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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. note	Sean Maloney to Mr. President re: IDAs (1 page)	06/16/1998	P5 4169
002. memo	Gene Sperling and Bruce Reed to The President re: Individual Development Accounts (4 pages)	06/14/1998	P5 4170
003. note	Sean Maloney to Mr. President re: IDAs (1 page)	06/16/1998	P5 Dup 001
004. memo	Gene Sperling and Bruce Reed to The President re: Individual Development Accounts (4 pages)	06/14/1998	P5 Dup of 002
005. memo	Robert Rubin et al. to The President and Vice President (partial, pages 3 and 4 in full) (3 pages)	05/04/1999	P5 4171
006. memo	Gene Sperling et. Al to The President re: Long-Term Care Initiative (8 pages)	08/11/1998	P5 4172
007. memo	Bruce Reed and Rahm Emanuel to The President re:"Sporterized" Assault Weapons Directive (3 pages)	10/30/1997	P5 4173

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Miscellaneous Memos from Bruce Reed to President Clinton

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P1 National Security Classified Information [(a)(1) of the PRA]
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THE PRESIDENT HAS SEEN
6-16-98

THE WHITE HOUSE

WASHINGTON

June 16, 1998

MR. PRESIDENT:

The attached Sperling/Reed memo asks you to endorse, with some changes, the Coats-Harkin Individual Development Accounts (IDAs) legislation, which would establish a 4-year, $100M demonstration program under which State, local and nonprofit entities would operate IDA programs.

Under the demonstration, low-income households would qualify to open IDAs with a match from the administering agency of at least 1:1 and no more than 8:1. Individuals could make withdrawals from their accounts for (i) a first-home purchase; (ii) post-secondary education expenses; or (iii) starting a new business. The bill gives a preference to administering entities that attract substantial private or non-Federal matching funds. The bill enjoys bi-partisan support.

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Emanuel
Sperling
Reed
COS

Gene/Bruce present three Options, but no one supports Option 2, which would have you put forward an IDA proposal with a higher price tag, or Option 3, which would have you propose a narrower IDA demonstration limited to home buying. All of your advisers (*NEC, DPC, OMB, Podesta, Stein, VP, Treasury, HUD, CEA, SBA, HHS*) support Option 1, which is to endorse Coats-Harkin with some modifications. There is some risk the GOP will attempt to expand the IDAs to include K-12 private school (a type of Coverdell Amendment), but Harkin has vowed to oppose any such efforts. Your advisers are seeking a similar pledge from Coats.

Option 1 (recommended) ✓ Option 2 __ Option 3 __ Discuss __

Sean Maloney SM

COPY

THE WHITE HOUSE

WASHINGTON

June 14, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
BRUCE REED

SUBJECT: Individual Development Accounts

On Wednesday, the Senate Labor subcommittee will mark-up the Human Services reauthorization bill. Besides Head Start and LIHEAP reauthorization, the Committee is planning to include a demonstration of Individual Development Accounts. Given your record, we believe that you should get out in front on this issue and we should either endorse the proposal (with some modifications) or propose our own IDA demonstration.

For many years, you have strongly supported Individual Development Accounts (IDAs) as a means to build assets among lower-income Americans, help move people from welfare to work, expand homeownership opportunity, increase access to post-secondary education, and help people start their own businesses. Indeed, nearly six years ago -- in September 1992 -- you announced your support for IDAs, saying that they "would encourage poor Americans to set money aside in special savings accounts that they can use for a home, their education, their training or starting a small business." To that end, your 1994 Welfare Reform proposal included an IDA proposal and the 1996 Welfare Reform law allowed States to use welfare funds to establish IDAs.

However, the Federal government has yet to provide direct funding to create IDAs. This memo lays out three potential options for the Administration: (1) endorse the Coats-Harkin IDA demonstration bill; (2) put forward our own Coats-Harkin-*like* IDA proposal with a higher price tag; or (3) propose a narrower IDA demonstration for just homeownership.

Coats-Harkin IDA Demonstration Bill:

Senator Coats and Senator Harkin are the lead sponsors of a bill which would establish a four-year, $100 million IDA demonstration under which State and local agencies and/or non-profits would be funded to operate IDA programs. The demonstration would be open to households that are either eligible for welfare (TANF) or have an income level below the EITC phase-out point and a net worth below $10,000. For each dollar deposited into the IDA by a low-income family, the administering agency would provide a match of not less than 1:1 and not more than 8:1. Individuals could make qualified withdrawals from the IDA for only three purposes: (1) purchase of a first home, (2) post-secondary educational expenses, or (3) starting a new business. The Coats-Harkin bill gives a preference to entities that are able to attract pledges of substantial non-Federal, especially private sector, funding to serve as a match for the Federal dollars. And to determine whether this demonstration works, the bill requires that there be a rigorous evaluation of the program.

You should know that the Coats-Harkin bill has the support of a bipartisan group of Senators, including Abraham, Lugar, Collins, Moseley-Braun and Wellstone. On the House side, the lead sponsors of the companion bill are Tony Hall and Kasich. While there are no real substantive problems with the bill, there need to be some clarifications and technical corrections.

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Options:

The following options would be coupled with two other measures to promote IDAs in the private sector and at the state and local level: first, we would ask the banking regulators to clarify that banks and thrifts can receive Community Reinvestment Act credit for IDA programs; and second, a letter would be sent from HUD clarifying that HOME and CDBG funds can be used to establish IDA programs. In addition, because of the need for an offset to pay for any of the following options, we are investigating whether we could place the IDA program within the Treasury Department instead of at HHS (as the Coats-Harkin bill does) and direct the Community Development Financial Institutions (CDFI) fund to set-aside funds from its existing budget request for FY99 to pay for its operations.

<u>Option 1: Endorse Coats-Harkin bill</u>

Pros:

- Could help approximately 50,000 lower-income Americans build assets, which is an important means to get out of the cycle of dependency.
- While the national homeownership rate is nearly 66 percent, the rate among lower-income and disadvantaged Americans is below 50 percent. IDAs would help expand homeownership opportunities to this group of people. IDAs would also help increase access to college and help low-income families start their own businesses.
- Provides another tool to move people from welfare to work.
- Enactment of Federal IDA legislation would complete the community empowerment agenda you laid out in your 1992 campaign.
- Would dovetail well with other housing proposals: Low-Income Housing Tax Credit expansion will help develop more rental housing units; Welfare-to-Work Housing Vouchers will help move welfare recipients into privately owned rental housing; and IDAs will help these families save to become homeowners.
- Of all the options being considered, most likely to be enacted this year.

