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March 20, 1997

Federal Election Commission
General Counsel's Office
999 E Street, NW
Washington, DC 20463

attn: Thomas J. Andersen, Esq.

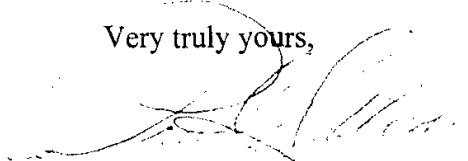
RE: MUR 4305 - RTB Response
Forbes for President Committee

Dear Mr. Andersen:

Enclosed please find the response in the above-referenced matter from Forbes for President Committee.

Thank you for your attention to this matter. If you have any further questions, please contact me at my Washington-based business office at (202) 682-4725.

Very truly yours,



Paul E. Sullivan, Esq.
Counsel to Respondent

w/enclosure

cc: Chairman McGarry
Vice-Chairman Aikens
Commissioner Elliott
Commissioner McDonald
Commissioner Thomas

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BEFORE THE FEDERAL ELECTION COMMISSION

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IN RE: Forbes for President)
Committee, Inc.) MUR 4305:
) RTB Response
)

This response is filed by and on behalf of Forbes for President Committee, Inc. ("FPC" or "Respondent")¹. By a letter dated December 11, 1996, Respondent was notified that the Federal Election Commission ("FEC" or "Commission"), found Reason To Believe ("RTB") that Forbes for President Committee, Inc. may have violated the Federal Election Campaign Act of 1971 as amended, ("FECA" or "Act") specifically 2 U.S.C. §441b(a) and §434(b)(2)(A). Accompanying the notice of the RTB finding was a copy of the General Counsel's factual and legal analysis ("OGC Brief").

I. SUMMARY OF ARGUMENT

The "Fact and Comment" column at issue in this MUR was published by *Forbes* magazine and as the facts will show, there was no advocacy for the election of Mr. Forbes nor the defeat of any of his opponents in any of those articles.

As will be discussed below, the Commission's finding is perplexing in light of the numerous court opinions, which have universally and unequivocally stated that the standard of review for an alleged §441b violation, is that the text of the message must either expressly advocate the

¹ The Respondent did not receive a copy of the Complaint prior to a finding of Reason to Believe by the Commission and therefore they were not able to submit a response in accordance with 2 U.S.C. § 437g(a)(1). This answer constitutes the first response submitted to the Commission by the Respondent. Malcolm S. Forbes, Jr. in his individual capacity did receive a copy of the original complaint and filed a timely response with the Commission.

election or defeat of a clearly identified candidate or that there be a solicitation of contributions for a federal committee. The OGC Brief acknowledges there is no such expressed advocacy, nor any solicitation contained in any of the "Fact and Comment" columns. It is a point to which the OGC Brief completely acquiesces and does not even suggest to the Commission that the issue requires further investigation. At that point in the analysis, the Commission had a duty under the Act and the numerous court opinions to make a finding of no reason to believe and close the file.

After acknowledging the "Fact and Comment" columns contained no express advocacy, the OGC Brief awkwardly proffers a "campaign-related" standard as a foundation upon which it relies to commence an investigation into this matter. As will be shown, the footings for that foundation are so weak, the Counsel's entire argument completely falls when tested. The analysis below will demonstrate that the "campaign-related" standard is overly broad and it relies on no objective criteria, but rather an arbitrary and subjective case-by-case assessment by the FEC. In addition, Respondent proffers testimony that no person involved with FPC, had any input, control, or "coordination" pertaining to the "Fact and Comment" column.

In addition, the facts in this MUR are quite distinguishable from the stronger fact patterns in those cases involving issue advocacy which the Commission has recently sought to litigate -- and yet the courts have ruled against the Commission even in those matters. (See discussion of cases cited at pages 13-15 herein.)

What is most telling in this matter is what is not presented in the OGC Brief. It cites to no case law at any level to support this "campaign-related" standard; nor to any provision of the Act or

any regulation which references the proposed criteria to be used to determine the applicability of the "campaign-related" standard. Further, there is no reference or analysis in the OGC Brief regarding the applicability of the new regulations at 11 CFR 114.2². In addition, the list of advisory opinions proffered by the General Counsel as authority to support their position are holdings in which the Commission either *permitted* the type of issue advocacy in question in this MUR, or the opinions are so factually distinguishable, that they become irrelevant to the discussion. In addition, the Commission's 1997 Legislative Recommendations to Congress include a request for a *statutory* change to the Act restricting issue advocacy "coordinated" with a candidate. Respondent submits such a request constitutes an admission by the Commission that they presently have no statutory jurisdiction to enforce the very action they are pursuing in this matter. As if that were not enough, the single enforcement action cited as authority (MUR 2268) is a matter in which the General Counsel presented an argument to support Respondent's position *permitting issue advocacy* and made a recommendation of no RTB!

The fact the case law on point is ignored and the advisory opinions and enforcement authorities cited are contrary to the proposition for which they are being tendered, raises a substantial credibility issue with the argument which the Counsel attempts to present to the Commission.

It is Respondent's respectful request that the investigation which the Commission has authorized in this matter be expeditious and that the Commission recognize that this MUR involves pure

² The OGC Brief's only passing reference to that portion of those regulations is contained in footnote 2, at page 5 of the Brief. However, it only indicates 11 C.F.R. §100.22 was held to be unconstitutional in Maine Right to Life Committee v. FEC, 914 F. Supp. 8 (D. Me., 1996).

issue-advocacy. The case woefully fails from a factual and a legal posture and should be dismissed.

II. FACTUAL BACKGROUND

The material facts in this matter are not in dispute. Mr. Forbes continued to write his long-standing "Fact and Comment" column for *Forbes* magazine during which time he was also a candidate seeking the 1996 Republican Party presidential nomination. The "Fact and Comment" columns included in the complaint discussed contemporary domestic and international issues and none referenced Mr. Forbes' candidacy, let alone advocated his election. A review of those columns shows that Mr. Forbes did not make a call to action for the readers to elect, defeat, support, or oppose any of the other 1996 Republican presidential candidates, to elect or defeat any other federal or state candidate, nor advocate the support of any political party. Similarly, there was no call for solicitation of contributions or funding in any fashion for Mr. Forbes' candidacy or for any other federal candidate. The OGC Brief agrees there was no express advocacy or solicitation for any federal candidate (OGC Brief, p. 8.)

Respondent draws the Commission's attention to two new material facts not contained in the OGC Brief. The first is relevant and dispositive of the issue raised in the OGC Brief pertaining to The Hills-Bedminster (New Jersey) Press issue (OGC Brief, p.9). The single factual cornerstone upon which the OGC Brief relies to move forward with the RTB finding in this case is the contention that portions of the "Fact and Comment" column were reprinted in The Hills-Bedminster newspaper and, in one particular edition, the paper also contained a story pertaining to the presidential announcement of Mr. Forbes. Mr. Forbes, however, did not seek the nomination in New Jersey and his name did not appear on the New Jersey ballot as a candidate

for the presidential nomination (*Forbes Aff.*, Para. 3, Exhibit "A".) Therefore, the fact that Mr. Forbes was not "seeking the nomination" in the state of New Jersey precludes the newspapers from allegedly making expenditures to influence his election (2 U.S.C. §431(9)). Second, the campaign did not consult nor contribute in any fashion to the subject matter or text of the "Fact and Comment" column. (*Dal Col. Aff.*, Paras.3 & 4, See Exhibit "B".)

III. LEGAL ANALYSIS AND ARGUMENTS

- A. Since Mr. Forbes was not seeking election in the state of New Jersey, The Hills-Bedminster "Fact and Comment" reprint could not be considered an expenditure under the Act.

The OGC Brief bases its justification for an RTB finding upon the allegation that the Hills-Bedminster Newspapers carried the "Fact and Comment" column.

"If Mr. Forbes reprinted his "Fact and Comment" columns in all of the Forbes Newspapers after announcing his candidacy as alleged in the complaint this may suggest utilization of these publications as campaign communications by increasing the distribution of the columns." (OGC Brief, p. 10.)

First, the "Fact and Comment" columns were not reprinted in the Forbes papers as a result of his presidential announcement. Those columns had been reprinted in those papers for many years. As noted earlier, those papers are only circulated in New Jersey and yet Mr. Forbes was not seeking election, nor was his name on the 1996 Republican Presidential ballot in the state of New Jersey (*Forbes Aff.*, Para. 3.) Since Mr. Forbes did not have his name on the New Jersey Republican presidential primary ballot, he was not "seeking" election in that state and thus not a "candidate" as defined by the Act (2 U.S.C. §431(2)). (See also Advisory Opinion 1982-49, CCH ¶ 5693): "Since Mr. Bush did not file petitions, under Connecticut law there is no primary

election held unless a candidate satisfies that requirement”; Advisory Opinion 1989-15 (CCH ¶ 5964): “Because Mrs. Ros-Lehtinen will not be on the ballot in the primary run-off election, the Commission considers that you and Mrs. Ros-Lehtinen may not take advantage of the separate constitution limitations applicable to that election.”)

Therefore, since Mr. Forbes was not a candidate in New Jersey, the disbursements by The Hills-Bedminster, including payment for the “Fact and Comment” column, fails to meet the definition of contribution or expenditure (2 U.S.C. § 431(8)(A); (9)(A). Since Mr. Forbes was not seeking election in the state of New Jersey, the newspapers distributed could not have been published for purposes of influencing the election of Mr. Forbes. Thus, no expenditure by The Hills-Bedminster could have occurred.

B. At issue is a disbursement of corporate funds which allegedly constitutes an “expenditure” in violation of 2 U.S.C. §441b.

The allegation contained in the complaint involves disbursement of corporate treasury funds by Forbes, Inc., allegedly for purposes of benefitting Mr. Forbes’ presidential campaign. The action at issue is a disbursement of corporate treasury funds by Forbes, Inc. and thus requires that it be categorized as an “expenditure.” Specifically, §441b³ defines expenditure as:

“any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value (except a loan of money by a national bank or state bank made in accordance with the applicable banking laws and regulations and in the ordinary course of business) to any candidate, campaign committee, or political party or organization, in connection with any election to any of the offices referred to in this section . . .” (2 U.S.C. §441b(b)(2))

³ Unless otherwise noted, statutory citations are to Title 2 of the United States Code, Annotated.

The OGC Brief ultimately relies entirely upon the “coordination” of the Forbes, Inc. disbursement with the candidate as the basis for claiming the “Fact and Comment” was “campaign-related” and thus a violation of the Act. (*OGC Brief*, p. 8.) Citing to this “coordination” in the legal analysis, the OGC Brief cites to 11 C.F.R. § 109 as the regulatory authority for this prohibited “coordination.” Yet those are the regulations governing independent expenditures. The OGC Brief therefore specifically acknowledges the alleged activity is to be classified as an “expenditure,” and by virtue of citing to the §109 regulations, acknowledges, as an independent expenditure, it must be an “express advocacy” communication to be so classified. (See p. 15, *supra*.) The OGC Brief goes on to argue that as an expenditure which was “coordinated”, the communication need only meet the “campaign-related” standard to constitute a violation of the Act. The OGC Brief initially uses this expenditure analysis and then re-classifies the communication as a “contribution” due to the coordination of the disbursement to justify application of the lower “campaign-related” threshold to prove a violation rather than express advocacy which, even by Counsel’s admission, is needed for an expenditure violation.

This selective reliance on the terms “expenditure” and “contribution” to conveniently serve a particular segment of the legal argument is a veiled attempt to dance around application of expressed advocacy. This case will prove to be a very poor selection upon which to justify what the Counsel considers, (though Respondent disagrees) the last vestige to avoid application of the express advocacy standard.⁴ The OGC Brief utilized an expenditure analysis to justify its

⁴ For example, the *Explanation and Justification* for the new regulations at 11 CFR 114.2 acknowledges corporations are prohibited from making communications to the general public, which expressly advocate the election or defeat of a candidate. However, it goes on to argue the MCFL case did not affect the standard for a corporation making a “contribution” to federal candidates 1 *Fed. Elec. Camp. Fin. Guide*, (CCH ¶ 923, at p. 1599)

coordination theory, yet makes a leap to a contribution classification in order to avoid the express advocacy standard. As will be discussed below, this is why the OGC argument is so apparently strained and circular in nature.

- C. The Commission acknowledges a jurisdictional concern by virtue of its 1997 Legislative Recommendations which include a request for statutory authority to deem candidate-coordinated issue advocacy to be an in-kind contribution.

The Commission appears to recognize a jurisdiction problem with these issue advocacy cases by virtue of their 1997 Legislative Recommendations (2 U.S.C. §438(a)(9)) which requests Congress to enact a *statutory* amendment stating that issue advocacy paid for by a corporation and coordinated with a candidate committee is an in-kind contribution:

“. . . Congress should stipulate when coordination of an issue advocacy advertisement with a candidate or campaign would be considered an in-kind contribution. Additionally Congress should state that coordination of such a public communication with a corporation or a labor organization would be prohibited activity. Such a prohibition would help the Commission address the public’s concern about soft money . . .” *1997 Federal Election Commission Legislative Recommendations to the President and Congress*, pages 21-22).

The fact that the Commission deems it necessary for Congress to enact an amendment to the Act to authorize the FEC to deal with the type of legal issues presented in this MUR, leads to the undisputable conclusion that the Commission does not presently have jurisdiction under the Act to determine if such coordinated issue advocacy is in violation of the Act. If a statutory basis for exercising jurisdiction over such issue advocacy presently exists, the Commission could *sua sponte*⁵ issue a Notice of Proposed Rulemaking and deal with the coordination issue rather than be forced to seek an amendment to the Act. The request to Congress for a statutory amendment is an

⁵ 11 C.F.R. § 200.2(d)

admission by the Commission that they do not have jurisdiction under the Act to prohibit the type of issue advocacy (even if it was coordinated with the candidate), which is the basis of the complaint in this MUR. Absent jurisdiction, this case must be dismissed.

At minimum, this legislative request by the Commission is an admission that the present Act and regulations provide insufficient guidance to the Commission to enforce these types of alleged violations. It must then also be read that Respondent did not have sufficient notice through the Act or regulations as to what would or would not constitute a violation of the Act relative to issue advocacy.

D. The only applicable legal standard of review for an alleged violation of 2 U.S.C. §441b is the “expressed advocacy” standard, a standard which OGC Brief acknowledges is not met in this case.

The “campaign-related” standard which the OGC Brief proposes in this case is ambiguous, overly broad, and one which is contrary to the long line of §441b cases before the Supreme Court, Circuit Courts, and numerous District Courts. Those opinions have continually recognized the need for clear and unambiguous standards to identify speech which is to come under the jurisdiction of the FECA. Attempts to apply a standard of review which mandates an arbitrary and subjective analysis, as does the “campaign-related” standard, rather than the “bright line” test as articulated by the Courts, causes a substantial and chilling effect upon the First Amendment rights of Respondent. The “campaign-related” standard based on “coordination with the candidate” is one which finds no definition in the Act, nor in the regulations; the OGC Brief points to no authority citing to a list of predetermined criteria against which the speech can be measured to determine if it violates the

FECA; nor is there a reference to that term in any of the relevant court opinions pertaining to §441b violations. Absent expressed advocacy, the Commission must speculate as to the intent of the writer for promoting certain policy and issue positions. Void of plain and unambiguous language advocating a candidate's election, the Commission is left to the role of second-guessing, in essence, viewing a crystal ball to determine the authors' intent, precisely the situation the Courts find unjustifiable when it conflicts with one's right to speech. It is that type of arbitrary standard which the Courts have time and again refused to accommodate when it is used to limit speech. The standard for the evaluation of such speech must be clear and unambiguous. That standard must be an expressed advocacy standard. (See cases cited below at Section E.)

E. The Courts have remained steadfastly clear: express advocacy is the only standard of review for determining a §441b violation.

