crisis. He called the Moscow-appointed leader of the Chechen republic, Doku Zavgayev, a "liar" and "self-aggrandizer."

Mr. Lebed, was appointed President Boris N. Yeltsin's envoy to Chechnya on Saturday, replacing the hawkish Oleg Lobov. Today, Mr. Lebed said he was not told of his new job ahead of time and suggested that the assignment was lobbed at him like a hand grenade.

"I did not have time to find out who prepared this decision and brought it to the President, but all this shows

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that someone wants me very much to break my neck over this assignment," he said. "We shall see. I like tough assignments. They excite me."

Mr. Lebed, who was an ardent critic of the war when he was running for President against Mr. Yeltsin, has alienated many of the President's men with his assertive manner and bold power grabs since he was named to head up the President's national security operation.

Some of Mr. Yeltsin's aides have sniped at Mr. Lebed for hesitating to travel to Chechnya after he said shortly after the election that he would do so. His trip today was designed to find a way to get an immediate cease-fire in a six-day battle in Grozny that has killed hundreds of Russian troops.

It was also meant to silence his critics inside the Kremlin.

He lashed out at them today, talking about the lack of coordination, information-gathering or clear decison-making on Chechnya that preceded him.

He bitterly attacked Mr. Lobov's operation for "passivity" and demanded an "in-house investigation" into the whereabouts of Mr. Lobov's deputy, who he said was supposed to be permanently stationed in Chechnya.

"According to my information, he is currently in Cyprus, having his holiday," Mr. Lebed said scornfully. He said the rest of the staff "ran away" last week when the latest rebel offensive began.

The security adviser's comments were reminiscent of a tactic Mr. Yeltsin himself has used during the unpopular war — summoning generals or Cabinet ministers before television cameras to blame them for mishandling a war that had become a humiliating political liability.

Mr. Lebed was also withering about the conduct of the government press services, comparing them unfavorably with the public relations finesse of Chechen rebels. He complained that Russian spokesmen "switched off their phones, they have no communications, they have lost their tongues," and suggested that the press secretaries for the Ministries of Defense and Interior and the Federal Security Service be dismissed. "Let them go fishing and grow raspberries at their dachas," he said.

Mr. Lebed's few conciliatory words were reserved for the Chechen rebels, saying, "They are fine soldiers, and they should not be referred to by derogatory names." He said that in his meeting, the rebel commander, Aslan Maskhadov, had agreed with him that Russia could "crush" Chechnya if it wanted to.

"The question is, is it necessary?" Mr. Lebed asked. "Should hundreds and thousands of lives be sacrificed to achieve this Pyrrhic victory?"

Resignations Won't Disrupt Welfare Plans, Officials Say

By ROBERT PEAR

WASHINGTON, Sept. 12 — Federal and state officials said today that the resignation of three Federal welfare officials would not significantly disrupt or delay work on the new welfare law signed last month by President Clinton because most of the important action had already shifted to the states.

State officials of both parties praised Mary Jo Bane, an assistant secretary of Health and Human Services, and Peter B. Edelman, an acting assistant secretary, who disclosed on Wednesday that they were resigning because of concern that the law would harm children.

But the state officials said they scarcely had time to worry about personnel shifts in Washington because they were preoccupied with the work needed to carry out the law. The measure radically reduces the role of the Federal Government, making Federal officials like Ms. Bane almost irrelevant to state welfare programs.

The resignations of Ms. Bane and Mr. Edelman deprive the Administration of some of its top experts on welfare policy. Wendell E. Primus, a deputy assistant secretary of health and human services who had analyzed the impact of the bill on children, resigned in protest last month.

Rahm I. Emanuel, a White House aide who coordinates welfare policy, and Michael Kharfen, a spokesman for the Department of Health and Human Services, said today that the resignations would not disrupt Federal efforts to carry out the new law. They noted that the department's civil servants and welfare technicians were still on the job.

In the last year, the debate over welfare policy moved to the right, as President Clinton and many Democrats in Congress decided not to defend the Federal guarantee of cash assistance for the nation's poorest children. State officials said there was no need for this guarantee because they could be trusted to care for the poor.

Gerald H. Miller, director of the Michigan Department of Social Services, who had frequent dealings with Ms. Bane and often disagreed with her, said: "Mary Jo's departure is a real loss to the Clinton Administration and to the country. She has been a super person to work with, always honest, always fair."

But Mr. Miller said her resignation would not delay work on the new law, which gives states vast new power to run their own welfare and work programs with lump sums of Federal money.