Cons:

- The Coats-Harkin bill comes with a price tag of $25 million per year. One option to pay for our endorsement could be to place its operation within the CDFI Fund and direct the Fund to set-aside $25 million within its FY99 budget request.

- Some believe that Republicans would expand IDA bill to include K-12 private school education, reopening the same issues raised by Coverdell amendment, but in a less favorable context (IDAs help lower-income Americans, while IRAs disproportionately benefit those with higher incomes).

- This initiative would help only a small percentage of low-income persons who need help accumulating wealth.

- An IDA demonstration may be vulnerable to fraud, especially allowing withdrawals for small business activities.

- Endorsing Coats-Harkin means you will not have put forward your own IDA proposal (even though Coats-Harkin is based largely on the one included in our 1994 welfare proposal).

<u>Option 2: Put Forward Our Own IDA Demonstration with a Higher Price Tag</u>

Another option would be to put forward our own IDA demonstration proposal (with a higher price tag), while acknowledging the proposal from Senators Coats and Harkin. OMB believes that the largest our own IDA demonstration program could be -- within your FY99 budget -- is $30 million per year (or $150 million over five years). This option would allow us to make the <u>small</u> substantive and technical changes to the Coats-Harkin proposal without having to negotiate with their staffs.

Pros:

- Same as option 1, but you would have ownership of the proposal.

Cons:

- Same as option 1, but the price tag for this option would be higher and would require a larger offset.

- Could upset Harkin and Coats that we are proposing a similar IDA demonstration without endorsing their proposal.

<u>Option 3: Propose More Narrow IDA Demonstration for Only Homeownership</u>

Another alternative would be to propose a narrow IDA demonstration which would be focused solely on homeownership -- the only qualified withdrawal would be for the purchase of a first home.

Pros:

- Focuses message on homeownership and focus attention on the importance of saving for homeownership.
- Allays concerns of education community that IDAs would be used as vehicle for Coverdell.
- Costs less than other two options.

Cons:

- Some may question why we did not propose allowing post-secondary education as a qualified withdrawal from IDAs, given your strong record on expanding access to college. We would get the same criticism for not allowing withdrawals for starting a new small business.

Recommendations:

NEC, DPC, OMB, White House Legislative Affairs, OVP, Treasury, HUD, CEA, SBA, and HHS recommend that you support the Coats-Harkin bill with some modifications. There is unanimous agreement that endorsing Coats-Harkin would be consistent with your goals of helping move people from welfare to work, provide educational opportunities, help people buy their own homes, and help people start their own businesses. If you decide to endorse Coats-Harkin, we will work with their staffs to ensure that the bill is modified to address the specific concerns of your advisors; for example, we want the bill to include a stronger evaluation component so that we have rigorous evidence on whether this initiative works or not.

Education is concerned that endorsing an IDA demonstration now may provide the Republicans an opportunity to open up the accounts to K-12 private school education. You should know that Senator Harkin has indicated that he will not support the IDA demonstration if the Republicans try to attach a Coverdell-like amendment. Your advisors believe that we should work with Senator Harkin to obtain a similar pledge from Senator Coats before we endorse the bill. In the end, we believe that Senator Coats will provide us this guarantee because he is retiring and wants to pass the IDA bill.

__✓__ Endorse Coats-Harkin Bill (RECOMMENDED)

_____ Put Forward Your Own, Bigger IDA Demonstration Proposal

_____ Propose Narrow IDA Demonstration Program Targeted To Homeownership

_____ Discuss Further

3. It fails to include a requirement that banking organizations both *have* a satisfactory CRA rating as a precondition to engage in newly authorized financial activities and *maintain* their CRA rating in order to continue engaging in these activities. Chairman Gramm considers this requirement an expansion of CRA. We, on the other hand, believe that failure to include this provision would seriously erode CRA's relevance over time, as banking organizations increasingly focus on these new activities. (See appendix.)

In the House, the Banking Committee reported out a bipartisan bill (51-8), that we endorsed, that does not contain any anti-CRA provisions. The House Banking bill includes the "have and maintain" requirement. If a bank fails to maintain its rating it must develop and implement a compliance plan or risk penalties -- including the possibility of forced divestitures of the newly approved activities and, according to some interpretations of the bill, civil money penalties.

When the Senate bill comes to the floor, Democrats currently plan to introduce both a Democratic substitute bill, and a comprehensive CRA amendment striking the anti-CRA provisions and adding the "have and maintain" requirement. Democrats will likely vote for the amendment -- although support for individual pieces may vary -- and against final passage if the amendment fails. Republicans may offer anti-CRA amendments. In addition, there may be amendments offered by members of either or both parties with respect to permitting banking organizations to conduct new activities through operating subsidiaries, and limiting the unitary thrift provisions. We support such amendments as consistent with your veto letter, although there is some question about our likelihood of success on the floor. Our strong support for the "have and maintain" requirement for CRA is likely to further bolster our support from Democrats for these other amendments. If the Democratic CRA amendment fails, Democrats are likely to be unified in opposing the bill on final passage, and we may have more leverage to fix other issues in conference, such as banking and commerce or the operating subsidiary. If the CRA amendments succeed, we may be in a weaker position to make other changes to the legislation in conference.

Community groups strongly support our opposition to the Gramm bill, but believe that the House-passed version, with its "have and maintain" requirement, is at best minimally acceptable. They are likely to oppose any financial modernization legislation that does not significantly expand CRA.

Recommendation

Part 1: CRA Veto Threat, including "Have and Maintain"

In both your letters to the Senate and Treasury statements, we have provided a number of reasons why you would veto the current Gramm bill. This week, as some Senators seek to find a compromise, Secretary Rubin inevitably will be asked whether you would veto the bill over specific provisions – in particular over the absence of the "have and maintain" requirement. As a policy matter, your advisors believe that you should veto financial modernization legislation that fails to include a requirement that banking organizations both have and maintain a satisfactory CRA record in order to engage in newly authorized activities.

Nonetheless, your advisors also believe that it is premature for you to be asked to speak to a hypothetical situation, as no bill currently would address all our other concerns except the "have and maintain" requirement. Moreover, we do not have a clear sense of how many Democrats would support you, if that were the only CRA problem raised by the bill. Thus, for now, your advisors recommend that we continue publicly to reiterate your veto threat on CRA generally. When asked, Secretary Rubin would clarify that the veto threat includes the small bank exemption, the safe harbor, and the lack of a "have and maintain" requirement. If pressed further on "have and maintain," Secretary Rubin would explain that the requirement is embedded in the veto threat. We would leave flexibility as to the enforcement mechanism for this requirement.