An exhaustive review of the court opinions on this point would serve little purpose at this stage. The Commission is well aware of the litany of cases on this issue. However, the point must be underscored that the courts have consistently recognized that it is the expressed advocacy standard, and only that standard, which is to be utilized in the review of a §441b violation. Noticeably absent from any of these court cases is any reference to a "campaign related" test which is proffered by the OGC Brief.

The court, in Buckley v. Valeo, 424 U.S. 1 (1976), laid the foundation for the expressed advocacy standard and the importance of it when they indicated that, to justify regulating political speech, it must explicitly and clearly advocate the election or defeat of a candidate. In FEC v. Massachusetts Citizens for Life, Inc., ("MCFL") 479 US 238 (1986), the court continued

the Buckley rationale and recognized the expressed advocacy standard for determining whether or not a §441b violation had occurred.

“The distinction between discussion of issues and candidates and advocacy of election or defeat of candidates may often dissolve in the practical application. Candidates, especially incumbents, are intimately tied to public issues involving legislative proposals and government action. Not only do candidates campaign on the basis of their position on various issues but campaigns themselves generate issues of public interest ... Buckley adopted the expressed advocacy requirement to distinguish discussion of issues and candidates from more pointed exhortations to vote for particular persons” (at page 249.)

In FEC v. Furgatch, 807 F 2d 857 (9th Cir. 1987) cert. denied 484 U.S. 850 (1987) the court dealt with the §441b issue and recognized the need for the expressed advocacy standard. The court expanded upon the specific advocacy words found in Buckley but recognized the speech must expressly advocate for it to come within the restrictions of the FECA. The message is required to be unmistakable and unambiguous and suggestive of only one plausible meaning. The speech will only be termed “advocacy” if it presents a clear plea for action, and thus speech that is merely informative is not covered by the Act. Such speech cannot constitute expressed advocacy when reasonable minds could differ as to whether it encourages a vote for or against a candidate or encourages the reader to take some other kind of action (Furgatch at page 864.)

That case is especially informative and applicable to the factual situation at bar. A review of the “Fact and Comment” columns does not lead one to an unmistakable and unambiguous conclusion that they are being written for the advocacy of Mr. Forbes’ candidacy. To the contrary, Respondent submits reasonable minds clearly would not draw such an inference from the plain text of the articles - at worst they would differ as to the plain meaning and purpose of the messages contained in those columns. Mr. Forbes is identified as editor-in chief, not as a

candidate, and based on that identification coupled with the text of the columns, no reasonable person would conclude any of the columns were in support of Mr. Forbes' candidacy. The message in each column is candidate-neutral. Therefore, no reasonable reading of those columns could subscribe an unmistakable and unambiguous advocacy for the election of Mr. Forbes.

In FEC v. National Organization for Women, (NOW) 713 F. Supp. 428 (D.D.C. 1989), the court invoked the expressed advocacy standard in determining whether the text of a direct mail letter sent to the general public was in violation of the Act. The court concluded the letters, paid for by NOW corporate treasury funds, advocated issues, not the express advocacy of a candidate or any federal committee; thus the mailings did not come within the parameters of the FECA.

In Faucher v. Federal Election Commission 928 F. 2d 468 (1st Cir., 1991), cert. denied 502 U.S. 820 (1991), the Court of Appeals upheld a district court decision against the FEC pertaining to the use of corporate treasury funds to publish voter guides, allegedly in violation of §441b. The lower court, citing to MCFL stated the FEC standard failed to apply the narrow express advocacy standard of MCFL and rather used a "nonpartisan" standard which could include issue advocacy. Therefore, the standard was unacceptable. (See also, Maine Right to Life summary, at p. 14, *supra*.)

The United States Supreme Court in FEC v. Colorado Republican Federal Campaign Committee 116 S. Ct. 2308 (1996) reaffirmed that the expressed advocacy standard is the applicable level of review to determine whether disbursements, such as those in the case at bar, come within the control and prohibitions of the FECA.

The most recent line of district court opinions recognizes the application of this standard in ruling time again against the Commission.

In FEC v. Christian Network, 894 F. Supp. 946 (W.D. Va, 1995) the Court, in a thorough analysis⁶ of the issue, applied the expressed advocacy standard and held that television and newspaper advertisements⁷ which referenced and criticized the Clinton-Gore campaign failed to meet the express advocacy standard and was deemed not to constitute a §441b violation.

⁶ Judge Turk lays out a succinct chronology of cases in which the courts have insisted upon express advocacy and the universal acknowledgment that such a standard was absolutely necessary to maintain the bright-line rule required by the Supreme Court. "In the nineteen years since the Supreme Court's ruling in Buckley v. Valeo, the parameters of the "express advocacy" standard have been addressed by several federal courts in a variety of circumstances. Faucher v. Federal Election Com., 928 F.2d 468 (1st Cir.), *cert. denied*, 112 S. Ct.79 (1991) (pro-life voter guide); Federal Election Com. v. Furgatch, 807 F. 2d 857 (9th Cir.), *cert. denied*, 484 U.S. 850 (1987) (newspaper advertisements criticizing President Carter); Federal Election Com. V. Central Long Island Tax Reform Immediacy Committee, 616 F. 2d 45 (2nd Cir. 1980) ("Central Long Island Tax Reform") (bulletin criticizing voting record of local congressman); Federal Election Com. V. Survival Education Fund Inc., No. 89 Civ. 0347 (TPG), 1994 WL 9658 (S.D.N.Y. Jan. 12, 1994) ("SEFI") (letters criticizing the Reagan Administration's military involvement in Central America); Federal Election Com. v. Colorado Republican Fed. Campaign Comm., 839 F. Supp. 1448 (D. Colo. 1993) ("Colorado Rep. C.C.") (radio advertisement attacking Senate candidate's alleged positions on defense spending and balanced budget issues); Federal Election Com. v. National Organization for Women, 713 F. Supp. 428 (D.D.C. 1989) ("NOW") (mailings attacking certain members of Congress for their political views in opposition to abortion rights and the ERA); Federal Election Com. v. American Federation of State, County & Municipal Employees, 471 F. Supp. 315 (D.D.C. 1979) ("American Federation") (Nixon-Ford poster distributed to union members criticizing the Watergate pardon)."

"Acknowledging that political expression, including discussion of public issues and debate on the qualifications of candidates, enjoys extensive First Amendment protection, the vast majority of these courts have adopted a strict interpretation of the "express advocacy" standard." (See Central Long Island Tax Reform, 616 F. 2d at 53.) Christian Action Network, p.956.

⁷ The facts in this case would appear to be very compelling for the FEC argument, yet the Court ruled against them. The TV and newspaper advertisements reference Clinton-Gore as candidates, neither of whom were incumbents, and the ads which aired during the 1992 presidential debate called for the "Clinton-Gore campaign committee" to retract their commitment to gay rights.

In Maine Right to Life Committee, Inc. v. FEC, 914 F. Supp. 8 (D. Me 1996), aff'd 98 F. 3d. 1 (1st Cir., 1996) the court declared as unconstitutional the Commission's new regulations defining "express advocacy" (11 CFR 100.22) because they were deemed too broad and exceeded the Commission's authority. The *Explanation and Justification* for 11 CFR §100.22 (b) states the Commission would consider the timing of communications on a case-by-case basis. This policy was found by the Court to cause a sufficient "chill" of the plaintiff's First Amendment rights that required relief be provided to plaintiff. The same Court, in Clifton v. FEC 927 F. Supp., 493 (D. Me., 1996), held that a voter guide paid for by a corporation did not expressly advocate the election of a candidate and therefore was not a §441b violation.

The courts have been universally and unequivocally clear on this point, and yet the OGC Brief makes no attempt to raise and distinguish the facts at bar with any one of these cases. This litany of case law supporting Respondent cannot be summarily dismissed as Counsel attempts to do. They have a duty to address and distinguished the present MUR from those cases. In none of those cases cited above do the courts reference, let alone apply, this campaign-related standard of review. Rather the various courts' analysis is consistent: if there is no expressed advocacy, there is no §441b violation. Failure to reconcile the Counsel's "campaign-related" standard against this long and clear list of case law is reckless. The OGC Brief makes a finding that, "Nothing in the attached columns (Fact and Comment columns attached to the complaint) appears to constitute expressed advocacy and there appear to be no solicitations for contributions." (OGC Brief, page 8.) That finding should have been the conclusion of the analysis with a recommendation of no RTB and close the file.

F. The “coordination” concept is not applicable to general issue advocacy but only to those activities referenced at 11 CFR 114.3 and 114.4.

The OGC Brief states that, notwithstanding the absence of expressed advocacy or solicitation for contributions, the activity in question is “campaign- related” if that activity is coordinated with the candidate or campaign. The OGC Brief draws this conclusion, citing as authority AO 1990-5 and MUR 2268. Specifically they argue that, due to Mr. Forbes’ (who was also a presidential candidate) direct involvement in the creation and dissemination of the communications, (the “Fact and Comment” columns,) a corporate contribution occurred (OGC Brief, p.11). These two “authorities” will be addressed later in this brief. Though Respondent disagrees with application of the “campaign-related” standard, the facts in this MUR and their application of the “coordination” policy do not measure up even to that level of review.

First, a review of the applicable regulations must be undertaken as an initial step in the analysis.

Though not analyzed by the OGC Brief, the basis for this “coordination” theory apparently lies at 11 CFR§114 regulations.⁸ Those regulations state:

“Disbursements by corporations and labor organizations for the *election-related activities described in 11 CFR 114.3 and 114.4* will not cause *those activities* to be contributions or expenditures, even when coordinated with any candidate, candidate’s agent, candidate’s authorized committee(s) or any party committee to the extent permitted in those sections. Coordination beyond that described in 11 CFR 114.3 and 114.4 shall not cause subsequent activities directed at the restricted class to be considered contributions or expenditures. However, such coordination may be considered evidence that could negate the independence of subsequent communications to those outside the restricted class by the corporation, labor

⁸ These new regulations, specifically at 114.2, 114.3 and 114.4 became effective on March 13, 1996 (61 FR 10269). Thus, they were not in effect at the time of the alleged violations and Respondent, by virtue of discussing this issue do not acknowledge or agree to their applicability, nor waive their objection to the applicability of those regulations to this case nor related defense, and specifically reserve the right to raise as a defense the fact that these regulations do not control the activity at issue because they were not in effect at the time of the alleged violation.

organization, or its separate segregated fund, and could result in an in-kind contribution. See 11 CFR 109.1 regarding independent expenditures and coordination with candidates.” (11 C.F.R. 114.2(c), emphasis added.)

These regulations specifically reference “...election-related⁹ activities described in 11 CFR 114.3 and 114.4 ...” when discussing corporate disbursements coordinated with a candidate. Those specific activities, and only those activities, if paid for by a corporation, would not violate the Act, provided the activities are only directed to the corporation’s restricted class (11 C.F.R. § 114.3(a).) Further, if the candidate coordinates those activities with a corporation and the activities are communicated outside the restricted class, then that coordination could taint the “independent expenditure” classification (see the reference at 114.2(c) to 11 C.F.R. § 109) of such subsequent *expenditures* and cause them to be classified as in-kind contributions, per the regulations at §109.1(c). This same concept is carried forward at 11 C.F.R. §114.3:

“Corporations and labor organizations may make communications on any subject, including communications containing express advocacy, to their restricted class or any part of that class. Corporations and labor organizations may also make the *communications permitted under 11 C.F.R. §114.4* to their restricted class or any part of that class. The *activities permitted under this section* may involve election-related coordination with candidates and political committees. See 11 C.F.R. §109.1 and §114.2(c) regarding independent expenditures and coordination with candidates.” (11 C.F.R. 114.3(a)(1), emphasis added.)

Given the plain reading of these two sets of regulations, the first twist in the OGC Brief’s coordination argument is that the “election-related” activities could be permissible and classified as “independent expenditures” if they were not coordinated with the candidate and were

⁹ The OGC Brief uses the phrase “campaign-related” whereas the regulations in question use the term “election-related.” For the sake of this argument, Respondent must conclude the OGC Brief deems those to be synonymous, although such conclusion cannot be stated with certainty by Respondent because the OGC Brief fails to undertake an analysis of the applicability of the 11 C.F.R. 114 regulations.

communicated to the general public. (See §114.2(c) and 114.3(a)(1) reference to 11 C.F.R. §109.1.) Yet, in order for an activity or communication to be considered an “independent expenditure,” it must be

“... for a communication *expressly advocating* the election or defeat of a clearly identified candidate ...” (11 C.F.R. §109.1(a).) (emphasis added)

Therefore, only those communications which first qualify as “express advocacy” are at issue; they are either exempt under 114.3 when communicated to the restricted class or, if communicated to the general public, they are either (1) independent expenditures, or (2) if coordinated with the candidate, they are “tainted” as independent expenditures, and are considered “in-kind” contributions (11 C.F.R. § 109.1(c)) subject to the Acts limits (2 U.S.C. §441a). Try as they may, the road the Counsel attempts to take us down once again leads back to the fact that a disbursement must first meet the definition of an “expenditure” (specifically “express advocacy communications”) even for a “coordination” analysis under 11 C.F.R. §114. If the communication does not meet that threshold, the analysis is concluded, and no violation occurs.

Secondly, those regulations state the coordination with the candidate applies only to “election-related activities described in 11 CFR §114.3 and §114.4.” (11 C.F.R. 114.2(c)) This is a closed universe of specified activities and the facts in this MUR reveal none of those enumerated activities at §114.3 or §114.4 are alleged to have occurred in this MUR. Those activities are:

- (1) Publications expressly advocating election or defeat of a candidate (§114.3(c)(1))
- (2) Candidate or Party appearances (114.3(c)(2); 114.4(b)(1); 114.4(c)(7))
- (3) Phone Banks (114.3(c)(3))

- (4) Registration and Get Out the Vote (114.3(c)(4); 114.4(c)(2) and (3); 114(d))
- (5) Voting Records (114.4(c)(4))
- (6) Voter Guides (114.4(c)(5))
- (7) Endorsements (114.4(c)(6))

Absent one of those specific activities, there is no “election-related activity” which could be tainted by the coordination with the candidate, to cause it to become an in-kind contribution.

Third, the §114.3 activities are specifically exempt from the definition of expenditure. (11 C.F.R. 114.1 (a)(2)(i). Therefore, but for that exemption, the activities which are intended to be covered by this regulation would constitute an expenditure based on the substance of the communication; specifically *express advocacy* (11.C.F.R. 114.3(a)(1)¹⁰. A communication would not need to be included in the 114.3 exemption to the definition of expenditure if it did not otherwise consist of an express advocacy message. The inescapable conclusion is that communications not expressly advocating need not be exempt since they would not otherwise constitute an expenditure.

Correspondingly, the regulations at 11 C.F.R. §114.4 also state that only communications which contain express advocacy are prohibited from being communicated to the general public when paid for by a corporation; alternatively, a prohibition may occur if one of the specified activities

¹⁰ This point is buttressed by the requirement that disbursements meeting the 114.3 requirements must be reported to the Commission on Form 7. The regulations only require reporting of communications expressly advocating a candidate's election. (See *E & J*, 114.3, CCH ¶ 923, p. 1601-4.

at 11 C.F.R. §114.4 (see p. 18, *supra.*) are impermissibly coordinated with the candidate¹¹.

Neither of those situations is alleged to have occurred in this MUR, thus the “coordination” / “campaign-related” argument is misplaced by OGC in this matter.

To argue that any non-expressed advocacy communication or activity not specified in 114.3 or 114.4 which is “coordinated” by a candidate outside the scope of his or her campaign would result in prohibited “campaign-related” activities, would make no sense. Certainly, an activity or communication which is neutral on its face would not be campaign-related because it was “coordinated” with the candidate or his committee. What if Mr. Forbes, as a corporate CEO, authored a proxy vote announced in *The Wall Street Journal*, or endorsed a vacation spot or hotel in a magazine, either of which were known or worked on by common corporate and campaign vendors, with the assistance of Mr Forbes? Certainly such coordination would not constitute a “campaign-related activity” regulated by the FECA. These are examples of neutral communication, as were the “Fact and Comment” columns which do not come within the specified activities at 114.3 or 114.4, and are therefore, not intended to be regulated by the Act. To argue neutral-based communications come under the control of the FECA would be contrary to a long line of court opinions previously addressed and Commission advisory opinions and enforcement cases as presented below.