Amy Tucci, a spokeswoman for the American Public Welfare Association, which represents state welfare officials, said today: "No one has time to think about the ramifications of Mary Jo Bane's leaving. This bill is immense. The job at hand is so huge, it becomes a futile exercise to sit there and consider what this might mean to the political future of President Clinton."

Ms. Bane was the person who negotiated with state officials when they sought Federal permission to conduct experiments deviating from the old welfare law. There is no need for such waivers under the new law, though many states want to keep the waivers they already have to run experimental programs. The new law severely limits the Federal role, saying that Federal officials must not regulate the conduct of states except where explicitly allowed by Congress.

With plenty to think about, personnel shifts rank low.

Congress clearly envisioned a much-reduced Federal role. The new law says that the Department of Health and Human Services must eliminate the jobs of 245 Federal employees, or 75 percent of the 327 who now work on welfare programs. Ms. Bane is thus one of many who will presumably leave.

State officials said they were confused about many provisions of the new law, and it is that confusion, rather than the departure of Ms. Bane or the other officials, that may impede efforts to carry it out.

Ms. Bane will be succeeded at least temporarily by Olivia Golden, who has been in charge of Head Start and Federal programs dealing with child abuse, foster care and child care.

Ms. Bane was respected by Republicans and Democrats alike for her research on poverty and public assistance. Republican members of Congress often made use of her research, which found that many single mothers spent many years on welfare. The Republicans cited her data as a reason to set time limits on public assistance.

THE NEW YORK TIMES, FRIDAY, SEPTEMBER 13, 1996

A Friendship In Tatters, Over Policy

Welfare Reform Bill Was the Last Straw

By NEIL A. LEWIS

WASHINGTON, Sept. 12 — After receiving national acclaim for a speech at her Wellesley commencement, Hillary Rodham was invited to address The League of Women Voters 1970 convention in Colorado Springs as a "young leader of the future." She had been selected by the conference organizer, Peter Edelman, a former aide to Robert F. Kennedy and the husband of Marian Wright Edelman, then a lawyer specializing in children's issues who gave the conference's keynote speech.

It was the beginning of a remarkable association over more than two decades between the Edelmans and Hillary Rodham and Bill Clinton, the man she would marry. It became something larger than a friendship; it was a rich relationship between two couples held together by common political and policy interests.

Mrs. Edelman, the founder of the Children's Defense Fund, provided invaluable help to the Clintons' political careers, nurturing Mrs. Clinton's identity as an advocate of children's causes and rushing to help Mr. Clinton's Presidential campaign during rough moments in 1992.

Yet over the three years of the Clinton Presidency, the relationship steadily frayed. This week it finally snapped, when Mr. Edelman resigned on Wednesday as an assistant secretary of Health and Human Services in protest over President Clinton's recent decision to sign a bill to drastically change the welfare system.

To many who are friends of both couples the denouement was inevitable because of the tensions created when the Clintons occupied the White House and began to move to the political center, making policy decisions that troubled Mr. and Mrs. Edelman.

But to some friends of the Edelmans, the deterioration of the relationship also demonstrated how Mr. and Mrs. Clinton have become insensitive to how they treat old friends.

"They have not treated Peter and Marian with the minimum decency which they should have," said Roger Wilkins, a longtime friend of the Edelmans whose views reflected those of several others who declined to speak publicly about the issue.

After he took office, Mr. Clinton told Mr. Edelman, a law professor and former dean at the Georgetown University Law Center, that he would name him to a seat on the United States Court of Appeals for the District of Columbia, regarded by many as second in importance only to the Supreme Court.

When the Clintons entered the White House, politics got personal.

But when conservatives mounted a campaign against the proposed nomination based on Mr. Edelman's liberal academic writings, Mr. Clinton quickly backed down. In a world where the ability to tell someone bad news face-to-face is especially valued, Mr. Clinton erred, White House officials said, by sending someone else, his White House counsel, to tell Mr. Edelman the decision.

In 1995, when Administration officials brokered an agreement with Senate Republicans to give Mr. Edelman a seat on a lower-level trial court, Mr. Clinton still declined to send the nomination forward, apparently not wanting to spend political capital on a difficult confirmation fight.

Aware of Mr. Edelman's disappointment, Mr. Clinton invited him to accompany him on the flight to Israel for the funeral of Yitzhak Rabin, where they played the card game Hearts for several hours and had a warm talk.

But Mrs. Edelman, widely known both for her devotion to children's causes and her inflexibility in advocating them, had grown increasingly critical of the Clinton Administration's policies. In an opinion piece in The Washington Post, she pleaded with the President to resist accepting Republican-sponsored welfare legislation.