Analysis: In the future, the relative importance of banking merger applications -- and, thus, occasions for reviewing a bank's CRA record, may decline and the establishment of non-bank financial activities will become increasingly important. In that context, the requirement that banking organizations have and maintain an adequate CRA record in order to engage in newly authorized financial activities will be essential to maintaining the relevance of CRA. This requirement strengthens CRA enforcement -- by conditioning applications for non-banking activities on CRA compliance and by subjecting the bank to further consequences if its CRA record becomes unsatisfactory after the applications is approved -- without expanding the scope of CRA beyond insured depository institutions.

In addition, insisting on the "have and maintain" requirement is consistent with your strong stance on CRA over the last six years, and is a position that consumer, community, and civil rights groups expect you to take. Moreover, there are tactical advantages to taking a tough negotiating stance on CRA. It increases our leverage in conference, as Congressional Democrats have thus far been relatively united in supporting a "have and maintain" requirement this year. Democrats are not as united on our other concerns. Thus, CRA will be a key rationale should a veto be necessary.

In the end, however, it is unlikely that we will get a bill out of Congress containing the "have and maintain" requirement. Chairman Gramm has said that he will bring down any bill that is not at least "CRA neutral." Chairman Gramm argues that "have and maintain" is an expansion of CRA. Moreover, in the unlikely event that you are forced to veto a bill *solely* over the "have and maintain" requirement, that veto could be difficult to sustain. For example, many Democrats at the end of the day may not oppose a bill that addressed their other concerns with the Gramm bill, but dropped the "maintain" requirement. (Prospects of sustaining the veto are somewhat better in the House than in the Senate.) Last Congress, moreover, the Administration sent up a bill requiring that banks have a satisfactory CRA rating but not that banks maintain their CRA rating, and the Senate Banking Committee reported a bill last year with this more limited requirement, 16-2.

Part 2: Support Democratic CRA Floor Strategy

Your advisors believe that we should support the Senate Democratic Leadership's floor strategy, be careful not to push votes that will divide Democrats on CRA issues, and be especially careful not to drive moderates to cut a deal with Gramm. Although the situation is fluid, that strategy currently exists of offering a full Democratic substitute for the bill, offering a single CRA amendment to strike offending provisions and add the "have and maintain" requirement, and opposing anti-CRA amendments.

Analysis: On the one hand, community groups have been urging us to be more aggressive, arguing that we should expand CRA as we modernize the financial system. On the other, some Democrats would prefer to get financial modernization enacted, even if it meant a weakening of CRA. Thus, some are tempted to compromise on the small bank exemption or "have and maintain." As a result, Democratic unity behind a comprehensive CRA amendment would be a significant achievement.

If Republicans offer an "anti-extortion" amendment, we would oppose it on the grounds that it would chill legitimate relationships between financial institutions and communities, and that extortion is already illegal, but the debate will be difficult for Democrats. Republicans also might propose an amendment requiring disclosure of bank-community group CRA settlements, and it would be difficult to press Democrats to oppose this. In fact, we could support such an amendment. If it is offered, we should encourage Democrats to offer a "second-degree" amendment requiring financial institutions to report on their progress in meeting their CRA commitments, which would garner support from Democrats and community groups, but the amendment is unlikely to pass.

DECISION _____**Agree** _____**Discuss Further**

THE WHITE HOUSE

WASHINGTON

August 11, 1998

MEMORANDUM FOR THE PRESIDENT

FROM: GENE SPERLING
BRUCE REED
CHRIS JENNINGS

SUBJECT: LONG-TERM CARE INITIATIVE

cc. THE VICE PRESIDENT, ERSKINE BOWLES, ROBERT RUBIN, JACK LEW, SYLVIA MATTHEWS, JANET YELLEN, MARIA ECHAVESTE, JOHN PODESTA, RON KLAIN, LARRY STEIN, RAHM EMANUEL, PAUL BEGALA, ELENA KAGAN

Per your request, an interagency NEC/DPC process examined long-term care policy options, specifically how long-term care options could be added to our tax cut package. This memo summarizes our recommendations on both the best policy and the advisability of announcing such an initiative in August or September or waiting until the State of the Union.

We developed a long-term care initiative that both assists people who provide or pay for long-term care and encourages workers to purchase high-quality, private long-term care insurance. The centerpiece of the initiative is a broad-based, non-refundable tax credit for people with long-term care needs or for families who house and care for such relatives. The credit could help defray the costs of formal care (e.g., home health care) and informal care (e.g., assisting parents who are bed-ridden). Second, to complement the ongoing work of your Task Force on the Employment of Adults with Disabilities, we could introduce a tax credit of up to $5,000 for impairment-related work expenses incurred by disabled individuals. Third, we could announce support for offering private long-term care insurance to Federal employees, which would have virtually no costs and bipartisan support. The long-term care tax options cost a total of $4 billion over 5 years and $14 billion over 10 years, and would be fully funded by savings from postponing or modifying our budget revenue proposals, plus a few offsets that were in the Senate IRS bill, but that were not included in the final bill, or in your FY 1998 budget.

The timing of an announcement of a long-term care initiative in a modified tax package depends on a number of factors that will be discussed later in the memo.

BACKGROUND

This policy initiative is motivated by an interest to address long-term care and issues facing the chronically ill, particularly the elderly.

Unlike Social Security and Medicare, long-term care has received little attention. Republicans have begun to raise policy options (e.g., MSAs for long-term care in their Patient Protection Act), but not aggressively. Along with the lack of coverage of prescription drugs, the poor coverage of long-term care represents a major concern for the elderly and their families. Medicare pays for only a limited amount of long-term care, and private insurance even less -- only 10 percent of home health care and 5 percent of nursing home care. As a result, long-term care costs account for nearly half of all out-of-pocket health expenditures for Medicare beneficiaries.

Concern about long-term care costs is not limited to the elderly and people with disabilities. Their children, other relatives and friends provide a large amount of formal and informal long-term care. According to an HHS study that has not yet been released, one in three Americans voluntarily provide some unpaid informal care to an ill or disabled family member or friend. Over 90 percent of people with three or more limitations in activities of daily living (ADLs) living in the community receive some kind of informal care, most often from a spouse or relative. This means that middle-class families may find themselves caring both for their parents and their children.

A second motivation for this initiative is to make our targeted tax cut package include a more progressive, senior-focused tax option. Most people with long-term care needs have lower incomes. For example, the poverty rate for the elderly with two or more limitations in ADLs is twice as high as the rate for all elderly.