¹¹ See also the *Explanation and Justification* for section 114.3: “However, in light of the MCEL decision, the references to ‘partisan’ activities have been replaced with narrower provisions that only apply to communications containing express advocacy. . . Similarly, the revisions delete the more restrictive language in previous section 114.3(a)(1) that had prohibited corporate and labor organizations expenditures for ‘partisan’ communications to the general public because revised 114.4 establishes that such communications are only prohibited if they contain express advocacy or are impermissibly coordinated with candidates or political committees.” (FEC *Explanation and Justification* (“E & J”), (CCH) ¶923, pages 1601-4.)

G. The Advisory Opinions cited as authority for the OGC position specifically authorize the type of issue advocacy at issue in this MUR or are based on facts which are substantially distinguishable from this MUR.

In justifying this "campaign-related" standard, the OGC Brief states, "Statements, comments, or references regarding *clearly identified candidates* which appear in (a publication) and are made with the cooperation, consultation, or prior consent of or at the request or suggestion of, the candidates or their agents regardless of whether such references contain 'expressed advocacy' or solicitation for contributions, then the payment for *allocable costs* incurred in making the communications will constitute ... in-kind contributions to identified candidates'. Advisory Opinion 1988-22 (footnotes omitted.)" (emphasis added.) (OGC Brief, p. 5)

The facts in AO 1988-22 involved a group called "Republican Associates" who wanted to undertake political activities, including the distribution of a monthly newsletter to discuss political events and activities that could be of interest to supporters of the Republican party, including discussions of candidates, campaigns for federal office and opportunities for involvements in such campaigns. Those facts are not on point with the facts at bar. Forbes, Inc. is not a political committee, the "Fact and Comment" column did not discuss partisan activities, promotion of Republican party principles, discussion of candidates, or political campaign activities. More importantly, nowhere in "Fact and Comment" is there reference to a "clearly identified candidate", which is the prerequisite for the opinion in AO 1988-22. Reliance on that Advisory Opinion is completely misplaced, as is the case with the other authorities cited by the OGC Brief in support of this "campaign related" standard.

The OGC Brief at page 5 cites in footnote 3 to a variety of Advisory Opinions as authority for their position that activity is “campaign-related” when it is coordinated with a candidate’s campaign or the candidate. However, a close review of those Advisory Opinions cited reveals they are factually distinguishable, as is the case of AO 1988-22, or they present situations in which the *Commission permitted the issue advocacy* concluding it did not constitute a violation of the FECA.

The OGC Brief cites to AO 1992-6, in which David Duke, then a candidate for president, was permitted to accept an honoraria and travel expenses reimbursement from a university, for a speech which Mr. Duke was to deliver on the topic of affirmative action. The speech was not to include a reference to his campaign, advocacy of his election, nor a solicitation of contributions.

The Commission concluded,

“Based on its review of all the foregoing facts and circumstances presented in this request and in reliance on the representation made, the Commission concludes that the described event and Vanderbilt’s payment of an honoraria and related travel expenses would not constitute a contribution or expenditure for purposes of the Act and Commission regulations. However, any reference by Mr. Duke to his campaign, or to the campaign or qualifications of another presidential candidate, either during the speech or during any question and answer period (held just before or after the speech) will change the character of the appearance to one that is for purposes of influencing a federal election.” (AO 1992-6)(CCH ¶ 6043, p.11,772)

Even more surprising, the Duke speech centered on affirmative action, a subject which clearly was at the bedrock of the Duke for President campaign. This speech was also “coordinated” by Mr. Duke, yet neither of these points caused the Commission to rule the University’s payment to Mr. Duke to be considered a violation of the Act. This holding *supports* Respondent and Respondent is surprised it is cited as an authority that Forbes, Inc. and Mr. Forbes, in writing

"Fact and Comment", went beyond the subject matter parameters provided by the Commission in the David Duke opinion.

It is also interesting to note that Commissioner Aikens filed a concurring opinion stating that she disagreed with that portion of the Opinion discussing the analysis of Advisory Opinion 1990-5.

(An opinion heavily relied upon on the OGC Brief.) Commissioner Aikens noted that she dissented from the final draft of 1990-5,

" . . . because I found particularly troubling language in the draft regarding the discussion of public policy issues wherein an 'inference of campaign purpose could be drawn' that would result in the newsletter being considered as campaign-related. I believe we too broadly infringe on free speech rights by implying that the underlying intent and purpose of anything said or printed by or about a candidate - at differing and uncertain time frames before an election - become solely election-related. I do not accept the position that there could be no other reason or purpose except electioneering for undertaking such activities." (Aikens concurring, AO 1992-26)(CCH ¶ 6043, p. 11,772)

Respondent agrees with Commissioner Aikens opinion and submits the same principles, if applied in this MUR, require a finding that no violation occurred.

Counsel next cites to Advisory Opinion 1992-5, yet in this opinion, the Commission *approved* the proposed issue advocacy activity of Congressman Moran participating in a cable-television program discussing public policy issues. In concluding that the proposed cable program would not constitute a contribution or expenditure, the opinion states:

"In the video of 'A Capital Report from Congressman James P. Moran', no mention is made of your campaign or election to federal office nor did the program contain any otherwise promotional elements such as banners or campaign decorations. Furthermore, the program did not include any message that solicits contributions. The content of the program was strictly limited to issues before the congress or issues of relevance to your district. The 'fact sheet' of a 'conversation with Jim Moran'

likewise indicates that these programs will be issue-oriented and devoid of campaign-related material or content.” (AO 1992-5)(CCH ¶ 6049, p. 11,796)

This Advisory Opinion stands for a proposition that issue advocacy, even when made by or coordinated by the candidate, is not a violation of the Act. It supports Respondent’s position and flies in the face of the position for which it is cited in the OGC Brief.

In the next opinion cited in the OGC Brief, AO 1988-27, *a corporation was permitted* by the Commission to make a payment to a candidate who was an incumbent congressman, to speak before a corporation’s group of stockholders. This opinion is not on point because it involves only communications to the restricted class and not the general public and it is unclear as to its relevance to the issue in this MUR. Notwithstanding, the Commission found the corporate expenditure permissible.

The next set of Advisory Opinion authorities cited by the OGC Brief in footnote 3 are clearly distinguishable based on the facts. AO 1986-37, AO 1986-26, and AO 1984-13 each involved candidate forum events at which individuals *in their capacity as a candidate* came and discuss their campaign, campaign issues, promoted their candidacy, etc. Clearly, that is not the situation involving the issue advocacy of *Forbes* magazine. "Fact and Comment" was not paid for or sponsored by a political committee, Mr. Forbes was not identified as a candidate, and no reference was made to his candidacy. As such, those AO authorities cited in the OGC Brief are materially distinguishable and are not relevant to the discussion.

The OGC Brief relies heavily upon Advisory Opinion 1990-5, which sets forth a three-prong test to determine whether a newsletter published by a congressional candidate would be considered a contribution or expenditure under the FECA. The three-prong test articulated in the Advisory Opinion is the following:

- (1) Direct or indirect references made to the candidacy, campaign, or qualification for public office of (the candidate) or (the candidate's) opponent;
- (2) Articles or editorials are published referring to (the candidate's) review on public policy issues or those (the candidate's) opponent or referring to issues raised in the campaign, whether written by (the candidate) or anyone else; or
- (3) Distribution of the newsletter is expanded ... in the manner that indicates utilization of the newsletter for campaign communication. (Advisory Opinion 1990-5.)

In that opinion, the Commission concluded that a case-by-case review of each of the newsletters would be required to determine whether or not the content constituted an expenditure for the benefit of this campaign. The Commission noted that, (1) the newsletter originated at a time when the individual was a candidate for federal office; (2) it was inspired by his experiences as a candidate for Congress; (3) it was sent out primarily to individuals whom he encountered during his prior campaign, many of whom had been supporters of his candidacy, and (4) people involved in the campaign were also involved in the publication of the newsletter.

Contrast that with the facts in this MUR, and it is substantially distinguishable. (1) "Fact and Comment" did not originate at a time when Mr. Forbes was a candidate. Mr. Forbes has been editing this column in *Forbes* magazine for over 15 years, a time which was clearly prior to his candidacy for federal office; (2) the columns were not inspired by Mr. Forbes' candidacy since they discussed the same type of issues which had been discussed for years in the column, and the

columns did not reference his presidential candidacy; (3) the magazine was not sent out primarily to those supporters Mr. Forbes encountered in the campaign. The magazine has for years reported a subscribership of over 765,000 -- no evidence is even remotely proffered by Counsel that any increase in the level of subscribers resulted from or was increased because of Mr. Forbes' candidacy; and (4) the campaign was not involved in any fashion regarding the "Fact and Comment" columns. (See *Dal Col Aff.* 3 and 4.)

Clearly, the facts in this MUR do not remotely meet the criteria set forth in AO 1990-5. Citing to this AO as authority is misplaced by the OGC Brief.

H. Counsel fails to bring to the Commission's attention the long list of Advisory Opinions which permit the specific type of issue advocacy by entities, including candidates for federal office, as found in Forbes magazine.

The ability of individuals, who are also federal candidates, to speak on a variety of subject matters, without causing such advocacy to be considered an expenditure, is a long-established and recognized proposition in numerous Commission advisory opinions. The following are examples of such Commission holdings.

In AO 1977-54(CCH ¶ 5313), Congressman Gingrich, while a candidate, was permitted to head a petition drive and direct mail campaign pertaining to stopping the ratification of the Panama Canal treaty. The commission held that the expenses associated with the newsletters, mass mailings, radio and television advertisements, public appearances, all of which identified Mr.

Gingrich by name, would not be considered a contribution or expenditure to his congressional campaign, because no reference was made to his candidacy.

In AO 1977-42(CCH ¶ 5301), a congressional candidate was permitted to host an interview program on a radio station which aired one hour in length for five days a week. The program was paid for and sponsored by business enterprises and the employee, who was also a candidate, was paid by the radio station. In holding that such an activity would not constitute a contribution or expenditure, the Commission noted that there was an absence of a communication expressly advocating the election or defeat of the candidate and the solicitation of contributions.

Moving several years ahead, in AO 1992-37(CCH ¶ 6075), the FEC permitted a candidate to continue working as a radio broadcaster, the text of his show primarily consisting of criticism of public and political figures and discussion of controversial contemporary issues. The Commission noted that there was no expressed advocacy nor reference to his candidacy, and therefore the compensation he received from the radio station did not constitute a prohibited expenditure. (See also Commissioner Elliot's concurring opinion.)

In AO 1994-15(CCH ¶ 6118), the Commission permitted Congresswoman Leslie Byrne, while a candidate, to host a cable-TV program which aired in her district, involving public affairs issues.

The Commission concluded as follows:

“Based on a review of the information submitted by you, the Commission concludes that production and broadcasting of the proposed series will not result in a contribution or expenditure and are, therefore, permissible under the Act. This series does not appear to be controlled by your campaign and it will not include campaign or election-related references. It will entail discussions on public issues moderated

by a federal officeholder acting in her capacity as an officeholder, with the special purpose of focusing on one issue per segment in depth. (See Advisory Opinion 1992-5.) The Commission also assumes that the scheduling and duration of the series, or the selection of individual topics, will not be made with reference to the timing of your nomination or election to office.” (AO 1994-15.) (CCH ¶ 6118 p. 11,985)

Most recently, in Advisory Opinion 1996-11 (CCH ¶ 6194), the Commission permitted candidates to have their travel and hotel expenses paid for by National Right-to-Life, Inc. to enable those candidates to come and speak to the general public on issues pertaining to right-to-life. In permitting the reimbursement of expenses to the candidates, the Commission indicated that no corporate contribution would result since there was no reference to the individuals as candidates or advocacy of their candidacy while speaking to the general public.

This is but a sampling of the long and consistent approach which the Commission has applied in permitting individuals to advocate issue and policy positions even during the time in which they are also candidates for federal office. The fact pattern in MUR 4305 clearly comes within the parameters set forth in the advisory opinions cited in this section.

- I. The single enforcement action referenced in the OGC Brief, MUR 2268, is a matter in which the General Counsel, concludes the issue-advocacy was permissible and recommended no reason-to-believe should be found.

In the single enforcement action cited by the OGC Brief, MUR 2268 involving Neighbors for Epperson, the RTB brief lays out a 19-page analysis thoroughly discussing the applicability of the expressed advocacy standard and a long list of relevant advisory opinions concluding the *issue advocacy involving Epperson was not a violation of the Act*. Respondent is again surprised

that this case is cited by the OGC Brief to substantiate and justify their position in the present matter. In Respondent's opinion, the analysis in MUR 2268 is so well articulated that a copy of that brief is attached hereto and incorporated herein as Exhibit "C". Therefore, Respondent submits it for consideration along with the other authorities cited herein.

Respondent also submits that the Commission review the analysis and applicable opinions cited in MUR 3855/3937, involving Friends of Andrea Seastrand. Therein, the Commission found no violation of the Act when Mrs. Seastrand, who at the time was a candidate and not an incumbent congresswoman, aired radio advertisements in the Congressional district for which she was seeking election, advocating that individuals register as Republicans. The Counsel found no express advocacy and cited applicable authorities to reach that conclusion which Respondent would submit to the Commission as authorities in this matter.

J. A review of the "Fact and Comment" column fails to show common themes with the Forbes Campaign.

A review of the "Fact and Comment" columns during the time in question evidences the impossible task of assessing which, if any of the columns contain "campaign themes" as suggested by the OGC Brief. That Brief states:

"Mr. Forbes appears to have repeatedly offered his opinions on campaign issues in his columns since becoming a presidential candidate. The primary example raised in the complaint is his promotion of the "flat tax" in at least two separate "Fact and Comment" columns. The flat tax is closely identified with Mr. Forbes; indeed, he has championed its enactment in previous columns and specifically mentioned it several times during his formal candidacy announcement. News reports covering the Republican Presidential Primary Election regularly referred to Mr. Forbes's flat tax proposals, some even going so far as to label him "Mr. Flat Tax." Mr. Forbes has

also discussed, both on the campaign trail and in *Forbes*, his positions on term limits, a gold standard, abortion, and US involvement in Bosnia.” (OGC Brief, p. 10.)

The above-cited paragraph from the OGC Brief exemplifies the arbitrary selection and assessment of issues which they contend are “campaign themes” versus mere reporting by *Forbes* magazine on issues. For example, promotion of the flat tax issue was one of Mr. Forbes’ primary issues during the presidential campaign; yet it was also promoted and agreed to by other Republican candidates (e.g., Richard Lugar and Patrick Buchanan). Would Mr. Forbes’ comments in “Fact and Comment” be deemed an expenditure by either *Forbes* magazine or FPC for the benefit Mr. Lugar’s or Mr. Buchanan’s campaign?

And this all-important flat-tax “theme” as cited in the complaint, is alleged to have appeared but twice in the “Fact and Comment” column; October 16, 1995 and October 23, 1995. Yet look at the context of the October 23, 1995 reference to flat tax -- it is an article entitled, “Stop this Strong-Arming”, regarding the use of private sector collection agencies for delinquent taxes - it contains a mere passing reference to flat tax. How would Counsel assess how to allocate the value of that reference all or only a portion of the column inches?

The reference in the complaint to the October 16, 1995 column does not contain the cited reference to the flat tax. However, even if it does appear in another column, do those two references to flat tax constitute promotion of Mr. Forbes’ primary campaign theme? I think not. If that were the intent, surely there would be many more reference to the flat tax - not merely those two, cited in the complaint.