When Mr. Clinton signed the welfare bill in August ending a 60-year Federal guarantee of assistance for poor children, Mrs. Edelman denounced him for what she called a "moment of shame" and making "a mockery of his pledge not to hurt children."

Mrs. Edelman had also organized a June 1 rally in Washington called "Stand for Children" in which Mrs. Clinton had wanted to participate. But Mrs. Edelman had vetoed that possibility, saying the rally would not feature any political speakers, including Mrs. Clinton, who had served as chairwoman of the Children's Defense Fund from 1986 to 1992.

Mrs. Clinton has long promoted her identity as a children's advocate in contrast to a competing image of her as a sophisticated corporate lawyer. In addition to helping Mrs. Clinton reinforce her identity as a children's advocate, Mrs. Edelman used her image as an advocate of family values to campaign heavily for Mr. Clinton after stories surfaced about his marital fidelity.

Mr. Wilkins said that despite that support, Mr. Clinton was not obliged to agree with the Edelmans' position on welfare or make Mr. Edelman a judge. "What he did owe them was a real hearing and a clear-eyed response," he said, adding that the President he did not provide that.

George Stephanopoulous, a senior White House adviser, declined to comment except to say that Mr. Clinton has great admiration for both Mr. and Mrs. Edelman.

THE NEW YORK TIMES, FRIDAY, SEPTEMBER 13, 1996

REVIEW & OUTLOOK

Welfare Take-Back

"Much of my thinking about what happens with welfare reform rests on my belief that my husband will do as he said he will do, which is to fix those parts of the bill that are unfair; that the Republicans put in."

—HILLARY CLINTON
AT THE DEMOCRATIC CONVENTION

You can't say she didn't warn you. Most people thought Bill Clinton committed himself to welfare reform for all the states. But we have Mrs. Clinton's promise that her husband will get rid of the parts "that the Republicans put in." Tough cookie, for that's exactly what just happened in Wisconsin, one of the most oft-cited models of serious welfare reform.

Back in May, President Clinton startled the country when he praised Wisconsin's radical "W-2" plan to abolish welfare. "Clinton Backs Proposal to Scrap Welfare," blared the Washington Post's front page. But White House aides made clear *sotto voce*, as is their habit, that the President hadn't *really* promised to sign the waivers from federal regulation that Wisconsin would need to implement W-2.

And when the President did sign that famous bill limiting Washington's role in welfare, not much notice was given to the fact that it still left federal bureaucrats with some veto power over what the states did. Wisconsin still needed federal waivers for about one-fourth of its reforms. On Monday, in a major


Bill Clinton

:est case of the White House's sincerty in letting the states go their own vay, the Clinton Administration of'ered up boilerplate praise of W-2, but hen rejected two linchpins of the program opposed by liberal critics.

Wisconsin's W-2 program, which passed the state legislature with bipartisan support, has as its goal not to end any checks to able-bodied recipients unless they are working in a normal job. For those with little work experience, the state will provide community service jobs or places in "sheltered workshops" where they can earn skills. Pilot programs have been successful. Fond du Lac has seen its welfare rolls cut by more than half in two years as recipients have found jobs.

Two key elements are needed to expand W-2 statewide, however. The state wants to require that W-2 participants be Wisconsin residents for at least 60 days. It would also like flexibility to use federal Medicaid money to subsidize health care for welfare recipients who obtain jobs. If their employer doesn't provide health insurance, the state would offer full health benefits for a sliding co-payment. A working mother with two kids could earn as much as $20,000 a year and remain eligible for subsidized health care. But if she is able-bodied and still declines to take a job, she would lose Medicaid eligibility.

Wisconsin's GOP Governor Tommy Thompson believes his state's success with welfare reform has earned it the right to fully implement W-2. Wisconsin's pre-W-2 reforms and a business-friendly climate have already cut the state's welfare rolls by 24% since 1993. Only 9% of the state's residents lack health insurance or protection, the lowest in the nation. Governor Thompson thinks the state could reduce that to 4% if given flexibility in using federal Medicaid dollars. "Having a mild residency requirement and flexibility on Medicaid is essential to W-2's success," says Rep. John Gard, who chairs the Wisconsin Assembly's welfare reform committee.

This week, the federal Health Care Financing Administration, which runs Medicaid, sent Wisconsin a letter. It approved Wisconsin's plan to spend federal welfare dollars as a block grant. "However, we must convey that your Medicaid proposal is not approvable in its current form because it runs counter to federal guarantees of health care for low-income persons." In addition, the residency requirement was rejected. Thus with two paragraphs from Washington, W-2 got "fixed."