POLICIES

The proposed long-term care initiative would consist of three policies: two new tax credits plus offering quality private long-term care insurance to federal workers. Savings to pay for this initiative would come from new offsets and savings from postponing or modifying our existing tax cut proposals.

1. Long-term care tax credit

The centerpiece of the long-term care initiative would be a tax credit for people with long-term care needs or the families who house and care for such relatives. A \$500, non-refundable credit would cost \$3.9 billion over 5 years and \$12.4 billion over 10 years (according to preliminary Treasury estimates) and would help a total of 3.4 million chronically ill individuals (described below). People with long-term care needs are defined as having two or more limitations in ADLs (bathing, dressing, eating, toileting, transferring and incontinence management) lasting for longer than six months or severe cognitive impairment, as certified by a doctor. Virtually all people who meet these criteria need some type of long-term care. The credit would be given on the basis of illness rather than expenses because, otherwise, it would not help people who receive unpaid long-term care. For example, a wife who cares for her husband herself rather than paying someone to do it would not receive a credit if it were based on receipts for long-term care expenses. This approach is also easier to administer than alternatives. About 1.7 million chronically ill individuals would directly get this credit on their own tax returns.

Certain families with "dependents" with long-term care needs could also receive the credit. Under current law, adults can be claimed by tax filers as dependents if they are related, have very low income, and receive at least half of their support from the tax payer (among other criteria). Adult dependents are generally not required to file tax returns themselves. For the purpose of this credit, we would broaden the definition of a "dependent" to include a person who needs long-term care (described above), lives with the family member, and generally does not have any income tax liability. Because by definition they live in the community, dependents are rarely nursing home residents. Simply stated, this allows families (other than spouses) who house and care for relatives needing long-term care to apply for the credit on their behalf. This improves the ability of the credit to help people who do not have enough income to file tax returns, although it does not help the elderly with no tax liability living alone or outside of their relatives' homes. Another 1.7 million families would get the credit in this way.

Over half of the chronically ill individuals benefiting from this credit are elderly, since the need for long-term care increases with age. Preliminary conversations with aging advocates suggest that this tax credit would be well received. However, private long-term care insurers could oppose the credit for fear that it will decrease interest in insurance since people may think that the credit protects them against long-term care costs.

Key Issues

Should the credit be refundable? A large proportion of people with long-term care needs are low-income and do not have tax liability. Refundability could improve the effectiveness of this policy at reaching its target population.

Pro:

- An additional several hundred thousand people would benefit from the credit if it were refundable, and, for those with a low tax liability, they would get the full amount of the credit.

Cons:

- It adds complexity to the policy because it creates a need to exclude certain groups. A large number of non-filers with long-term care needs are already receiving assistance through SSI and Medicaid if in a nursing home. Because a refundable credit would count against their eligibility for these programs, it makes sense to exclude them from the credit. However, this would be difficult, administratively and politically.

- It could jeopardize the initiative. Although we have been successful in our support for the refundability of the E.I.T.C. despite the strong Republican opposition, adding another refundable credit could risk the passage of the initiative and potentially undermine support for existing refundable credits as well.

- This proposal, as a refundable credit, may not be administrable at acceptable levels of compliance and intrusiveness.

<u>Should we give a larger credit to few people or a smaller credit to more people</u>? If we make the definition of needing long-term care stricter (i.e., three or more ADL limitations as opposed to two), fewer people would be eligible but we could increase the credit amount within the budget constraints.

Pros:
- Raising the credit amount to $1,000 would make the amount more meaningful. For example, it is enough to purchase a few hours of respite care per week.

- Eligibility based on two or more limitations in ADLs could be more subject to fraud, since it is a less strict standard.

Con:
- Even with $500 credit and the broader definition of needing long-term care, the policy helps a subset of the people who need long-term care or their families. According to one estimate, about 50 million Americans provide some type of informal long-term care to family and friends.

- Because most people meeting the stricter definition (three plus limitations in ADLs) are ill enough to require institutionalization, even a $1,000 may be perceived as being too small relative to the larger costs incurred by these people and their family.

<u>2. Tax credit for impairment-related work expenses for people with disabilities</u>
To complement the work of the Task Force on Employment of Adults with Disabilities, people with disabilities could receive a new tax credit of up to $5,000 for their impairment-related work expenses. This credit could be used to offset expenses for personal care in the workplace, for example, which is often a pre-condition for leaving home for work. A similar credit was in the Health Security Act and a Republican "return-to-work" proposal this year. It costs about $500 million over 5 years, $1.2 billion over 10 years, and helps about 300,000.

Key Issue
<u>Should this credit remain as part of the long-term care initiative or be saved for a separate announcement</u>? Although this credit can be considered a long-term care policy, it also fits in the context of return-to-work policies for people with disabilities and could be announced by itself or in the State of the Union.

Pro:

- Omission of a policy for people with disabilities within a long-term care initiative would be noticed. There is a heightened attention to disability issues both in Congress and the community, and especially close attention is being paid to Administration actions. Even the aging advocates support including people with disabilities to avoid this criticism.

Cons:

- The disability community seems happy with the Administration's work on the Jeffords-Kennedy legislation, so that an additional policy at this point may not be needed.

- Since we do not exclude people under age 65 from the long-term care tax credit, we would be helping people with more severe disabilities even if we dropped this specific credit. The overlap between the two credits, however, may be low.

3. Offering private long-term care insurance to Federal workers

The third piece of the initiative is the small but symbolic non-tax option to offer Federal employees and annuitants a range of high-quality private long-term care insurance policies. There would be no Federal contribution for this coverage, but Office of Personnel Management (OPM) would set standards for the plans and sort them into benefit classes (e.g., "core" policy plus several types of "enhanced" policies) to facilitate informed choice. A seriously flawed bill to allow a open-ended long-term care insurance option was introduced by Representative Mica (R-FL) last week. Democratic members of the Civil Service Subcommittee, plus some Republicans (e.g., Connie Morrella), have expressed interest in a substitute. Proposing an alternative would add to our series of policies for Federal workers that demonstrates our leadership as a responsible employer.

Key Issues. None on policy grounds, although it is not a tax policy like the others. However, your advisors recommend that we act on this as soon as possible to preempt the Republicans from claiming the policy.

4. Offsets

This long-term care initiative would cost about $4 billion over 5 years and $14 billion over 10 years. It could be offset by modifying our existing tax package and adding a few new policies. First, we would postpone the effective date of our proposed tax initiatives until January 1, 2000. Given the Year 2000 problem, we would probably have to do so regardless. Second, we would scale back the child and dependent care credit (make it a 40 percent credit as opposed to 50 percent and slow the phase-down). Third, we would add two new policies that were in the Senate IRS package, but weren't included in the final bill and that were in your FY 1998 budget. The first is to modify the Foreign Tax Credit carryover rules; the second is to reform the treatment of Foreign Oil and Gas Income and dual capacity taxpayers.