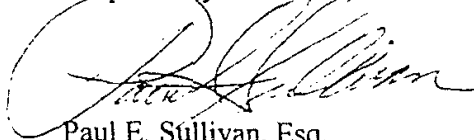
The next question is which of the numerous issues presented in "Fact and Comment" would Counsel suggest constitutes an expenditure because they were also referenced in the campaign? Perhaps the *obsolete economic policies of Brazil* (November 6, 1995), baseball owners (February 12, 1996), the ugly new \$100.00 bill and Megan's Law (May 6, 1996) or the telecommunications bill (March 11, 1996); not exactly a list of prominent themes in Mr. Forbes' campaign. If the column inches dedicated to those subjects are not to be considered allocable expenditures, where is the demarcation for the allocable "campaign-related" subjects, who could make such an assessment, and upon what criteria? *None of those subject matters was "coordinated" any less with FPC then was the column which referenced "flat tax."* The assessment is made no easier if the column referenced Bosnia or the gold standard. For example, take the reference in the previously mentioned October 23rd column to enacting a flat tax in Israel. Query: is promoting or referencing a flat tax in Israel an allocable expenditure under the OGC Brief's theory? If not, on what FECA basis is it not considered allocable to FPC? What other columns would also be exempt from allocation based on that same rationale?

Absent the clear delineation called for by the express advocacy standard, such judgements become arbitrary. If FPC, after reviewing the Act and Regulations, cannot clearly determine the applicable subject-matter threshold and what subjects constitute allocable expenditures, then it causes a substantial chilling effect upon their First Amendment rights by causing a concern of prosecution prompted solely by a potential FEC action. That is unconstitutional and no government agency, especially one overseeing political speech, should permit to stand a vague regulation, let alone a policy position as is the case in this matter, which is the basis for denying one's right to speech.

IV. CONCLUSION

For the reasons stated above, Respondent respectfully requests that the Commission expeditiously conclude its investigation in this matter and make a finding of no probable cause and close the file.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul E. Sullivan", written over a circular stamp or mark.

Paul E. Sullivan, Esq.
Counsel to Respondent

w/enclosures

MUR 4305

FORBES, INC.

**DOCUMENTS PROVIDED
IN SUPPORT OF
RESPONSE TO INTERROGATORIES**

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Fact and Comment

By Steve Forbes, *Editor-in-Chief*



SAVING—AND ENRICHING—THE COMPACT

THE RESULTS OF the Advisory Council on Social Security were a disappointment. Yes, the members did agree that over time the financial markets do a significantly better job of growing people's money than the federal government can. But the council's three different approaches for reform fell into the zero-sum, pay-as-you-go mentality that has led us to the mess we are in today.

All the council's commissioners called for benefits cuts and higher taxes. All permitted the financial problems of the old system to inhibit fundamental, positive change. The furthest any would go was to allow people to put about 40% of their retirement payroll taxes into their own private pension plans.

The path we should take is clear. We should preserve the current system for those who are in it and who are going to be enrolled in it during the next 10 to 15 years. Their benefits should be left alone. But we should phase in a new system for younger people. Initially part of, and ultimately all of, their payroll taxes would go into their own Individual Retirement Accounts. These funds could not be touched until the individual reached a

certain age. Investments would be restricted to mutual funds, bank CDs or a diversified portfolio of stocks or bonds. No Honduran swampland or schemes for recovering buried treasure. But individuals, not Washington politicians, would own these accounts. That way, you would choose your retirement age. If you're leery of stocks, you could put this money into a bank savings account, which government insured, or into inflation-proof U.S. Treasury bonds. Any choice would be better than the situation

we have now, where workers today will get less than what they put in. And, you could will what remains of your nest egg to your kids, grandkids, a charity—or your pet cat.

Why couldn't the commissioners go for such a clear route? Because of the alleged transition costs. Over a 15- to 20-year period, perhaps as much as \$3 trillion of bonds might have to be floated to help pay expenses for those on the old system. Of course, when the new system is fully phased in, those bonds would be paid down. But such numbers turn experts into a-lick-here-and-a-sutch-there reformers. They don't recognize that the debt *already* exists. Actu-

aries estimate the current system has unmet liabilities of some \$9 trillion.

And don't be fooled by soothing reassurances that rejiggering the cost-of-living formula will "solve" Social Security's financial woes until 2052, or some such date. Remember, in the late 1970s payroll levies were boosted, and some recipients' benefits were taxed to solve the crisis. A few years later, another round of even sharper tax boosts was enacted, along with raising the retirement age, to put the system on a "sound" footing.

Social Security is shaky precisely because it is pay-as-you-go. When the tax is collected, it is immediately paid out to beneficiaries. Any surplus is promptly spent by the government on other programs; the Social Security Trust Fund is "reherited" with "interest" at below-market rates for these "loans." Why continue this Ponzi scheme? Why not make the right changes that will give people more in the next century than the current system possibly could—and at the same time make the economy stronger by creating more capital?



Signing Social Security Act: There's a 21st-century way to strengthen jeopardized system.

DON'T DEAL US A DEADLY DECISION

JUDGING FROM THE JUSTICES' tone of questioning during oral arguments, the Supreme Court will not likely discover a constitutional "right" for allowing assisted suicide. Thank goodness for that.

This sensitive question must be grappled with through the give-and-take of the political process. Most states prohibit physicians from helping people commit suicide. Contrary to the impression left by well-publicized, heart-rending exam-

ples of patients in pain who "want out," most people who end their lives are suffering from some form of depression.

A cornerstone of American civilization is the idea that the law should protect the weakest of us, not just the strong and the rich. Assisted suicide would turn that principle upside down. When a person stands on the ledge of a building, we try to pull him back. Legalizing assisted suicide would say, "Jump"—and if you hesitate, society

and find someone to push you.

We're not talking here about a virtually brain-dead person attached to some machine or about a patient who voluntarily forgoes so-called heroic measures to keep him nominally alive. All of us face dark times. A truly humane society encourages us to carry on: We get help when we need it and give help when others need it.

If assisted suicide is legalized, people suffering severe illnesses will be pressured to end their lives rather than to fight on. Otherwise, they will be told, they are selfishly consuming scarce resources. Greedy relatives will hammer home a similar theme. Doctors, in the interest of keeping

down expenses in order to earn managed-care bonuses, will feel pressured to urge the gravely sick to give up.

Assisted suicide is only a way station to euthanasia. Despite pious rules about consent, inevitably patients will be killed without their permission. Several years ago the Dutch permitted assisted suicide. Doctors murder some 1,000 unconsenting patients a year.

It is astonishing and appalling that there should even be a debate about assisted suicide. More and better painkillers are being developed. Exciting breakthroughs are coming out of our pharmaceutical laboratories to help combat depression.

Assisted suicide is a lethal step to a dark, lonely world.

KEEP IT SIMPLE

THE FEDERAL RESERVE is hinting that it might impose reserve requirements on banks' money market accounts.

Its apparatchiks claim that so-called sweep accounts—where money from checking accounts is swept at the end of each day into overnight instruments with a higher rate of interest—are complicating its conduct of monetary policy. Banks and their customers love these sweeps: Banks avoid having to put the money into the Fed's reserve accounts, where no interest is paid, and depositors earn more from their checking accounts. Banking authorities frequently complain that their lives

are being complicated by high tech's making it easy for banks to run circles around their regulations.

Fed Warns of Effects Of Rise in Banks' Use Of Sweep Accounts

Regulators should calm down and recognize the virtue of simplicity in the face of complexity. The Fed doesn't need to use reserve requirements to maintain a stable dollar or to try to keep banks solvent. The most sensitive measure of inflation or deflation is the gold price (see FORBES, Aug. 14, 1995, p. 23). If the dollar price of the yellow metal is rising, the Fed can drain credit

—WALL STREET JOURNAL

by selling bonds through open market operations—and do the opposite if the price of gold is falling.

GOOD READ BY GREAT REPORTER

A Reporter's Life—by Walter Cronkite (Alfred A. Knopf, \$26.95). Chock-a-block with interesting anecdotes and observations, this memoir by America's most noteworthy newscaster-journalist makes for memorable reading. From a searing racial incident during boyhood, involving Cronkite's father, to Walter's formative days at United Press, to covering wars from WWII through the Cold War, to pioneering TV news broadcasting and trying to resist the ever-present tug to mixing news with entertainment, to reporting on our still under-appreciated space program, to interviewing presidents and world leaders, to making possible Egyptian President Anwar Sadat's historic trip to Jerusalem in 1977 by posing timely, pointed questions to Israeli Prime Minister Menachem Begin during a TV interview, to raising kids in the tumultuous 1960s, to sailing and daredevil car racing, Cronkite shares with us an extraordinary life in an extraordinary century. He doesn't pull punches on his views of people,



politics and events, but he is never nasty or titillating. As a journalist, Cronkite took—and still takes—great pains to separate reporting from editorializing. His wire-service years taught him to combine speed (to beat the competition) with accuracy—whatever the toll on body and personal purse. Thus CBS, with Cronkite as anchor, would not hesitate, if necessary, to change copy and stories during a broadcast; competing networks were content to close about an hour before the live broadcast. Excerpt: *The press cynicism that has been much criticized in the mid-1990s very likely is a result of intellectual snobbishness as well as a natural side effect of superior education. Among this new generation of better-educated journalists, there is an urge to break out of the reportorial straitjacket by slipping a point of view into a supposedly impartial item. I think the new press cynicism is a fad that fast will fade. As the practice unleashed a storm of criticism, I could see self-correction coming across the horizon.*

RESTAURANTS—GO, STOP, STOP, STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Island**—1305 Madison Ave., near 92nd St. (Tel.: 996-1200). Oasis in the Museum Mile neighborhood. Contemporary New York menu of pastas, salads, grilled filet mignon of tuna and terrific hamburgers. Desserts are substantial, especially the lemon poppy-seed pound cake with cinnamon ice cream and the tiramisu. An added plus: It's child-friendly.

● **Alva**—36 East 22nd St. (Tel.: 228-4399). A happening place. Noteworthy dishes: enspy shrimp cocktail

appetizer; steak au poivre; coriander-crusting tuna.

● **Tammany Hall**—393 Third Ave., at 28th St. (Tel.: 696-2001). Rather high prices, shatteringly loud noise level and inconsistent fare.

● **Park Avenue Cafe**—100 East 63rd St. (Tel.: 644-1900). A favorite, with some of the most imaginative cooking in town; be sure to try the pastrami salmon. Call ahead; it's hard to get in. Extensive and expensive wine menu. ■

"With all thy getting get understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



IF BOTH CLINTON AND THE CONGRESSIONAL DEMOCRATS

triumph next month, watch out for the financial markets. Since Republicans took control of Capitol Hill in November 1994, equity averages have surged a sizzling 50%. Alas, the Democrats' Hill leadership has never been so liberal as it is today. Uncertainty is already

dampening the debt markets. Inflation-adjusted interest rates, particularly on the short end, are very high. Historically, long-term government bonds yield a real rate of around 3%; Treasury bills, 0.6%. Today real long-term yields are 5%; the shorts, over 3%.

GIVE SCHOOL CHOICE A CHANCE

NEW YORK'S JOHN CARDINAL O'CONNOR has made an offer that will catalyze a badly needed education reform: allowing parents to choose the school that best meets the needs of their children.

Teachers' unions have bitterly fought school choice, recognizing that it would undermine their self-serving, monopolistic grip. Such opponents have long been embarrassed that nonpublic schools, such as parochial schools, can give inner-city kids better educations at a fraction of the cost of public schools.

One canard is that nonpublic schools perform well only because they skim off the top students. So Cardinal O'Connor has made a dramatic proposal: Give us New York City's worst students, academically or disciplinarily, and we will show what our schools can do. Needless to say, the Big Apple's education establishment is sputtering excuses as to why it cannot accept the Cardinal's offer. Reformers are hoping, though, that sheer embarrassment will ultimately force acceptance.

School choice works because it compels these institutions to be accountable for their performance. In Milwaukee, for example, a much-attacked experiment is under way; students who have chosen their schools are, by their third or fourth year, surpassing their public school counterparts' test scores. The privately funded Student/Sponsor Partnership, Inc. program in New York takes poorly performing students and puts them in

nonpublic schools. These kids end up doing far better than their peers left in the same situations in the public schools. *Standards and accountability make a difference.*

Bob Dole is advocating an experimental national scholarship program to be implemented on the local

level. Up to 15 states and the District of Columbia could participate. The Feds would offer scholarships for up to 4 million low- and middle-income elementary and secondary school students. Parents could choose public, private or parochial schools for their kids. Washington would pay half the scholarship, participating states the other half, and private donations could supplement these funds. These so-called opportunity scholarships are small—the highest level is \$1,500—but they should be enough to give parents a chance to make a change. Uncle Sam's share of the scholarships would be financed by eliminating some of the

Department of Education's wasteful, often counterproductive programs, such as Goals 2000.

The time is ripe for reform. Performance scores remain stagnant, despite all the talk of changing public schools from within. In some of our largest cities nearly half the public school teachers send their own children to private institutions. Further pressure: Schools in many parts of America are overcrowded because of the "echo" effect of baby boomers' kids entering the system; moreover, half of the nation's teachers will be retiring early in the next century.



Classes in showers: Like any self-interested monopoly, public education snort-changes "customers."

THE SCOURGE OF THE INTERNATIONAL MONETARY FUND

continues. This agency, supported over the years by about \$28 billion in U.S. tax dollars, is supposed to nurse sick economies back to health. Most of the time, alas, its snake oil remedies worsen the patients.

Jordan is the latest victim of the IMF's Kevorkian-like

economics. The agency put this critical Middle Eastern state on an austerity diet, and when the government more than doubled the price of subsidized bread, riots resulted. Sensitive subsidies in a struggling country with large unemployment should be tampered with only when the economy is

visibly booming and people believe better days are ahead. I visited Jordan two years ago, and my heart sank when government officials said they had to temper their desire for tax cuts in order to appease the IMF.

Another variant of IMF poison is polluting Venezuela. This oil-rich state has been crushed for decades by heavy corruption, smothering regulation and moneylosing, state-owned companies. Two years ago a Fascistic, Peronist-populist government imposed extensive price and currency controls. Inflation soared, shortages appeared and the economy tanked. Last spring the IMF ballyhooed an agreement: In return



Jordan bread riots: Obtuse IMF foments discord, not growth.

for a \$1.4 billion line of credit, the government removed many of its controls. A blow for free enterprise? Think again. The IMF said the budget deficit had to be reduced. The government responded by hiking the national sales tax from 12.5% to 16.5%, a 32% increase. Worse, it enacted draconian measures to "improve" tax collections, intruding into people's lives as never before.

The IMF is oblivious to the four basic principles of economic progress: sound money (the IMF is addicted to devaluations), low taxes, property rights and nonbureaucratic interference with the setting up and running of businesses.

CONSUMER DRIVEN

BOB DOLE HAS PROPOSED automobile insurance reform that should have drivers rejoicing and trial lawyers apoplectic.

Excessive litigation is the reason auto policies are so expensive in much of the country. Dole's plan is wonderfully simple: Drivers would have a choice between two kinds of insurance. One would be the costly type we have today. The other would cover tangible accident losses such as medical expenses and lost wages but would not provide for "pain and suffering," except under egregious circumstances, such as an accident caused by a drug-using driver.

This type of no-frills policy would reduce insurance premiums for the average driver by 29%, for the low-income driver, 45%. Nationwide, drivers could save more

than \$80 billion over two years. This change would obviously cut down on the number of auto owners who don't carry insurance because of the high cost of premiums.

States could exempt themselves from this federal reform, but most would not, given the benefit to consumers.

Dole has also put forth other sensible accident litigation reform ideas that would promote early settlement of claims, curb the abuse of contingency fees and limit excessive punitive damages.

Dole's "auto choice" idea will help make him the voters' choice next month. A number of Democrats are frustrated that they can't advocate these types of changes because their candidate is so beholden to the trial lawyers' lobby.

GROUND THIS REQUEST

A NUMBER OF FOREIGN AIRLINES are asking the U.S. to repeal a law that bans in-flight gambling. U.S. airlines also want the ban removed so that they, too, can reap a nice chunk of change from installing electronic gaming devices that can debit a passenger's credit card.

The requests should not be cleared for takeoff. We have enough gambling opportunities on the ground.