Governor Thompson is irritated at the take-back. "This means you can't trust Bill Clinton," he told us yesterday. "We're trying to expand health care to anyone willing and able to get a job. The Administration wants as much of the status quo as it possibly can."

We suspect the Clinton White House doesn't much care what Gov. Thompson thinks. Most voters do want Thompson-style reforms of the welfare system, and Bill Clinton got their votes by ostentatiously signing the welfare reform bill. Now, with this turndown, which few of these voters will hear about beyond Wisconsin, he's signaling to activist liberals with iron stomachs that they can rejoin the Clinton entourage. Say this about it, all previously accepted political definitions of promise and principle are being revised by this Presidency.

Family Matter

In the income distribution wars, the datum "Median Family Income" is something like a cruise missile: controversial and indispensable. Before the Clinton campaign and administration shifted into the "happy days are here again" mode this spring, their spokespeople could be counted on for periodic volleys about the troubling decline in median family income. Nowadays the statistic is the preferred weapon of a few lonely guys to the campaign's left and the Republican-led Joint Economic Committee on the right.

So what about median family income? The measure, which seeks to give a snapshot of the well-being of the average family, fell from 1988 to 1993. Even after a jog upward in 1994, real income—income including taxes and after inflation—still lagged behind a 1989 high. Seen over the longer time frame of 24 years, the median family's troubles look more distressing. While GDP per capita rose 46% percent from 1970, median family income rose only 9.5%.

The class warriors of course have an explanation. They say that the gap between these two statistics exists because the rich hogged more than their share of the economy's growth, an argument many Americans don't find convincing. A very uneconomic factor actually played an important role in the math here: the size and shape of the American family.

Just look at the numbers. In 1990, the average family size was 3.58. By 1980 the figure was 3.29, and in 1990 it was 3.17. A single family that breaks up of course becomes two households, one led by dad and the other by mom. So the number of families increased 33% in the period since 1970. Population over this same period increased by only 27%. Two-income families earned more than they had before mom went to work. But it looks like that was more than offset by the splintering of families into two units, and the rise of the single mom.

The result is that, when you control for family size, the famous "median family income" is not so low. The median income for married couples in 1994 was 19% higher in inflation-adjusted dollars than it had been in 1970. In other words, at least one-quarter of the class "gap" disappears when you take family size into account when calculating this statistic. For *mean*, or average, family income, the gap narrows even more dramatically. Art Laffer, who called our attention to these facts, notes that median family income suffered particularly during the eras of the Bush and Clinton tax hikes. Both presidents' economic programs, readers will recall, heaped an additional burden on the struggling family unit by raising the tax penalty on married filers.

None of this is to say that higher incomes aren't better than lower ones. The proven way to reach that goal is to achieve economic growth faster than has prevailed over the course of the current recovery. Bob Dole aims at growth with his 15% tax cutting ideas, while President Clinton proposes to use the tax code to address perceived problems, which is to say constituent groups.

The recovery has currently picked up some steam, showing how a little better growth can buy more general satisfaction than targeted projects such as family tax breaks for day care or college. In fact the more likely result of such gizmos is price rises and yet greater economic distortion. The Laffer conclusion, and one we share: The harder politicians hammer on the tax structure to "help" specific groups, the more they skewer them.

Asides

New Baseball Card

Orioles infielder Roberto Alomar spit at an umpire after a called third strike, and later said the ump was upset because his kid died of a rare disease. Baltimore fans cheered Alomar as he came onto the field yesterday. In soccer, also full of prima donnas, a red card for aggravated petulance means you sit out a game, even in the World Cup. Maybe we need a baseball card for uncontrolled droolers.

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A Primer on the Perils of Foreign Aid

By Mansoor Ijaz

Two weeks ago, Prime Minister Benazir Bhutto's brother, Murtaza Bhutto, was gunned down in what many witnesses described as a carefully orchestrated execution—further highlighting Pakistan's descent into lawlessness. Ms. Bhutto and her cronies, meanwhile, stand accused—by her late brother, among others—of continuing to squirrel away vast amounts of the nation's wealth in an increasingly institutionalized manner.

Until a British tabloid, the Sunday Express, reported in June on Ms. Bhutto's new 355-acre, $4 million "Fort Knox" hideaway in England, few outside the Pakistani political machinery paid much attention. Corruption, after all, is a way of life in Pakistan. Yet systemic corruption in countries like Pakistan is cause for grave concern about whether U.S. economic and security interests are best served by current American policy.

Benazir Bhutto

Ms. Bhutto, with her Harvard and Oxford education, has long been touted by Western leaders—most recently by President Clinton—as the last hope for maintaining a moderate course in the world's second most populous and only nuclear-capable Muslim nation. She was hailed as the only leader who could bring about political, economic and social reforms in this important U.S. ally. Then, in 1987, she got married.