Key Issues. None on policy grounds, although like any offsets, they are not universally liked.

RECOMMENDATIONS. Your advisors (Chief of Staff, Office of the Vice President, NEC, DPC, CEA, Legislative Affairs, Treasury and OMB) generally agree on all of the components of this long-term care initiative. On the issue of refundability of the long-term care tax credit, we recommend against it. In particular, NEC, DPC Treasury and Legislative Affairs fear that making the credit refundable could spur an overall attack against refundability and jeopardize the gains that we have made on the E.I.T.C. It does, however, leave us somewhat vulnerable to criticisms that it is regressive. We suggest responding to this concern by stating that we are willing to work with Congress to make this credit more progressive. There is also agreement choose a broader definition of eligibility (two plus limitations in ADLs) even though we would have to lower the credit to make it affordable. This could help broaden the base of support for the initiative. Finally, even though the credit for people with disabilities could be part of the long-term care package, we recommend making it a separate announcement. NEC/DPC think that this credit might be best announced in the State of the Union, since it is likely to be recommended by the Task Force's November report and such an announcement would be viewed as acting on that recommendation.

Long-term care tax credit:

______ Include refundable credit
______ Include non-refundable credit (RECOMMENDED)
______ Do not include in the package

Tax credit for impairment-related expenses for people with disabilities:

______ Include tax credit for people with disabilities
______ Do not include in the package (RECOMMENDED)

Offering private long-term care insurance to federal employees:

______ Include in package (RECOMMENDED)
______ Do not include in the package

__________ Discuss some or all options further

ISSUES RELATED TO THE TIMING OF AN ANNOUNCEMENT
Assuming that the long-term care initiative and modified tax cut package are acceptable on policy grounds, the next question is about timing of an announcement. The following outlines the pros and cons of announcing this initiative in August or early September.

Pros:

- **Secures ownership of the long-term care issue.** A strong, affirmative long-term care message would not only be popular amongst the elderly, people with disabilities and most advocacy groups, but it would probably be well received by validators who think that this is the great, untouched baby-boom issue. This could complement and affirm your leadership on major, societal issues facing the country in the next century.

- **Provides an alternative to private long-term care insurance and MSAs as the only solution to the problem.** In September, the Republicans will probably take up the Mica federal employees' private long-term care insurance proposal and the Senate Patient Bill of Rights legislation that expands MSAs to include long-term care expenses. The mainstream advocates are concerned about the singular focus on private long-term care insurance and MSAs, since they will not come close to covering the costs of long-term care. Even the insurance industry, in its most optimistic projections, does not foresee that private insurance will cover even half of long-term care costs in thirty years. However, in the absence of alternatives, some may feel some pressure to support the Republicans' proposals.

- **Confirms our support for responsible tax cuts.** Presenting a tax cut package with explicit offsets would reaffirm that we support tax cuts, so long as they are paid for. As such, it could complement our Save Social Security First message. These credits also are attractive alternatives to some of the Republican proposals, since they focus on the elderly and people with disabilities who have lower income.

Cons:

- **Could provide impetus for an unacceptable tax cut this year.** The proposal would come at a time when Congressional Democrats, especially in the House, see the Social Security First message as strong and simple. They would probably perceive a new tax package as clouding that message. Also, Gingrich has been musing about settling for a tax cut this year of $70 billion or even less, so that our announcement of a revised tax package of about $30 billion could be read as a sign that we are willing to deal with the Republicans on their tax package in September and make our rule of not using the surplus less clear as well. Finally, given that our revenue raising provisions are unpopular on the Hill, an announcement with an attractive set of options could increase the chances of a tax cut that taps the surplus.

- **Democrats may prefer marriage penalty regardless.** The new package could have somewhat limited value for Congressional Democrats because it does not include marriage penalty relief, which is their main concern.

- **May appear political and not receive the attention and validation that it deserves.** Since it is unusual to propose policies with budget implications outside of the State of the Union and Budget process, the timing of the announcement, rather than the substance of it, may be what the press focuses on.

RECOMMENDATIONS. Your advisors generally do not recommend an August or early September announcement. The importance of this initiative to your overall policy agenda would probably be obscured by a media focused on the timing. Moreover, Republicans could seize on the announcement to generate momentum in September for their tax package or one that uses the surplus. It appears, at this point, that Democrats think that inaction on the tax front is a good outcome for them.

However, we think that the question of timing should be revisited in mid-September. At that point, we will have a better sense of the potential ramifications of the announcement for Congress. We can also assess when and how we can make this announcement so it clearly gets the attention it deserves and puts you in a leadership role on this important issue.

______ Announce in August or early September

______ Revisit timing decision in mid-September (RECOMMENDED)

______ Discuss further

THE WHITE HOUSE

WASHINGTON

October 30, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: BRUCE REED
RAHM EMANUEL

SUBJECT: "Sporterized" Assault Weapons Directive

Attached is a draft directive on the importation of a new class of modified, or "sporterized," assault weapons. As you know, the 1994 Crime Bill bans 19 specific assault weapons, their duplicates, and certain other semiautomatic weapons with military-style features. The 1968 Gun Control Act more generally prohibits the importation of firearms that are not "generally recognized as particularly suitable or readily adaptable to sporting purposes." In recent years, certain gun manufacturers have redesigned "assault-type" weapons in minor ways to circumvent the 1994 ban and to meet the criteria currently used to apply the sporting purposes provision of the 1968 Act. This directive is intended to address importation of such redesigned weapons.

The directive essentially mirrors the action you took in 1993 to ban the importation of assault pistols and the action President Bush took in 1989 to ban the importation of assault rifles. Everyone agrees that the directive should: (1) require Treasury to reexamine, and if necessary, modify the criteria used to keep non-sporting weapons out of the country; and (2) temporarily suspend the approval of all pending and future applications for permits to import sporterized assault weapons. Although only a limited number of these firearms has come into the country since passage of the assault weapons ban (approximately 14,000 in 1994, 12,000 in 1995, 30,000 in 1996, and nearly 20,000 to date this year -- as opposed to nearly 160,000 in 1993), applications are now pending to import as many as 1.1 million more of these firearms. The directive would halt importation of these firearms while Treasury conducts its review -- and depending on the outcome of that review, could lead to a permanent ban on such weapons.