Foreign airlines ask U.S. to lift gambling ban

—USA Today

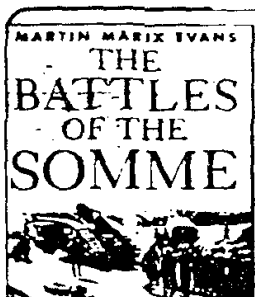
There ought to be a haven in the heavens from these temptations. As in-flight smoking is banned for our physical health, so, too,

should gambling not be permitted for our fiscal health. Logicians would say such reasoning would lead

to a prohibition of on-board drinking. The fact is most people will recover from a hangover faster than they will from the headaches of losing money on games of chance.

SLAUGHTERHOUSE

The Battles of the Somme—by Martin Marx Evans (Weidenfeld & Nicolson, £14.99). Describes with words and dramatic photographs the devastating two-year series of battles the British fought against the Germans near France's Somme River during WWI. Battle lines on the Western Front hardly changed until the last months of the war, but the bloody stalemate consumed well over 2 million men in this area alone. Like a murderous metronome, the pattern of attack and counterattack went on and on. The butchery here and elsewhere shook the foundations of Western civilization, making possible the rise of Communism and its offshoots, Fascism and Nazism. The ineptitude of the British commanders stands out beyond the bleak backdrop of this war.



Excerpt: Throughout the ferocious barrage of the previous week the Germans had hidden in their bunkers, tormented by the incessant concussions [of] artillery fire. But they survived. As the barrage lifted, machine-guns were hurriedly hauled out of safe-keeping and mounted, and through the smoke the Germans peered out on an astounding sight: successive waves of men plodding steadily forward, as if on parade. A German soldier writing after the war recalled, with evident incredulity: "[The British] came on at a steady, easy pace as if expecting to find nothing alive in our front trenches." When the Germans opened fire the slaughter was immense. The machine-guns cut down the lines of advancing soldiers like hay before a scythe. Within minutes the neat rows of soldiers had disappeared.

"With all thy getting get understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



PIECEMEAL TAKEOVER

CONGRESS is headed down the slippery slope toward nationalizing health care. Instead of the do-it-all-at-once approach of the Clintons, our national legislators are in danger of doing it step by step.

Managed care is actually facilitating the movement toward backdoor nationalization. Washington need not formally seize the system; it will achieve the same object—without formal responsibility—via rules, regulations, mandates and price controls.

Last year the undeniable need to make it easier for people to keep their insurance when out of a job (portability) and to help people with preexisting conditions get or maintain coverage was the vehicle for establishing a beachhead for socialized medicine. Washington imposed coverage mandates on private health insurers. Severe penalties also were enacted for doctors who trip up on Washington's myriad regulations.

This year expect a rash of proposals to deal with a children's health care crisis. Sponsors will point out that millions of youngsters are not getting sufficient primary care or vaccinations and that a number of mothers are being deprived of necessary care during pregnancy. The prob-

lem: Many Americans lack health insurance; they make too much to qualify for Medicaid, but their employers don't provide health coverage. The neo-socialist solution: some form of national health insurance.

What should believers in pro-consumer, nongovernment health care do? Most immediately, ready an alternative plan for the uninsured-children crisis. The National Center for Policy Analysis suggests a two-pronged approach. First, convert the earned income credit (EIC), which provides low-income families with an income supplement of up to \$3,556 a year, to a tool for purchasing health insurance for those families that lack coverage. People could choose a traditional health care policy, some form of managed care or a Medical Savings Account. Congress should then turn the \$500 per-child tax credit, which it will likely pass, into a similar program for families that are ineligible for EIC but are still uninsured. Such proposals would make insurance accessible to all while avoiding health care socialism.

Longer term, reformers should push for Medical Savings Accounts, a concept that was severely restricted in last year's Kennedy-Kassebaum bill.

LEADERLESS, RUDDERLESS

EUROPE IS DRIFTING. Neither the U.S. nor the continent's own leaders know what to do.

After World War II, extraordinary creative diplomacy by the U.S.—most notably the Marshall Plan and NATO—helped save these war-torn lands from communism. Western Europe was also blessed with statesmen who rose to the occasion. Konrad Adenauer firmly tied Germany to the West. He provided the political umbrella that enabled his economic guru, Ludwig Erhard, to sweep away Allied-imposed economic controls and cut exorbitant tax rates, thereby triggering what came to be known as the German economic mira-

cle. Charles de Gaulle did the same in the late 1950s for Jacques Rueff's economic reforms.

But Russia today is sinking into ever deeper cynicism. Lawlessness reigns. Tax collectors now are not only armed

but also sometimes wear masks, lest politically connected evaders hunt them or their families down. Secretary of State-designate Madeleine Albright should forcefully suggest to the IMF and Moscow that Russia adopt Erhard-like economic changes.

A stagnant Germany recently tried to cut back on overly lavish labor benefits (six-week vacations are the norm). The unions objected, and employers beat a hasty retreat. Suffocating taxes continue.

France is floundering. When the government tried to rein in social expenses, militant truckers objected and the government humiliatedly backed down. Faced with double-digit unemployment when he took office in May, 1995,

President Jacques Chirac could only respond with higher taxes to fund unproductive "job-creating" tax credits.

Increasingly ineffectual, France tries to hide its impotence by meddling more in Central Africa, where it shares



De Gaulle and Adenauer: visionary doers who revived their nations.

blame for the indescribable horrors that have gone on; by demanding that a European—on a rotating basis (with France first)—be named NATO commander for Southern Europe (a request that, given Paris' meager contribution of resources to that area, had allies wondering who was inhaling what in the Champs Elysee); and by poutingly pulling out the air cover it helped provide, along with us, for the "safe zone" in northern Iraq.

The German and French governments are arguing that a common currency will jump-start their sluggish economies. It won't do anything of the sort. Major tax and regulatory reforms are essential.

There are bright spots. The Dutch have curbed bud-

gets and some of their excessive benefits and have resisted the temptation to boost taxes. Result: Their unemployment is significantly lower than their neighbors'. Italy cheerfully continues its tradition of ignoring government exactions and strictures and thus enjoys the most buoyant economy in Western Europe.

But the drift cannot continue. Extremist parties are gaining strength in the West. Belarus in the East has fallen into a dictatorship, with Moscow's tacit approval. Will this be the Kremlin's fate? There are, blessedly, no such authoritarian forces on the horizon that are capable of a coup. But given Russia's history, such an eventuality should not, for the long term, be ruled out.

HAVING HIS OIL MONEY; SPENDING IT, TOO

THE U.S. is going along with a U.N. scheme to let Iraq sell billions of dollars of its oil on international markets. The Gulf war embargo is being effectively gutted. Ostensibly, the money will go only for humanitarian purposes in Iraq.

But Saddam's people are in severe straits, precisely because their demonic dictator uses every cent he can to

rebuild his military, to continue covert efforts to develop nukes as well as biological and chemical weapons, and to construct gaudy, Versailles-size palaces for himself.

With money coming in to provide the food and medicine he won't, what incentive will Saddam have to alter his murderous, megalomaniacal behavior?

The Administration, typically, has no plausible answer.

ADVICE FROM DEAR WINSTON

WINSTON CHURCHILL NOT ONLY saved Western civilization during the Second World War, but in a couple of 65-year-old essays, "Hobbies" and "Painting as a Pastime," also provided delightful, insightful observations on how to cope with the stresses and strains of modern life. What Churchill proposes is not novel, just the wonderful way in which he does it is.

Some excerpts are particularly timely as we start the new year:

"Change is the master key. It is no use saying to the tired 'mental muscles' 'I will give you a good rest' or 'I will lie down and think of nothing.' The mind keeps busy just the same. If it has been weighing and measuring, it goes on weighing and measuring. If it has been worrying, it goes on worrying. It is only when new cells are called into activity, when new stars become the lords of the ascendant, that relief, repose, refreshment are afforded."

"To be really happy and really sane, one ought to have

at least two or three hobbies, and they must all be real."

"To restore psychic equilibrium we should call into use those parts of the mind which direct both eye and hand.

Many men have found great advantage in practising a handicraft for pleasure."

Churchill lovingly describes how painting rescued him when his political career seemingly came to a sudden end in the early months of WWI. "Like a sea-beast fished up from the depths, or a diver too suddenly hoisted, my veins threatened to burst from the fall in pressure. I had great anxiety and no means of relieving it. The Muse of Painting came to my rescue.

Some experiments one Sunday with the children's paint-box led me to procure the next morning a complete outfit for painting in oils.

"Painting is complete as a distraction. I know of nothing which, without exhausting the body, more entirely absorbs the mind."



WSC's "A View of Marrakech," c. 1949.

RESTAURANTS—GO,, STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES colleagues left Cunningham and Tom Jones

● **Alley's End**—311 West 17th St. (Tel.: 627-8899). Romantic, intriguing, fun spot. Try swordfish with scal- lion-mashed new potatoes, and chicken-and-apple sausage with pearl onions, lentils and dried cranberries.

● **Sea Grill**—19 West 49th St. (Tel.: 236-9201). Okay soft-shell crabs, though not exciting. Like the rest of the place, they need some flavor.

● **San Domenico**—240 Central Park South (Tel.: 265-3959). Once one of the great New York Italian restaurants. It can still be counted on to feed you well, but don't expect a lot of the sensational. The risotto with butter, parmigiano

and beef glaze, and the egg-yolk-filled raviolo with truffle butter are as good as it gets. Desserts, good, not great.

● **Mesa Grill**—102 Fifth Ave., near 16th St. (Tel.: 807-7400). Still a happening place that never lets us down.

● **Popover Cafe**—551 Amsterdam Ave., near 80th St. (Tel.: 395-8555). Great brunch and supper place known for its popovers—giant Yorkshire puddings (with strawberry or apple butter to slather on). Try the Real New Yorker: horseradish cheddar cheese omelette that pleasingly clears the sinuses. Coffee and cocoa connoisseurs can sample the cappuccino slush, mint mochaeno or hazelnut cocoa ■

"With all my getting get understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



ALAS, THE BALL IS IN WASHINGTON'S COURT

RIISING STOCK MARKETS lift all investors. But the new year will not provide the easy, double-digit returns of 1995 and 1996. Equities are in for a rough time. Gains will have to be wrung from nimble trading, an activity that is a loser's game for most of us, or from special stocks and industries that defy bearish trends.

Why the troubled equity waters? The economy. The post-Christmas economy will need a jolt or, more accurately, an easing of the tax and regulatory burdens that are weighing it down. We cannot long sustain a rising market with a subpar economy. What are the chances for sensible, meaningful reforms? Mixed.

Congressional Republicans may well win a capital gains tax reduction in exchange for enacting some of the President's nice-sounding but expensive and largely ineffectual targeted tax cuts. The question is: How much of a cut will the GOP get? More to the point, how hard will it try? Reducing the maximum capital gains levy from 28% to 19.8% would be helpful. Knocking it to 14% would be very constructive. Combining such a knock with indexing for past

and future inflationary gains would be dazzlingly superb.

Republicans are still shaken by the beating the White House and its labor union/special interest group allies administered to them over the past year. A little humility is not a bad thing, especially in politics. But humility must not lead to timidity or stasis.

The GOP should also push for Medical Savings Accounts and for genuine Social Security reform for young people. It must continue to advocate cost-benefit analysis of new regulations while pushing to repeal deadweight rules. It must make Clinton veto tort reform bills, thereby setting the groundwork for advances after the '98 elections.

Contrary to conventional wisdom, the Federal Reserve is tight; it needs to ease somewhat. If it did so, carefully, interest rates would turn down again. Tight money means expensive money.

Foreign equities will outperform ours, not so much because their economies will significantly strengthen but because their companies are becoming more efficient and productive: A little growth will translate into large profits.

STRONG SIGNAL

SECRETARY OF STATE-DESIGNATE Madeleine Albright, who will fill a post that has been vacant for the last four years, should strengthen our radio broadcasts to Asia, particularly China.

The successes of Radio Free Europe and Radio Liberty demonstrate that the free flow of information is the most potent weapon for winning the war of ideas in authoritarian

or totalitarian states. China is open to foreign investment but is decidedly hostile to uncontrolled, nongovernment information and news. It jams Voice of America's broadcasts, and the Clinton Administration barely protests. Beijing is also trying to jam the new Radio Free Asia, which, after a seven-year effort by many of us, finally went on the air a few months ago. RFA broadcasts two hours of pro-

SAVING SOCIAL SECURITY

An edited version of this appeared last month in the Wall Street Journal.

SOCIAL SECURITY is going bust, both morally and financially. Now is the time to be honest about the problem and creative about the solution of making Social Security work for the 21st century. There is an answer that will keep our promises to current recipients and soon-to-be recipients as well as provide much more to the next century's retirees, an answer that will fit right into the Jeffersonian dynamic of the emerging microchip age: personal retirement accounts funded by the federal payroll tax.

Americans increasingly realize that something is seriously wrong. The existing government-run system operates on a "pay-as-you-go" basis, meaning payroll taxes that come in today are immediately paid out to recipients. Any surpluses are "loaned" to Uncle Sam at below-market interest rates to subsidize the deficit. This Ponzi scheme once worked. There were relatively few retirees, plenty of workers supporting them and a booming econ-

(continued on p. 259)

gramming a day to China, with plans for about three more hours daily early this year. It has also begun a Tibetan-language service to China-occupied Tibet. The Radio intends to expand its programs to North Korea, Myanmar, Cambodia, Laos and Vietnam.

Radio Free Asia engages in "surrogate broadcasting," which gives listeners the news and analyses that they would get if they had a free press—news that focuses on domestic events.

Lech Walesa, Vaclav Havel and many other former dissidents have eloquently testified as to how extraordinarily effective surrogate broadcasting was in undermining the legitimacy of their countries' communist regimes.



RFA President Richard Richter: Truth undermines Asia's anti-democrats.

Radio Free Asia's budget—only \$9.3 million—should be substantially boosted to provide more programming and more access to these countries. The free flow of information is essential for helping to establish those civil institutions that are the bedrock of a true democracy.

China especially needs to develop such institutions. This ancient civilization has never been guided by the rule of law. It has no history of a powerful, independent aristocracy or of nongovernment-dictated religions. All legitimacy, all power has always been concentrated in the center, stifling the civic life the West takes for granted.

DUNCES

HARDLY A DAY GOES BY without discouraging reports of how myopic governments and economic "experts" are regarding taxes. They cannot grasp the simple, potent concept that taxes not only raise revenues but also are a price and a burden. If the price of success, productivity, risk-taking and other good things is too high, you will get less of them. Two recent examples of stifling people's innate desires to get ahead come from Russia and China.

The IMF is angry that Moscow is inefficient at collecting taxes. On one level, the problem is a growing number of well-connected enterprises that refuse to pay their tax bills. That's why Russian tax collectors arm themselves when they chase after delinquents (recently, collection has improved somewhat).

But the root cause is a tax system that is irrational and medieval in its complexity. A typical business can find itself liable for up to 180 different levies. Hong Kong-like low rates and simplification of the tax code would enor-

mously improve collections. Such reforms would encourage the creation of countless new businesses. They would facilitate the rise of a middle class that would grow less and less tolerant of the savage thuggery that reigns in Russia, with a murder rate five times our own.

The principal villains in China are at the provincial and local levels. Millions of small farms are being relentlessly squeezed by arbitrary levies and fees. Despite increased harvests, many farmers live on the margin. These tillers have no incentive to invest to dramatically improve yields.

The problem is compounded by farmers' not having sound legal rights to their land. They lease, not own, the soil they till. But leases can be arbitrarily changed by local officials and, in reality, the effective terms of these leases are about three to five years.

Lower taxes and firm legal rights would vastly increase China's agricultural productivity.