Her husband, Asif Ali Zardari, known as Mr. Thirty Percent (for the cut he allegedly demands of each investment project in Pakistan), has become the country's symbol of corruption run amok. So notorious is his reputation for unjustified rewards that last month Ms. Bhutto was forced to create a new cabinet post in order to legitimize his role in Pakistan's business affairs—widely referred to as "Zardarism."

When Ms. Bhutto started her current term in late 1993, for instance, the 30 Dassault Mirage 2000-5 fighter jets her government sought, to replace a like number of embargoed U.S. F-16s, were priced at $45 million each. When new Chief of Army Staff Gen. Jehangir Keramat and President Farooq Leghari canceled the deal this May, the price had ballooned to $90 million per plane—$30 million more than Dassault's top-of-the-line fighter. Even after adjusting for currency devaluation and equipment upgrades, $20 million per plane was left unexplained. Similarly unexplained were the aggressive tactics used by Pakistan's current ambassador to the U.S., Maleeha Lodhi, in pushing for immediate return of F-16 monies authorized last year by Congress's Brown Amendment—until it was revealed that her brother Amir Lodhi, a former Washington-based Bank of Credit & Commerce International insider turned state's evidence, was the Mirage deal's middleman and a close business associate of Mr. Zardari. Zardarism indeed.

Simple arithmetic shows the relevance of such dealings to U.S. economic interests. The unexplained overcharge of $600 million for the 30 planes would have resulted in plenty of graft monies. By coincidence, the U.S. taxpayer-funded International Monetary Fund standby loan facility granted to Ms. Bhutto's government in October, 1995 was also $600 million. Yet no Clinton administration official seemed to notice this, nor that military equipment was being released to Pakistan under the Brown Amendment while crucial economic aid to Pakistan's poor was frozen in retaliation for the purchase of nuclear components from China. And, apparently, relations had deteriorated so badly between the U.S. and Pakistan that neither was able to halt the implosion of Afghanistan at the hands of the Islamabad-backed rebel Taliban group. A similar fate may well face Pakistan.

What went so wrong in using U.S. foreign aid to prop up Ms. Bhutto as a beacon of American ideals? Once again American foreign-policy planners failed to distinguish between petty graft and the systemic corruption pervading Third World governments. Time and again, such wide-scale corruption robs societies of their material, moral and intellectual resources. It also turns the country into a breeding ground for terrorism. Most of all, it robs people of hope—hope that they can work instead of aimlessly roaming city streets; hope that their children can learn to read and write instead of working in sweatshops and carrying AK-47 rifles; hope that law and order will prevail over anarchy.

Too often, our millions are sent to fund the very forces that destroy the institutions we so avidly seek to establish.

Given recent events, Ms. Bhutto's government will likely have to agree to the establishment of an independent corruption commission, an idea vigorously pursued by President Leghari. If she doesn't, her government might fail at the hands of the coalesced opposition.

Her failure would be our failure. If America's foreign-policy makers reasoned that Ms. Bhutto's savvy would prevail, or that the alternative leaders were worse, they were simply wrong. Whether under Ms. Bhutto, or former Prime Minister Nawaz Sharif, or cricket star and possible prime minister candidate Imran Khan, Pakistan—and America's interests in the region—could have no worse outcome than for the country's already systemic corruption to foster further violence, and religious extremism as salvation.

It is high time that American aid packages include strict conditions tying further disbursements to progress against corruption. Just as a bank requires a home mortgage recipient to insure the investment adequately, so must the U.S. and other international donors stipulate that Pakistan address the risks it faces. The IMF, for example, should implement its recently announced "good governance" proposals, which address the causes of corruption, and countries like Pakistan should stop fighting their adoption. In essence, monitoring teams should follow taxpayers' dollars right into the hungry mouths of starving children and single mothers, ensuring the funds don't go instead to perks for the elite.

U.S. aid should be used foremost for education, primary medical care and nutrition programs. The global investment community will take care of infrastructure development—not because international investors are necessarily philanthropists, but because it makes good business sense to do so. Yet we should not do so until we are more certain that institutions exist to guard our new investments from widespread extremism and public-sector corruption—and in the case of Pakistan, Zardarism.

Pakistan demonstrates once again that foreign-aid efforts must not be distracted by anyone's notions of some abstract good. Too often, our millions are sent to fund the very forces that destroy the institutions we so avidly seek to establish. If we are not more vigilant, one day soon we may find that terrorism on American soil was born of Third World policies funded with our own money.

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