As you know, we have not yet resolved whether the Administration should take the additional step of temporarily suspending permits that already have been granted. While ATF originally estimated that 300,000 sporterized assault weapons could be legally imported under roughly 50 existing permits, the Bureau now puts the figure at about 600,000. The difference is due largely to ATF staff's approval last week of 3 permits for an additional 175,000 sporterized firearms -- action taken in the face of an informal departmental directive not to act on pending applications until the scope of this directive was determined.

We have asked Treasury, Justice, and White House Counsel to develop the strongest possible case for temporarily suspending existing permits. Justice litigators continue to have serious doubts that we have a sufficient factual basis for taking this action. They point out that, in upholding the Bush Administration's suspension of existing permits in 1989, the court relied on a combination of specific facts, including: a large number of approved and pending permits for assault rifles; a 57% increase in the number of assault rifles recovered at crime scenes; and several highly publicized shootings involving assault rifles, such as the Stockton, CA murders. Arguably, the same combination of circumstances does not exist today. While the number of approved and pending permits is comparable, the 145% increase in the number of sporterized weapons traced since 1994 is largely attributable to an expanded tracing program (indeed, other makes of guns have shown a larger increase in tracings), and no highly publicized crimes have involved these weapons.

Given these circumstances, Justice litigators believe that a court is very likely to enjoin our suspension of existing permits. Justice also points out that a loss on this issue could undermine our ability to defend any future action taken by Treasury to modify the test for non-sporting weapons: for example, a court that believes we stepped over the line in suspending existing permits may doubt whether we have a bona fide basis for modifying the criteria used to apply the sporting purposes test. The Justice Department, however, has stated clearly that it <u>will</u> defend in court an Administration decision to suspend existing permits.

You have the following options with respect to the scope of the directive:

<u>Option 1:</u> Suspend action only on applications for pending and future permits (covering about 1.1 million firearms). Allow imports under the 50 existing permits (covering 600,000 firearms) during the review period. If Treasury ultimately changes the sporting purposes test, revoke permits for firearms inconsistent with the new criteria. Treasury and Justice lawyers believe this option is entirely defensible. Senator Feinstein and other Members of Congress would complain that this action is not sufficiently bold.

<u>Option 2:</u> Suspend action on pending and future permits, and require Treasury to closely monitor the levels of importation and criminal use of sporterized firearms during the review period. If during the review period, the Secretary determines that circumstances warrant additional action, including suspension of existing permits, then Treasury would be directed to take such action. Although this solution will not be acceptable to Senator Feinstein, it may dampen criticism from others -- and substantially reduce our litigation risk.

<u>Option 3:</u> In addition to suspending action on pending and future permits, temporarily suspend all existing permits (50 permits for 600,000 firearms) while ATF reviews the sporting purposes criteria. After this review, if Treasury changes the sporting purposes test, revoke permits for firearms inconsistent with the new criteria. Justice litigators believe that this option presents a substantial litigation risk and could undermine our ability to defend future action by Treasury to modify the sporting purposes test. Additionally, key Treasury staff would spend much of the review period in court -- and not necessarily working on re-examining the sporting purposes test.

Recommendation:

Chuck Ruff believes that, although it would be consistent with the Justice Department's professional obligations to defend the revocation of existing permits, there is a substantial risk that any ensuing litigation would ultimately undermine ATF's ability to make defensible changes in the sporting purposes criteria. Not only would discovery reveal the current weaknesses in ATF's analysis -- and thus potentially in the predicate for any changes it may propose -- but an adverse decision in the district court (and in the court of appeals) would adversely affect our ability to defend challenges to the new criteria. Thus, he would prefer Option 2.

We are comfortable with either Option 2 or Option 3. (Option 1 looks weak in not holding out even the possibility of a suspension of existing permits.) Option 3 looks stronger to start with, but may well result in a quick loss in court. Option 2 will be subject to immediate criticism by Feinstein and others, but may hold up best over time.

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. note	re: Meeting with Chris Jennings (3 pages)	11/15/2000	P5
002. note	re: Meeting with Will Marshall (7 pages)	09/19/2000	P5
003. note	re: Meeting with Carol Rasco (3 pages)	10/11/2000	P5
004. note	re: Meeting with Al From (5 pages)	10/04/2000	P5
005. note	re: Meeting with B. Galston (3 pages)	09/25/2000	P5

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
David Sewell
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FOLDER TITLE:
Notes - Meetings/Memos

Racheal Carter
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RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

- C. Closed in accordance with restrictions contained in donor's deed of gift.
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Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
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- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

Areas of Health policy

1) HSA
2) 95 Govt Shutdown
3) HIPAA
4) Patient bill of rights/ CHIP
5) Work incentives Act

11/15/00

Meeting with Chris Jennings

- Mostly after Health Security Act; responsible for being Hill liaison for First Lady

- HSA files have mostly been taken care of.

- 3 critiques of HSA (Moynihan, etc)
→ Lewin study, Juno-Neal Job study - Laura Tyson rebuttal

- Electronic Access ?? Ask Ted

- Congressional iterations of the HSA?
→ How much willingness of Republicans to devote $
to health care

1994
- Dec 27th Letter from President to move forward even after HSA (Children's health, portability, Medicare modernization)

Another to pursue

- Use Accomplish doc to begin document search & then to move it forward through later measures.

New developments

- Health care was a Presidential issue to the extent that any future President cannot ignore it - major legacy piece

- Health care can be a ~~R~~ politically beneficial issue

- Medicare Trust fund / ~~[illegible]~~ the uninsured

- Public Health Issues ?
    - AIDS / Breast Cancer

- Document about what was in Health Security Act that then became policy successes later
    - Insurance reforms, patient protections, coverage extension

- Also : President reframes debate to lay predicate for ongoing debate about next steps.

- Part of theme : 1) what was in HSA but still acted on 2) Alot of things we predicted would get worse did actually get worse
  3) Trying but failing produced lots of public debate ; the fact that President continued pushing after such a big set back says something about his character and about his health policy
  4) The agenda continued step by step to reach the goal of the HSA : to give better, affordable, insurance & health care for all Americans ... here is where this went through ; here is where it didn't.

< 95 Shutdown pivot point (all about Medicare / Medicaid)

[illegible] bipartisan agreements in '96.

- Kennedy - Kassebaum shows ~~success~~

- Success begets success; incremental reforms have shown that Congress works step-by-step. HSA tried to do too much too fast. In '96 after Medicaid fight Δ Kennedy Kassebaum people began talking about health care 4 them the incremental ~~[illegible]~~ steps.