Revenue Collection Is Yeltsin's Top Problem

—New York Times

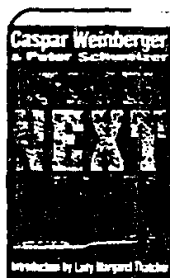
WE'RE GETTING LESS READY

The Next War—by Caspar Weinberger and Peter Schweizer (Regnery Publishing, Inc., \$27.50). Lays out five war scenarios for the U.S. over the next decade. Good read. But the authors (one of whom is our esteemed Chairman) have more in mind than spinning futuristic, spine-tingling yarns for beach, weekend or airport reading. Each tale makes telling points that can be summed up with what is now a quaint word, preparedness: training for our forces, cutting-edge weaponry and its essential research and development, involved diplomacy and capable intelligence. Noticeably absent for American officials in these stories is in-depth "intel," which hampers effective decision making. Compelling is that each scenario involves a particular kind of crisis, from drug-related anarchy in Mexico to regional conflicts to mortal threats to the U.S. The writers don't predict these conflicts. Rather, they use them to highlight our growing military, intelligence and diplomatic shortcomings. Russia, for instance, is a

humbled great power, and we don't sufficiently recognize the latent forces that yearn for empire. The Japan scenario demonstrates the need to protect our rapidly growing information structure, as well as to push free trade and to preserve strategic relations with critical allies. We badly need to go forward with missile defense: What would we do if, as in the Iran story, a rogue state threatened to lob a nuclear missile—whose launch site we didn't know—onto a European city unless we caved in to radical demands?

Peace is not natural; it takes hard work to preserve it. Under Clinton, we are not fulfilling our responsibilities. This is a well-written wake-up call. **Excerpt:** *The worst wars usually happen because one power believes it can advance its objectives, either without a war at all or at least with only*

limited war that it can quickly win—and, consequent, miscalculates. Both psychology and cold steel therefore always have a part to play in a rounded and coherent security policy—from the foreword, by Margaret Thatcher



"With all thy getting get understanding"

Fact and Comment

By Steve Forbes, Editor-in-Chief



ALAN GREENSPAN CAN RAISE QUESTIONS

about lofty stock market levels. The Fed, however, should not try to deflate equities, as its Japanese counterpart did in the late 1980s, by squeezing credit. Japan has suffered unnecessarily with a prolonged stagnation. If stocks are too

high, they will be "corrected" soon enough by the collective actions of buyers and sellers. There is no way a Washington-based institution can fine-tune financial markets to reflect the price levels self-styled elites deem appropriate.

PERMIT PENNY-PINCHING

THE NATION'S STOCK EXCHANGES should start pricing equities in decimals rather than in fractions. Canada's Toronto Stock Exchange did this in April. Instead of using fractions such as $\frac{1}{8}$ and $\frac{1}{16}$, stocks trading above \$5 are now priced in five-cent ticks; stocks below \$5 are priced to the nearest penny. The use of the fraction $\frac{1}{8}$ likely goes back to the days of Spanish dollar coins, which were sliced into eight pieces. Each slice was called a bit;

hence that old ditty, "Shave and a haircut—two bits."

Many Wall Streeters fear this change would cost them revenues and would hurt or halt trading of certain small stocks. In Canada, while spreads did shrink, revenues remained constant and commission profits appear to have increased, in no small part because the public increased its trading. Based on Canada's experience, investors in the U.S. could save at least \$1.5 billion a year in trading costs.

OH SAY, CAN THEY SEE!

THE TABLES are finally being turned on the destructive trial-lawyer lobby: States such as Texas and Alabama had long been havens for these vultures, who would make immense campaign contributions to judicial candidates who, being pliable, would in turn open the floodgates for frivolous lawsuits and outlandish awards. Now aroused voters—and lawyers who believe in the rule of law—are joining forces to curb this corrupting process.

This year Alabama—a state where a jury hit BMW with \$4 million in punitive damages for not revealing to a buyer that it had applied a post-factory coat of paint to his new car—had a critical race for a position on its Supreme Court. Voters threw out a pro-trial-lawyer Supreme Court justice and elected a distinguished law professor, Harold See. The incumbent was a shameless

handmaiden of the state's ambulance chasers. Contingency-fee litigators ponied up immense amounts of their ill-gotten gains to beat back See's challenge. Outrageously false accusations and whispering campaigns were leveled at the professor. All for naught. See stuck to his message of returning sanity to the state's judicial system and won a convincing electoral victory. As a result, two other litigator-loving Supreme Court justices may not even bother to run for reelection next year.

A similar turnaround has taken place on the Texas Supreme Court, where eight of the nine Justices were not previously trial lawyers. California's overwhelming defeat of the trial bar's pet proposal, Proposition 211, and Professor See's stunning win in Alabama demonstrate that voters are seeing through litigators' self-serving claims.



Harold See: Voters' favorable decision upsets powerful plaintiffs' bar.

and Professor See's stunning win in Alabama demonstrate that voters are seeing through litigators' self-serving claims.

IMPERMISSIBLE PRACTICE

THE HEART-WRENCHING NEWS about the teenage parents murdering their newborn son in a Delaware motel will hopefully lead to the banning of partial-birth abortions.

Defense lawyers will probably employ this argument: A baby can be legally aborted moments before its birth.

What, morally, is the difference between ending a baby's life just before it leaves the womb or just after? Does the matter of a few minutes really justify one act's being per-

fectedly legal and the other's commanding the death penalty?

Most civilized nations ban or restrict abortions after the first trimester. Most Americans would support such restrictions, except in cases where the mother's life is in danger. Tragically, it took this baby's death to create the pressure that may finally force Bill Clinton to sign into law what he cynically vetoed only a few months ago—prohibition of a form of infanticide called the partial-birth abortion.

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The Forbes 1990 All-Star Eateries in New York

This year's winners once again come from the digested wisdom of brothers Bob, Kip and Tim, and two other Forbes colleagues, Jeff Cunningham and Tom Jones.



Aurcole
Chanterelle
The Four Seasons
La Grenouille

Le Bernardin
Le Régence
Les Célébrités
Lespinasse
March

Oceana
Parioli Romanissimo
Restaurant Daniel
"21" Club

New to superstardom: **Le Bernardin** and **Oceana**—both fantastic fish fooderies; **Les Célébrités**—beautiful, discreet, opulent, with superb main courses and dazzling desserts; **Restaurant Daniel**—contemporary French at its best, but service is reminiscent of Paris at its most ar-

rogant. **Le Cirque** closed and will reopen at the Villard House in the New York Palace Hotel early next year. **Lespinasse** is to eating what the St. Regis Hotel (where this Star is located) is to sleeping. "21" Club, legendary power place, should stick with that old-time chicken hash.



Arcadia
Café de Bruxelles
Etats-Unis
Fifty-Seven, Fifty-Seven
Gotham Bar & Grill
Gramercy Tavern
Hudson River Club
I Trulli
Il Cantinori

Il Mulino
La Caravelle
La Côte Basque
La Réserve
Montrachet
Nippon
Nobu

Osteria del Circo
Park Avenue Cafe
Peter Luger Steak House
Seryna
Shun Lee Palace
The Sign of the Dove
Sparks Steak House
Union Square Cafe
West 63rd Street Steakhouse

Some new, bright eateries, several never Three Stars before, including **Café de Bruxelles** (perfect pommes frites), **I Trulli** (one of NYC's prettiest courtyard-garden spots), **Osteria del Circo** (a younger-crowd **Le Cirque**) and **Park Avenue Cafe** (some of the most imaginative cooking in town). **Etats-Unis** and **Hudson River Club** are knocking

on the Four Star door. **La Caravelle**, after a disastrous spring, hired a new chef who has returned it to Three Stars and may refire it to its former glory. Red-meat eaters will feast at Japanese steakery **Seryna**, as well as at our other Three Star steak houses. **The Sign of the Dove** combines flash with first-rate food. **Union Square Cafe** is back, better than ever.

Special



Aquavit—new chef, improved Scandinavian menu; **Café des Artistes**—Clintonesque decor whets appetite for lovely meal; **Café Nicholson**—deliciously old-worldly; **The Carlyle Restaurant**—best Big Apple breakfastery; **Chez Joséphine**—no place for party poopers; **City Crab and Seafood Co.**—seafare will hook you; **Diaf-a-Dinner**—brilliant no-brainer: call, pick a restaurant and get a meal delivered to your home; **Downtown**—hot new spot from Giuseppe, son of Harry, the creator of **Harry Cipriani** uptown; **Fiorello's Roman Cafe**—Lincoln Center-area oasis; **Gabriela's**—best traditional Mexican food in Big Apple; **Harry Cipriani**—crazy, but fun; **Jekyll and Hyde**—kids will love theme if they survive long wait;

Kings' Carriage House—heavenly home-style fare; **Layla**—find for lovers of Middle Eastern food; **Mesa Grill**—still happening; **Mi Cocina**—superb south-of-the-border cuisine; **Patria**—spicy, yet wonderfully fresh food; **Periyali**—Greek food fit for Alexander the Great; **Petrosian**—perfect for caviar-and-champagne occasions; **Rosa Mexicano**—grande dame of Mexican restaurants; **The Royal Canadian Pancake House**—heaping helpings of artery-clogging breakfast foods; **Second Avenue Kosher Deli**—not a tourist trap, but the real thing; **Sylvia's Restaurant**—superior soul food; **The Terrace**—old-fashioned ly elegant and romantic, with one of best NYC views; **Turkish Kitchen**—Suleiman would have been impressed.

Photo: For... 10/96

"With all thy getting get ur standing"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



DISTANT CRIES

ONE OF THE MOST underreported stories today is the growing persecution of Christian minorities in a number of countries. We are accustomed to reading about the suppression of Buddhists in Tibet and Muslims in Bosnia, and even about the genital mutilation of adolescent girls in Africa. If anything, our instinct is to assume that Christians are more likely to be the perpetrators than the victims. But arbitrary arrests, beatings, burnings and killings of Christians are on the rise in various nations, including Vietnam, China, Indonesia, Iran and Pakistan. In Sudan, the Islamic fundamentalist government has slaughtered tens of thousands of Christians who predominate in that country's southern region.

Catholics and Evangelical Protestants are increasingly targets of violence, because governments believe they gain easy popularity by portraying their indigenous Christians as tools of Western culture and "imperialism." Actually, these people are often a force for individual rights and modernization.

The U.S. Immigration and Naturalization Service treats with disdain and hostility Christian victims seeking asylum, because their plight is largely unknown in this country. The State Department doesn't want to make an issue of these persecutions for fear they might complicate relations with countries such as China. But in response

to pressure from religious organizations and their congressional allies, the Clinton Administration recently created a Special Advisory Committee to the Secretary of State on Religious Freedom Abroad.

Skeptics fear this panel's effectiveness will be undermined because its budget and staffing will come from the State Department. The personnel assigned to this group will also have other responsibilities, thereby diffusing their interest.

Though it complicates life for diplomats, Americans' concern for human rights in other parts of the world is an unavoidable—and admirable—characteristic of our unique origins as a nation. Moreover, other persecuted peoples feel their condition is helped when the U.S. focuses attention on a particular group. As Hudson Institute director Michael J. Horowitz, who has been relentless in publicizing the plight of various Christian groups, puts it, "We now know that the success of the campaign against Soviet anti-Semitism was a dramatically effective means of teaching all victims of the communists that the regime was not ten feet tall and that its days were ultimately numbered. This is why our efforts have evoked poignant expressions from moderate Muslim victims of radical Islamists, who tell us that our success is their greatest hope, for it will be theirs as well."

BASIC QUESTIONS BEFORE AMENDING OUR BASIC LAW

WHEN DEBATING the balanced budget amendment early next year, Congress must credibly answer several questions, lest the amendment suffer a Prohibition-like fate.

Will a balanced budget become a vehicle for boosting levies on the American people? Conservatives should insist on a super majority before taxes can be raised.

Should Congress make a distinction, which it doesn't do now, between expenses and capital outlays? Most states requiring balanced budgets would be in the red if they kept their books the way Washington does. States borrow money for bridges, school buildings, environmental plants, roads and the like. This bonded debt is not immediately counted as spending but is, instead, amortized over a number of years.

How is Washington's propensity for backdoor spend-

ing to be dealt with? One such device is guaranteeing loans, either explicitly or implicitly. How are such acts to be treated?

How about unfunded liabilities, which run into trillions of dollars for Social Security, Medicare and the federal employee pension system? How do we prevent politicians from making promises today, the bills for which won't come due for decades?

What are the mechanics for estimating the coming year's expenses and revenues? The Congressional Budget Office's static analysis approach, which assumes we don't respond to changes in the tax code, is heavily biased against growth-inducing tax reductions. For example, the Joint Committee on Taxation calculates that a 50% exclusion on individual capital gains would cost the Treasury



Lott and Gingrich: Lots of work ahead to prepare people for balanced budget amendment.

\$32 billion over the next five years. Yet whenever this exaction has been reduced, Uncle Sam's capital gains tax receipts have jumped.

How do we prevent a judicial tyranny? If estimates of expenses and revenues are not on target, will judges, not held accountable by the electorate, dictate budget cuts or

tax law changes? Will they issue arrest warrants for recalcitrant legislators? Judges have shown an unhealthy tendency in recent years to act like legislators and executives, showing little hesitancy in minutely managing prisons and schools, in writing election laws or in redrawing lines of legislative districts.

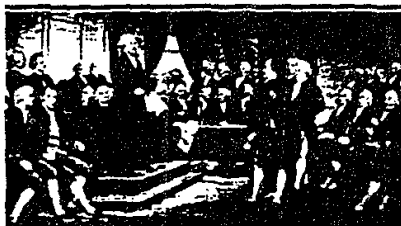
UNDERRATED UNIFIER

MANY AMERICANS do not understand the Electoral College. They are, for instance, shocked to learn that the President is not directly elected by popular vote. Too bad our schools and our media do such a miserable job in explaining the College's virtues. The institution is an extraordinarily positive contributor to keeping our country together.

A presidential candidate gets all of a state's electoral votes (which equals the size of its congressional legislation) if he outpolls his rivals in that state's popular vote. (The exceptions are Maine and Nebraska. There, electors are chosen who represent the winner of each congressional district's popular vote.) To win the presidency, a contender must win an outright majority of the nation's electoral votes, that is, 270 out of 538.

This feature forces general-election presidential candidates to wage national campaigns. Contenders making narrow sectional, racial or ideological appeals have no chance of triumphing. One thing that hits you on the campaign trail is how extraordinarily diverse our nation is. The Electoral College encourages the bringing together of people and interests with differing priorities. It pushes leaders to ameliorate divisive conflicts rather than

fan them. European-style parliaments encourage a multiplicity of parties, but our system makes for a strong, nationally-minded chief executive, a necessity for a vast continental state. Parochial interests find their outlets in the House of Representatives and the U.S. Senate.



Constitutional Convention: Gave us checks and balances and unifying Electoral College.

The Electoral College also performs another useful service—dampening postelection conflicts when the vote is close. In 1960, for example, the popular vote was a virtual tie, but the Electoral College tally was decisive. The College performed a similar service in the extremely close 1968 election. And when third party movements do erupt, the dynamics of our system moves one of the major parties to co-opt the

protesters' ideas or grievances.

The worries about the College's alleged flaws are overblown. Not since the election of 1824 has the House of Representatives actually chosen a President, and that was before our current broad-based, two-party system had emerged. And not since 1888 has a second-place candidate in the popular vote won the presidency. In that case (and in 1876), vast numbers of Republican-voting African-Americans in the South were disenfranchised.

ONE TOUGH DETECTIVE

Black Alley—by Mickey Spillane (Dutton, \$23.95). If Ernest Hemingway had written mysteries, his would have sounded a lot like the direct, fast-paced prose of Mickey Spillane. I had not previously read any of the Mike Hammer series, but now I intend to. Our seriously wounded hero pursues both the killer of a close army friend and the whereabouts of \$89 billion of missing Mafia cash. The action never lets up as the tough, street-smart Hammer grapples with intense physical pain, revenue-hungry federal agents, cold-blooded gangsters, a recovering-alcoholic physician and a determined get-him-to-the-altar secretary.