Meeting with Will Marshall 9/19/00

- Essence of Clintonism?
  - No consistent straight line course & plenty of contradictions. Still there was a kind of thread: "modernization"

- David Osborne, Laboratories of Democracy (1988) talks about Clinton as governor - paradigm of reform-minded modernizer of the progress/liberal tradition

- Arkansas good because its center of gravity probably closer than the party's to country's center.

modernizing restoration in addition to reorganization - Realignment of party's core principles & core constituencies to working middle class/interests & values (traditional & forward looking)

- Modernization of Progressive tradition

- 1992 - 1994 - a bit of a regression. 1996 to present is closer to New Democrat thinking.

- Opportunity, responsibility, community
  - used this framework to explain to public what he is doing

- Why does this add up to a legacy ??
  - 1) Biggest policy changes of modern times (banishing of deficit, end of welfare)
  - 2) Democratic, progressive spending that did not throw the budget off. Important development.

Understand & present ~~new~~ new economy + voters

    - Crime (100,00 cops, COPS program) really changed the framework for thinking about crime & policing

Charter Schools another example

Even where his policies didn't go anywhere in ~~particularly~~ legislation, his backing has put the things on the table & then it's gone somewhere. ~~I~~ Perhaps his biggest legacy is as a advocate for ideas that no other Democrat would touch.

  - 3) In the end, Clinton has put forth a ~~set~~ set of new directions in domestic policy that are as much ~~as~~ restoration of Democratic principles as innovation.

* - Just like TR & WW in 1912, Clinton reoriented America towards a new economy.

- "Intellectual triangulation" of Clinton & DLC predated & outlasted tactical triangulation of Dick Morris

- Third Way as international movement is testament to Clinton's legacy:

New base of safety-net to make people economically vibrant & self-sufficient

* Blair, Schroeder, Lagos in Chile, Brazil, Argentina

→ Center Left parties around the world are tapping the same forces & realities that paved the way for Clinton & have modeled themselves after him.

→ Political rejuvenation & modernization

- There has been an underlying logic & core principles to this

→ It's a structural political change not an opportunistic one. (Not Dick Morris)

- New Covenant implies responsibility for all (welfare recipients)

- Seminal documents — Cleveland speech in '91 Announcement speech & "New Covenant" speeches

- Health care -

Competing meanings of "Clintonism"

New Democrats

"Social" democrats — a la Greenberg

universal programs (or "entitlements") are way to cement middle class to Democratic Party for another generation

- Welfare reform as 1st priority might have consolidated New Democratic base whereas Health Care looked suspiciously like old Democratic nostrums & failed

- After health care debacle (which contradicted Clinton's claim to bring a new kind of Democrat) helped persuade Clinton to return to New Democrat approach

- Entitlement reform - Clinton had big ambitions at least to initiate structural change in health care & medicare foundered on impeachment & scandals of 1995 & 1996.
  - ↳ But this did put a modernization theme on the table, modernizing the crown jewels of Democratic policy.
  - ↳ .

- Other ideas that never really went anywhere. "missed opportunities"
  - Voluntary National standards
  - trade
  - Social Security / Medicare reform

- In saying that the "era of big government is over" was akin to Blair talking about reneging on 4th article of their constit.

Affirmative Action

  - ↳ Building government became by the 1980s a Democratic mantra, for its own sake & independent of progressive action
  - ↳ by saying that bigger gov't ~~[illegible]~~ doesn't always serve the purpose it was designed to & that progressivism could be served by smaller, more responsive government. Very

Another missed opportunity to reinvent government through a ... wave bold move. Clinton knew how to articulate the idea that contributions of civil society had been lost in the political debate between the stale poles of more government vs. more markets. Three core ideas:

1) Equal opp. vs. equal results not picture
2) Social contract based on empowerment
3) Shift towards govt that empowers communities to help their

- The future of the movement
  - Australia & NZ experimented with this but didn't recast themselves on principle forcefully enough
  - Possibility that this modernization will face setbacks but the fights are being fought on the new ground & the old way doesn't seem to be rejuvenating as forcefully
  - These principles ~~offer~~ a good roadmap to center left parties. The outgrowths of these principles may be different but the left has reoriented itself in
  - way that looks perm.
    - Empowering communities
    - Market oriented / friendly
    - Ongoing long project of political redefinition
  - Different names, same principles. (See it in Germany, France, Italy,

EITC

huge shift on social policy that ~~ranks~~ up with welfare reform & crime/gets.

- "Clinton Demonstration Project" Bigger than Clinton/Blair and will continue. There may be setbacks, but in the end this probably will be a fixture on the political landscape.
  - Idea-driven politics must always innovate.
big independent vote makes only holding the base too little.

Another missed opportunity

- Agenda for helping working people adjust to the new economy:
  - Portable pensions
  - Ownership / stakeholding in companies
  - Economic empowerment

Ranks high as a missed opportunity. Administration has missed chance to address the anxiety created by new economy.
  - Workforce Investment Act was one good step but probably not enough.

"10 Big Ideas for Change" (Building the Bridge)

★ National Service ★
1988 - ~~book~~ book - Citizenship and National Service
- Probably 1st big idea to come out of DLC
- Clinton used it as signature issue (the new bargain of citizenship in the New Covenant). More than any other idea this stakes out a new area for liberals to speak

Third way is to tie federal services to citizenship service. It didn't automatically appeal to any one group & so operatives were unwilling to get involved ((not transactional politics)). Clinton getting involved was bold & it struck chords in the public. Went beyond organized groups & spoke to public.

DPC

America Reads

Meeting with Carol Rasco 10/11/00

- Not enough clear thought given to things
  - "event du jour"

- Never took advantage of conferences of people that came to DC - could have been a way to build more support on grassroots level
  → give chance to get input from people who actually do work
  → There were a series of such conversations on child welfare
    - ~~[illegible]~~ Juvenile crime also

'92-'97?
      - Gives a new perspective on what works and what doesn't

For Arkansas - Liaison & Human Services
also Liaison to National Governors
Budget office
Director of policy for everything except economic development under Betsy Wright

- Evolution of DPC
  - Before 1992 election, a think tank put the idea out that the next Pres. should separate economic & domestic policy.
  - DPC / NEC grew out of this
    - Welfare reform in 1988 gave glimpse of how White House functioned before domestic / economic split
  - When they are joined, budget & taxes take up the entire time of the advisor

- Child welfare / welfare reform made headlines & made it "sexy" -
  - Rasco kept out of media - left spotlight to cabinet secretaries & President

Product achievements

- Goals 2000 / Welfare reform / Corps. for Public Service
- Native American relationships - building relationships
- Bill Galston's work on pesticides -
- Immigration reform / started the work
- INS commissioner - Doris Meissner
- Enterprise Zones / Empowerment Communities
  joint effort between NEC/DPC/OVP
- Human Capital Development
  ↓ Clinton forced to look
  Human Capital Development as piece of economic development

- America Reads - Not just a federal work-study program.
  - One piece of a reading program
  Five strategic areas:
  1) Early childhood education - Head Start needs to be broadened to include ...
  2) Quality teachers in classrooms
     - ~~Every~~ elementary teachers need to be readers
  3) Expanded learning time - tutors from federal work study & community

Early childhood ed has become a major thrust of Dept. of Ed.