Excerpt: I eased the gun away from Ugo's skin and let it run down his back, pressing against his spine. His mind was wondering if he'd feel the shot, cursing himself for not wearing body armor, not knowing whether or not to hope he'd die fast, but realizing that, if anything took out his spinal cord he was going to be strapped in a wheelchair for a long time. No parties, no broads, no booze, and just maybe somebody he kicked around might come up and plant a slug right in his face where he could see it coming. Before he could faint on me I belted him in the head with his own gun and let him drop.

RESTAURANTS—GO, . . . , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Il Toscanaccio**—7 East 59th St. (Tel.: 935-3535). Excellent. Especially delicious: ngatoni with hot and sweet Italian sausages, and the traditional veal shank braised with red wine. The service, wonderfully attentive.

● **Smith & Wollensky**—201 East 49th St. (Tel.: 753-1530). The noise is at rock-concert level; the service, hurried; the food, disappointing. Steaks lacked that lollapalooza punch, and baked potatoes were of the microwave variety. John Kluge's West 63rd Street Steakhouse is a

much better bet. And it offers civility with its sirloins.

● **Isabella's**—359 Columbus Ave., at 77th St. (Tel.: 724-2100). One of the top restaurants on the West Side, but this would stand on its own if it moved East. Two musts: the lobster shrimp ravioli and the broiled salmon.

● **La Ripaille**—605 Hudson St. (Tel.: 255-4406). Small, romantic, very French. Warm saucisson with marinated potatoes, and traditional escargots, perfect. Equally delicious is grillade de boeuf, and pailarde de poulet. ■

"With all thy getting get ul...standing"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



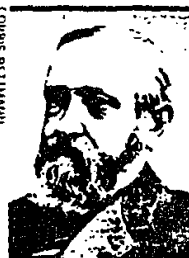
NO TIME FOR TIMIDITY

REPUBLICANS must resist the temptation to act old and small. The President will appoint a commission or two to grapple with Social Security and Medicare. Acting old would be to go along with the usual "bipartisan, statesman" fixes of cutting benefits and raising taxes. This zero-sum if-somebody-gains-somebody-must-lose mentality is wrong. Properly structured medical savings accounts would give beneficiaries more coverage and more control at less cost. The dynamics of consumerism and competitive innovation can save Medicare. We can also phase in a new individual retirement account-like Social Security system for younger people, while keeping the current system intact for those who are on it and for those who will go on it in the next 12 to 15 years.

Acting small would be the GOP proposing things such as supplementing allowances for kids who clean their rooms or mandating that doctors' offices have up-to-date magazines. Instead, Republicans should hammer home the need to ax the IRS and to replace the corrupting, complex, growth-killing, family-life-destroying federal income tax code with a simple, fair flat tax. And GOP legislators should be showering Clinton's desk with tax-cutting measures such as halving and indexing the capital gains tax, repealing the 1990 and 1993 tax hikes and substantially increasing exemptions for children. Also, Republicans should not shrink from the task of attempting again to ban partial-birth abortions.



UNIT/CORBIS BTMANN



CORBIS BTMANN

Whither the GOP in microchip age? In Industrial era, Roosevelt was a dynamic reformer; Benjamin Harrison, an amiable standpatter.

GET REAL

THE NEW CONGRESS should mandate so-called dynamic scoring for calculating the revenue consequences of proposed changes in the tax code. Republicans failed to do this two years ago and paid a high political price for it: Liberal Democrats quickly labeled sensible tax cuts as "blowing a hole in the deficit." Now the nation will pay a price, too, as the economy slows and the need for pro-growth tax cuts becomes urgent.

The Congressional Budget Office, the Office of Management & Budget and the Treasury Department assume tax code changes do not affect people's behavior—they believe we don't respond to tax increases or cuts. In 1986, for example, when the maximum capital gains tax was boosted 40%, revenue estimators said the higher rate would rake in tens of billions of dollars more in receipts over the ensuing six years. Instead, revenues effectively remained at 1987 levels. A flat tax may not come to pass next year, which is why incentive tax cuts are essential to ward off a recession.

But static analysis always portrays reducing the tax burden on the American people as too costly. Static analysis also

has a subtler but equally pernicious impact: the notion that Washington's finances are the be-all-and-end-all criteria for judging tax proposals. Because of a Washington culture that couldn't say no to greater spending, the 1980s saw the national debt balloon by over \$2 trillion, even though federal revenues almost doubled during the decade. What government-loving statists won't tell you is that the nation as a whole moved ahead impressively. Not only were a record number of jobs created but also the net worth of the nation (assets minus liabilities) expanded by several trillion dollars. And what did Washington do? Raise taxes twice, thereby giving us the slowest recovery in U.S. history.

Another quirk of this Beltway silliness-cum-myopia can be seen in the way future revenues are estimated: It is always assumed that higher inflation will reduce the deficit because millions of taxpayers and small businesses are effectively kicked into higher tax brackets. Companies are also hit because the real value of their depreciable assets are hurt. But rising inflation invariably brings on severe recessions, as the 1970s demonstrated.

GROUND THESE CHANGES

THE IRS HAS THROWN two rabbit punches at the airline industry. Tax collectors have ruled that a regional carrier cannot expense the costs of inspecting aircraft engines.

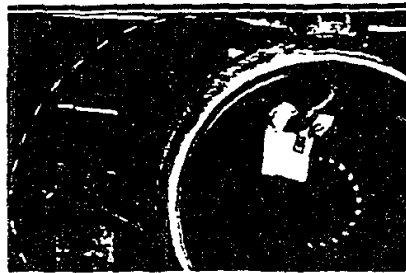
Instead, the outlay has to be treated as a capital investment, with the cost spread over eight years instead of one. If applied to all carriers—as is likely, despite pious

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IRS disclaimers—this ruling could cost airlines over \$1 billion between now and 2004. This in an industry that until recently had been hemorrhaging red ink.

Why punish air carriers for safety?

The second blow is a proposed technical change affecting leasing rules that could cost the industry hundreds of millions of dollars. The airlines are ready to place some \$30 billion in new aircraft orders over



Airline engine inspections: Why make these safety measures more costly?

the next few years to upgrade their aging fleets. Leasing is a critical instrument for buying many of these new jets. If unchanged, the IRS decree will reduce purchases of new, safer, more efficient aircraft.

Apparently the IRS is still smarting from the airlines' successful thwarting of the agency's attempt to tax people's frequent flyer miles. But these two rulings are a destructive way to hit back.

KNUCKLEHEADS

GERMANY, ITALY AND TURKEY have demonstrated how obtuse governments can be about taxes. Politicos don't understand that taxes are a burden and a cost as well as a means of raising revenue. If you tax things excessively, such as innovation or risk-taking, you will end up with less of these good things.

The German government is considering a long-term capital gains tax for individuals. The plan is to use this revenue to help finance the ongoing unexpectedly high cost of integrating East Germany. The Teutons, already burdened with one of the highest tax rates among developed nations, wonder why their economy is sluggish and unemployment is in double digits. Not having such a

capital gains levy is the only oasis in this desert.

When the Italian government proposed a passel of new levies, hundreds of thousands of protestors took to the streets. Enactment is now problematic.

Turkey's fundamentalist government is demonstrating that Islamic orthodoxy is no barrier to idiotic tax policy. The government is slapping what is effectively an 11% withholding tax on the interest earned on state securities. Not surprisingly, the Turkish lira has weakened, and Turkish investors are moving their money into securities denominated in other currencies. Naturally, too, sky-high interest rates—around 122% for one-year treasury bonds—are heading higher.

HEROIC AMERICAN

Founding Father: Rediscovering George Washington— by Richard Brookhiser (The Free Press, \$24.50). Remarkably well-written, perceptive appreciation of our nation's founding father. George Washington had an extraordinary combination of ability, honor, sense of duty and self-abnegation. Rarely in history has there been a figure who not only achieved so much but also resisted the temptation to take on more power than he should have when circumstances allowed. Washington's sense of proportion and appropriateness enabled him to voluntarily give up power after the American Revolution and again after serving two terms as President (had he wished, he could have been President for life). *Founding Father* brilliantly discusses why this amazing man seems so remote to us today. Especially good is the chapter "Father of His Country."



After reading this book, you won't think it particularly partisan to observe the contrast between the current President and our first.

Excerpt: "Men are very apt to run into extremes." Washington wrote [Congressional President Henry] Laurens: "hatred to England may carry some into an excess of Confidence in France . . . [B]ut it is a maxim founded on the universal experience of mankind, that no nation is to be trusted farther than it is bound by its interest."

Washington may have been guided to this insight by the long perspective of his career. In the French and Indian War, he had fought Frenchmen at the side of Britons; in the Revolutionary War, he had done the reverse. The wheel had turned once; it might turn again.

RESTAURANTS—GO, . . . , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Periyali**—35 West 20th St. (Tel.: 463-7890). Nine years young and maintaining its charm and appeal, with the food better than ever. For appetizers try charcoal octopus in red wine marinade or traditional soupa avgolemono—rich chicken soup finished with egg and lemon. Main courses: charcoal-grilled filet mignon with brown-butter garlic; a special roast leg of lamb; and grilled swordfish.

● **Le Bernardin**—155 West 51st St. (Tel.: 489-1515). Still one of New York's finest, with superb service. Although the founder died two years ago, the new team turns out seafood second to none.

● **Fiorello's Roman Cafe**—1900 Broadway, near 64th

St. (Tel.: 595-5330). This Lincoln Center area restaurant deserves applause. Food, delicious and served in ample portions. Space, welcoming. Service, as professional as it gets.

● **Remi**—145 West 53rd St. (Tel.: 581-4242). Attractive in a chic, upbeat Italian-modern way. Sometimes the food is quite good: roast duck breast appetizer and a tuna main course; more often, what's served up is decidedly unspecial.

● **Rainbow and Stars**—30 Rocketteller Plaza (Tel.: 632-5000). Not to be confused with the Rainbow Room, this is one of the most enjoyable cabaret experiences in New York. Space, intimate; view, great; shows, first-rate; and you won't go away hungry.

"With all thy getting get up standing"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



DURING THE CAMPAIGN

President Clinton tirelessly touted his success in cutting the budget deficit 60%. The credit is undeserved. In the first half of his term, congressional Republicans and conservative Democrats killed Clinton's notorious stimulus package and his deficit-shattering attempt to nationalize American medicine. They also trimmed other Administration spending requests. In the latter half of his term,

the GOP-controlled Congress appropriated \$58 billion less than the President had asked for.

Clinton-Gore also claimed credit for reducing interest rates. Actually, Treasury bill rates are about two-thirds higher than when Clinton took office, and the yield on the 30-year Treasury bond is only about half a point lower. In fact, long-term interest rates reached their low three years ago.

MORE TO IMAGE THAN SPINNING AND LOBBYING

CABLE COMPANIES SUFFER a distinct disadvantage in the coming epic battles with telephone companies. Many have not yet learned how to woo customers and establish positive brand images with the public.

Cablers traditionally spent time, effort and money winning monopoly franchises from local politicians, becoming masters of inside political lobbying and maneuvering. But they have not been as successful in pleasing customers as the telcos usually have. In the late 1880s, Theodore Vail, creator of the until-1982-monolithic AT&T, fostered a cul-

ture of good service at any cost, even though his company was a "natural monopoly." Unlike the cable companies, Ma Bell made considerable efforts to establish company goodwill and recognition.

Cablers have made some progress since 1992, when their lack of Ma Bell-like service and reputation made them sitting ducks for regulation-loving congressional politicians who reestablished price controls. But the industry must fundamentally rethink, regear its modus operandi if, long term, it is to give the telcos a real run for their money.



Theodore Vail: Good service reputation—intangible but priceless asset.

TRUE CALLING

OF COURSE, the real future of cable probably lies in computer data transmission rather than in providing entertainment programming to consumers. While ordinary telephone wires will soon be upgraded to handle 1.5 million bits of information per second, cable wires can

already handle five times the traffic and could one day cope with computer-like capacities of billions of bits. Cable is a natural for the Internet era, particularly as direct broadcast satellites successfully invade cable's traditional entertainment turf.

CONFOUNDING THE SKEPTICS

LOUISIANA POLITICAL OBSERVERS had initially dismissed the oft-bearded businessman-turned-politico Mike Foster as an aberration. Not any longer. The surprise winner of last year's gubernatorial election is racking up an impressive record.

The Cajun state's careening budget has been reined in; spending growth is now less than inflation. The state's sales tax on food and electricity has been cut 20%. Higher educa-



Governor Mike Foster: Nonpolitical outsider succeeds.

tion, long starved for capital and expense funding because the previous governor had styled himself an anti-intellectual populist, is being rehabilitated. Professorial pay, sharply lagging regional norms, has been boosted. Money to start repairing existing facilities is, at last, being provided.

Governor Foster has enacted some needed ethical reforms, including elimination of full-time retirement benefits for part-time elected offi-

PHOTO: JAMES HAMILTON

cial and the restriction of campaign contributions from gambling consortiums.

Most impressive is an array of tort reforms that has the personal injury lawyer lobby sputtering. Deep-pocket damages for individuals have been eliminated; a person can only be held accountable for his or her actual degree of fault. Other idiocies beloved by the trial bar were axed as well: Criminals will no longer be able to collect damages for injuries incurred while committing felonies, and peo-

ple and companies will not be held liable solely because they own property on which somebody injures himself.

Governor Foster, two years early, paid off old debt: rung up by the state to cover operating expense deficits. He also persuaded the legislature to make Louisiana the first state to give citizens the option of rolling back gambling within their localities. Foster's predecessor had given gambling interests carte blanche, despite intense local opposition in various parts of the state.

REJIGGER BIG-LEAGUE SCHEDULES

THE QUICK ELIMINATION in the post-season playoffs of the Cleveland Indians, who had the American League's finest win/lose record, underscores the need for a few basic baseball reforms.

The first round of playoffs should be a best-of-seven-games series instead of the current best-of-five. The wild-card team should, at most, be able to play only two of these potentially seven contests in its home park, thereby giving an



Powerhouse Cleveland Indians: Scalped because of playoff flaws.

advantage to the club which, à la the Indians, had proven its excellence over the regular season. To accommodate those possible extra games, the long season should be shortened from the current 162 games back to 154, the length it had been for most of baseball's existence.

By the way, the American League should send the "designated hitter," who substitutes for the pitcher at the batting plate, to the showers.

A TRULY YANKEE SPORT

THAT EXTRAORDINARY WORLD SERIES underscores how quintessentially American baseball is. It uniquely combines, as no other sport does, both individualism and teamwork. Every player (except American League pitchers) gets to bat. Hurlers intensely duel with individual hur-

ters. But players must work well with each other both out on the field and in advancing base runners in order to win.

Baseball is also a good metaphor for the frustrations of life, not to mention starting a new business: A batter is considered superb if he fails to hit two-thirds of the time

ARTISTIC DETECTIVE

To the Hilt—by Dick Francis (G.P. Putnam's Sons, \$24.95). Brilliant-jockey-turned-brilliant-mystery-writer has given his fans another winner's circle whodunnit. An eccentric, aristocratic, commercially successful artist finds himself in mortal peril as he receives his mother's summons to go to his dying stepfather's bedside. Our solitary hero then fends off the usual Francis-esque array of villainous, sadistic characters and ghastly physical attacks. Great antidote to fuming while endur-



ing the current epidemic of airport delays.

Excerpt: "The Emily I'd known had been forthrightly honest. She had rid herself of some of the owners she'd inherited from her father because they'd sometimes wanted her to instruct her jockeys not to win. There was a world of difference, she'd said, between giving a young horse an easy race to get him to like the game, and trying to cheat the racing public by stopping a horse from winning in order to come home next time out at better odds."

RESTAURANTS—GO, . . . , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **La Réserve**—4 West 49th St. (Tel.: 247-2993). Few restaurants match the pleasure of dining here: hushed service, muted lighting and warm decor. Enjoy smoked salmon, a veal chop au jus and a chocolate soufflé. For a diner with dietary restrictions, a simple salad, a beautiful plate of steamed vegetables, as well as fresh strawberries and raspberries, were produced without hesitation.