- All children need extended reading time
4) Research - Looking at gaps in research (second language children) & implementing new policy from quality research.
- Reading Summit in 198
5) Community involvement - Community-wide involvement to provide language-rich environments - 4th grade as pivotal year. 38% of children read below basic on NAEP in 4th grade, (64% of Af-Americans) - Issue is central to education reform.

NDN Low-$ Fundraiser Oct. 12th

10/04/00

- Look at 1980 Democratic Platform & see [illegible] [illegible].

Meeting with Al From

Buckley - let us [illegible] of many things

= Modernizer of progressive politics in US and the world..

~~[illegible]~~ - Clinton Legacy could be Gore's biggest ally...

1985 → 1989 - Redefinition of Progressivism

↳ Reconnect Democratic Party with its first principles

↳ Changed the orthodoxies

↳ Did not change the party arrangements...

- Clinton ran a ~~[illegible]~~ campaign that offered a vision

↳ most of it opposed by labor

- If we had ~~[illegible]~~ stuck with the agenda of House leaders Dems would not be a national political party (Lost 30 or more states in 3 elections)...

- DLC set out to restore party's traditions by modernizing them:

First principles:

i) opportunity for all

↳ Using the private sector to grow & using the government to stimulate

How do you do this in the late 20th / 21st Century?

2) Politics must reflect the ~~b~~ beliefs of American people: inclusion, responsibility, opportunity

↳ welfare reform –
Brought back the promise of social insurance.

↳ States have met Clinton half way

3) Balance rights & responsibilities
↳ Government creates opportunity & citizens

4) Reconnect with Dem party's internationalist engagement
↳ Open trade had been a Dem stance from Grover Cleveland on...

4) Modernization of activist gov't
↳ ~~B~~ Clinton redefined how gov't works..

'72 campaign

– Movement started in '73 / '74 with Budget Act and "Sunset Bill"

– Muskie spoke as early as '75 about fiscal responsibility & modernizing gov't programs

- In aftermath of '84 election was when the movement took hold & when it looked like the party would cease ~~to~~ to be a natural '90

- Through Bruce Lindsey that From got to know Clinton in '87. First time Clinton started to get active in DLC – April '89 ...

- Education platform ... 1st sign that Clinton had promise.
→ '78 – '86 was when Clinton first appeared the be the "golden boy"

- Missed opportunities – (or mis-steps)
1) Stimulus package – Too focused on Congress.
- First weekend after ~~election~~ election was announcement about gays in military.. Not a very popular or wise move
- First steps as President – chief shows ~~that~~ Clinton was too quick to capitulate & not use use his Bully Pulpit...

8 D Rik
Morris

Do you think that high # of former Congressional staff was a burden at the beginning ??

- "Insiders" of Congress that were involved in transition & were
- For '93 after NAFTA he didn't do an "expand the opportunity agenda"
- missed opportunity in first budget battle to get behind a plan to cut

- The '94 Crime bill, Clinton squandered an opportunity to put through the pure form of the bill & let it get bogged down ??

- Health Care reform was a problem from the start
  - Part of problem was no plan existed prior to 1992 campaign
  - Clinton had faith in the market / HRC & Magaziner did not - the hodgepodge that resulted was sort of doomed
- Clinton had evolved by end of campaign on managed competition with a regulatory [illegible].

- '92 ran against Congress but did not govern that way

- 1989 "Politics of Evasion"
- Myth of the "Congressional Barons"

- By April of '93 it was apparent that Clinton was straying from the guy people had thought they elected
  - Meeting in the Roosevelt Room at which Clinton had list of DLC initiatives & asked where ~~adm~~ administration was on this.
  - ~~-~~ 100,000 cops almost got killed by the staff that was top-heavy

- "Paid - prize in the Clinton WH for many congressional types"

- Criterion for judgment is different for Congress & executive.

- Modernization of progressivism is the legacy of Clinton that counters the impeachment legacy

Meeting with
B. Galston 9/25/00

- 2 1/2 years + 6 months of reappraisement w/ Dick Morris

- Elaine Kamarck / Galston - Redirection of the policy of party
  - tagged as party of fiscal irresponsibility
  but/ 1997 budget...
  Writing for New Dem. movement

- Commitment to global economy
  w/th context of hostile congress

- Two major raps from 1970s & 1980s
  - softs on welfare / softs on crime

Human capital investment as a tool of equal opportunity
  → equal opportunity different from laissez - faire

- "equal opportunity needs to be defined & then mapped out 4 ... facilitated
  public investment only when coupled with account. for results / targeted incentives.
- Goals 2000 : lays out this framework for ... southern governments...

Human capital invest.
  - K-12 investment
  - higher - ed.
  - job - training

- Information age govt to match information-age society
  ↳ government that works better & costs less...

- Put Clinton - Gore up against 1992 campaign & Mandate for Change well-regards

- Equipping people w/ choices is a different way of saying neither entitlement / ↳ opportunity & responsibility

- Putting people first should be part of framework of New Covenant speech
  ↳ combination of New Democratic impulse with "old" Democratic" means
  ↳ Is Reich - New Democrat ??
  yes and no ??
  ↳ Fiscal & economic prudence must back up social investment
  ∴ Victory of Rubin over Reich

Not pure New Dem. thought

- Fiscal framework within which DPC worked was tough
  - Education groups wanted increased ~~in~~ investi.

- Some of his work:

Bill Galston — Education, Job Training, Children Families

Bruce Reed — crime, welfare, RICO

Religion & Politics

councils

- abortion
- DPC deputies meeting become regular early on.
- Big problem was agricultural pesticides (see Brad Patterson) Emergency task force; legislation

- Public-private partnerships - Major change in Clinton's years
  - major source of moderate reform popular in South.
  - effective way to use executive power
    - policy councils: need a mechanism to expand President's purview without giving increased power
      - coordinating mechanism for countervailing powers.
        -

New Democratic movement not in a vacuum
international politics mimic international economies
- same forces are affecting West Europe as America its logical that it would spread to other countries.
- generally, a political impulse with a future although how that plays out is in question.