● **Les Célébrités**—Essex House, 160 Central Park South (Tel.: 484-5113). Fun, comfortable, art deco interior with lots of elbow room. Food is intensely rich and filling; be prepared to roll out well stuffed. Go for the truffled free-range chicken or the napoleon of duck and potato. Very expensive, but for an evening *intime*, it's great.

● **Rosa Mexicano**—1063 First Ave., at 58th St. (Tel.: 753-7407). Grande dame of Mexican restaurants, with the most mouthwatering fare. For appetizers: ceviche of bay

scallops or salpicon de jaiba—jumbo lump crabmeat sautéed with onions, celery, fresh conander and chiles, served chilled. For main courses: the budin Azteca—a multilayered tortilla pie with shredded chicken, cheese and a chile poblano sauce—or the huitlacoche (a fungus, the Mexican equivalent of a truffle) specials. Desserts, rustic and wonderful.

● **L'Auberge du Midi**—310 West 4th St. (Tel.: 242-4705). Food and service not up to the standards of similar establishments. Soupe au pistou, watery and tepid. Rack of lamb, curiously flavorless. Desserts, however, very good.

● **Shun Lee Palace**—155 East 55th St. (Tel.: 371-8844). Gets better and better. Refurbished setting is striking and handsome; the service is precise; the food is consistent, exquisite. Beijing duck lives up to its reputation. Other treats: grilled scallops served in a shell, baked lobster Cantonese style, and Shanghai-style sautéed handmade noodles. ■

"With all thy getting get understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



VOTERS SHOULD ELECT

Bob Dole and Jack Kemp to our nation's highest offices. They have put forth positive proposals that will help us fulfill our potential as a people and as a nation. All Americans will have a better chance to move ahead.

By contrast, Bill Clinton has proven himself unequal to the demands of these times. His higher taxes and increased regulations have burdened us with the slowest economic expansion in American history. He has failed to come up with a coherent post-Cold War foreign policy. And his Administration is morally squalid.

The U.S. has the potential for a great economic boom and spiritual renewal. But major obstacles must be removed. The deadliest of these is the tax code. The typical family

today pays eight times as much tax to Uncle Sam on each dollar of income as did a similar family 45 years ago. Two breadwinners today still cannot provide for a family the way one breadwinner could in generations past. Clinton favors the status quo, with a dose of small fixes here and a dollop of "targeted tax cuts" there.

The economic fundamentals are fabulous:

- A powerful investment boom since the early 1980s;
- Our reemergence as a manufacturing powerhouse;
- Formidable leads in microprocessors, software, fiber optics and internet technology;
- Abundant capital;
- Impressive international trading prowess.

We should be experiencing a vibrant, surging economy. Instead, it is as if the New York Yankees had finished in the cellar. Clinton and his cohorts cannot comprehend that when you lower the price of and burden on work, success, productivity and inventiveness, you get more of these desirable things. They would rather have more government power with less revenue than more revenue with less power. The Dole-Kemp tax cut package would give struggling

families meaningful relief. More lasting, it would give us better prospects for the future by lowering barriers to growth.

Of vastly greater significance, though, is the Dole-Kemp vow to junk the currently complex, corrupting tax code and replace it with something that is fair, simple and flatter. Do that, and the economy will explode with growth. Immense amounts of brainpower would be applied to productive

tasks. We presently spend about 5 billion hours and almost \$225 billion a year filling out tax forms. Government revenue would grow even faster than the economy because there would be far better compliance.

The Dole-Kemp ticket also advocates sensible, long-needed legal, education and regulatory reforms. Almost unnoticed, for instance, is

the candidates' intriguing proposal to simplify auto insurance, a refreshing change that could cut premiums 29% to 45%, saving drivers over \$80 billion over two years.

The moral rot at the core of the Administration is mind-boggling.

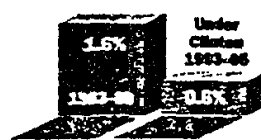
- The President's ill-disguised hint that he will pardon White-water criminals is, in spirit at least, an obstruction of justice.
- The White House's abuse of FBI files on opponents is a *crime of Watergate proportions*.
- The President's until-this-election-year indifference to drug use has helped fuel a nationwide epidemic among our young.
- Clinton's cynical veto of a bill to ban "partial-birth abortions"—a euphemism for infanticide—is disgraceful. The mainstream media have not educated the public to the truth of this grisly, murderous procedure.

The Administration has no foreign policy. It did nothing when Iran sent agents and troops into the safe haven in northern Iraq that we and our Gulf war allies were enforcing to protect the Kurds. The White House did nothing as Saddam moved his troops up to that line. It did nothing effective when he brazenly entered the forbidden zone and set about

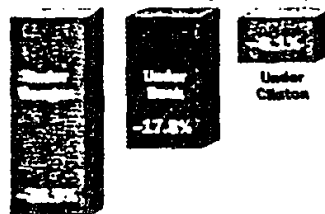
Annual economic growth rate



Annual productivity growth



Decline in interest rate on 30-year Treasury bond



Source: Bloomberg Financial Markets.

butchering all who supported us. That disaster was not just a foreign policy failure; it was a betrayal.

Similar dithering and drifting is a hallmark in other areas.

Weren't our troops supposed to be home from Bosnia by Christmas? And the President's glib reassurances that no missile defense system will be necessary for a decade or more rings hollow.

With such a sorry record, why is Bill Clinton heavily favored to win this election? He has successfully lowered our economic and moral expectations. He has perfected his patented "I feel your pain" performances. His I-want-to-please-you persona is in sharp contrast to the GOP's sometimes strident, abstract, sourpuss presentations. Shameless demagoguery helped the Democrats when Clinton and labor union bosses

charged Republicans with trying to gut Medicare. The GOP, incredibly, let these blatantly false advertisements go unanswered for months on end.

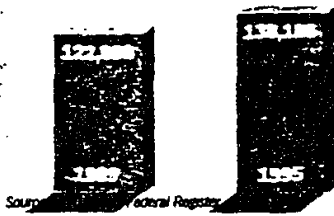
Most damaging, the Dole campaign has not persistently, persuasively made the case for tax cuts and tax simplification. Its paid advertising has been unfocused, off-message, ineffective.

Given past broken promises, people are skeptical. They need to understand why the tax issue is so important. They need to be persuaded that Bob Dole means what he says. If Dole indeed does this in the campaign's

closing days, he will rightly win a victory even more astounding than Harry Truman's nearly 50 years ago.

We owe it to ourselves and our country to do all we can to make such a victory possible.

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CALIFORNIA NIGHTMARE

TWO IMPORTANT California ballot initiatives will enormously impact the state's economic future.

Proposition 211, if passed, will destroy Silicon Valley faster than those *Independence Day* aliens. The proposal would undo one of the rare tort reform laws that Congress passed a few months back, overriding Bill Clinton's veto with broad bipartisan support.

High-tech companies have been burdened with so-called strike suits from vulturous trial lawyers. If a stock drops, a company gets hit with a suit alleging fraud. Given the volatility of startup companies in high-tech areas, dramatic swings in stock prices are the norm. The strike suits are usually frivolous, baseless, but about 95% of the victim companies settle. Given our legal system today, defendants save money by giving in rather than fighting.

Strike suits are morally no different than old-style mobster extortions of merchants. Instead of paying off the police as Al Capone would have done, these legal racketeers generously contribute to politicians, usually Democrats. Bill Clinton had indicated that he would sign the antistrike suit legislation but swiftly changed his mind after securities litigators read him the riot act.

Proposition 211 would make company directors personally liable for damage awards. Companies would be barred from paying for directors' and officers' liability insurance

for punitive damages, putting huge pressure on directors to settle. The measure would allow punitive damages to be awarded without plaintiffs' being forced to prove they had relied on false or misleading statements made by the company. Businesses would also be liable if they made profit projections that turned out not to be on target. California's

one bright spot in its less-than-robust economy would be turned to ashes as companies and venture capitalists fled.

The second initiative, Proposition 217, would raise the top personal income tax rate from 9.3% to a maximum of 11%, affecting individuals, partnerships and S corporations—hitting hard a main source of innovation and job creation: small business. Worse, this hike would be retroactive to Jan. 1. It would effectively give California the nation's highest income tax rate and could keep state legislation from mirroring future federal tax changes, such as a capital gains tax cut or a flat tax.

The top 1% of taxpayers in California already pay more than 31% of Sacramento's state income tax take. The initiative would simply spur California's most successful citizens to move to a more hospitable state.

After the battering the Golden State took in the early 1990s, you'd think even hard-core liberals would recognize you can't take good times for granted. But some people are beyond educating.



Lawyer William Lorach: Leading strike-suit jackal.

BELIEVABLE BLUEPRINT FOR A BETTER AMERICA

Trusting the People—by Bob Dole and Jack Kemp (HarperCollins Publishers, \$15). Summarizes the Dole-Kemp platform for getting America moving again. Tax cuts and a new tax code are key. Gratifying are ideas on downsizing the IRS—why did Clinton exempt the agency from complying with the Paperwork Reduction Act? Dole-Kemp education policies are on target—why is remedial education one of the fastest growing activities in America? Other enticing ideas: abolishing that trial lawyer bonanza, the deep-pockets theory,



where a party responsible for, say, only 1% of noneconomic damages can be held 100% liable; scrapping 80 federal job-training programs, instead block-granting money for that purpose to the states; and applying cost-benefit standards to, as well as establishing reviews of, new regulations.

Excerpt: *The average American family now spends more money on federal, state, and local taxes than on food, clothing, and shelter combined. President Clinton calls this "putting people first." We call it putting government first.* ■

"With all thy getting get understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



WHAT WASTE

BILL CLINTON HAS PROCLAIMED that the era of big government is over. But you'd never know it from the voluminous, petty regulations still streaming out of Washington.

Earlier this year Henry Cisneros, Secretary of the Department of Housing & Urban Development, issued rules concerning the ownership of pets by the elderly and disabled in public housing. Included was a section on how many times a week pet owners might be

required to change their kitty litter:

"Section 5.350; (2) In the case of cats and other pets using litter boxes, the pet rules may require the pet owner to change the litter (but not more than twice each week), may require pet owners to separate pet waste from litter (but not more than once each day), and may prescribe methods for the disposal of pet waste and used litter."

Any self-respecting cat knows what to do with this.

TIME TO CHART A COURSE—AND HAVE IT MANAGED BY ADULTS

OUR NEXT PRESIDENT must stop the drift in American foreign policy. The U.S.' position is unique: never before has there been such a dominant power—Rome and other legendary powers were regional. But this benign state of affairs won't last if we continue our current incoherence.

There are many trouble spots where U.S. diplomacy is ineffective or absent.

■ **Japan and China.** An ugly confrontation is brewing between these two ancient enemies over the Senkaku Islands. China's name for them is *Diaoyu*. Both states claim these supposedly oil-rich pieces of real estate and their watery environs. Japan has sent in ships, aggressively chasing away Chinese vessels. Remarkably, the dispute has united the Chinese on the Mainland and in Taiwan and Hong Kong. Why isn't the U.S. doing anything to diffuse this growing feud?

■ **The Middle East.** Since the defeat of Shimon Peres, the Clinton Administration hasn't had a clue as to what to do. Meanwhile, Palestinian riots have resulted in bloodshed, and a pro-American Egyptian government is distancing itself from us in fear of Islamic fundamentalists.

■ **Bosnia.** The Dayton agreement is a failure. As soon as our troops are withdrawn, as they will be some day, this horrible, genocidal conflict will erupt again. Despite our ostensible commitment to a multiethnic Bosnia, this unhappy, blood-soaked land is quickly dividing into

Serbian, Croatian and Muslim zones. While we still have influence, we might as well effect a partition and try to create a Muslim state with defensible borders and credible armed forces; otherwise, Serbia and Croatia will carve up Bosnia the way Germany and Russia used to do to Poland.

■ **Libya.** Muammar Qaddafi cheerfully continues to build facilities for producing deadly biological and chemical weapons. When will the U.S. face up to the fact that we must take out these plants with missiles and bombs?

■ **North Korea.** Clinton is still whistling past the graveyard concerning this situation. This desperate, heavily armed dictatorship may well make a what-is-there-to-lose? lunge at South Korea. Our acceptance of the North's nuclear weapons program set an awful precedent.

■ **Iraq.** The White House has no policy for this part of the world. We've ignored neighboring NATO ally Turkey, which has become increasingly anti-American. We averted our eyes when Iran intervened in northern Iraq, where we were guaranteeing a safe zone for the Kurds. This allowed Saddam Hussein to reestablish his authority in the area.

■ **Iran.** We have made no credible effort to contain this hostile regime that still wishes to dominate the region.

■ **Russia.** Other than to pray for Boris Yeltsin's health, we have no sensible, substantive approach to this critical land whose people want to establish a long-term democracy.



HAVING A FIRM, FOCUSED FOREIGN POLICY

means fostering an environment where freedom and democracy can sink roots in historically inhospitable soil. Democracies are unlikely to go to war. People are con-

tent to vent their antipathies through anti-American soap operas and novels (as the Chinese are doing).

Rogue states must be contained. An up-to-date mili-

PHOTO: JEFFREY M. HARRIS

tary capable of performing its missions is a necessity, with missiles a key element. Upgrading the Navy's Aegis project would give us a mobile missile shield at relatively low cost and would protect us if some lunatic were to fire a nuclear, biological or chemical warhead at our shores. But Clinton keeps us vulnerable by refusing to give the upgrade the green light.

Unless a presidential election is looming, our armed forces are given short shrift. The Tailhook scandal, for instance, was allowed to fester for over two years, sapping Naval esprit de corps and efficiency.

Free trade is floundering. Reducing trade barriers has been a great engine of global growth since WWII. But

Clinton violated Nafta's spirit by urging Mexico to devalue its peso in 1994, prompting a depression in Mexico and the subsequent flow of illegal aliens into the U.S. Devaluation made it easier for Mexico to export goods to the U.S. but more difficult for us to export to Mexico.

Chile, with a democratic, free-market economy, has seen its expected admission to Nafta sidetracked. Washington isn't even considering imaginative initiatives such as free-trade talks with Japan or Western Europe. The U.S. is still abdicating economic leadership to the International Monetary Fund, the archenemy of tax cuts and the all-too-successful enforcer of inflation-inflaming devaluations. Unnecessary austerity does not promote prosperity and freedom.

IT COULD HAPPEN AGAIN

WHEN AMERICA TURNED toward isolationism in the 1920s and 1930s, we—and the world—paid a fearful price.

Remember that after the First World War democracy reigned in much of Europe and other areas. Apart from isolated Bolshevik Russia and Mussolini's fascist Italy, few clouds darkened the horizon. The early 1920s saw the world powers agree to the biggest arms reduction in history. The 1925 Locarno Pact promised long-term peace between

France and Germany. And in 1928 an international treaty, the Kellogg-Briand Pact, outlawed war; for this, U.S. Secretary of State Frank Kellogg won the Nobel Peace Prize.

But by the end of the decade, the U.S. had turned inward diplomatically and economically, triggering a devastating economic breakdown in 1929-30 with the Smoot-Hawley Tariff. We were utterly unwilling to contain rising aggressor states by rallying our allies. The rest is bloody history.

UNBURDENED BY BUREAUCRACY

TEN YEARS AGO, New York investment banker Peter Flanigan started a program whose fabulous success demonstrates that inner-city kids from tough backgrounds can still get first-rate educations.

The privately funded Student/Sponsor Partnership, Inc. provides nonpublic school scholarships to troubled inner-city high school kids. These are youngsters with poor grades and disciplinary problems who often live in single-parent households. Some 1,000 of these at-risk adolescents have benefited from Flanigan's nonprofit organization.

The results are startling, particularly compared with those of public high schools in the same area: S/SP kids' test

scores are higher: 75% of them complete high school, vs. 18% to 30% of their public school peers; 90% of those who graduate go on to college compared with 50% of their peers.

Why do nonpublic institutions do a better job than bureaucracy-burdened public schools? Parochial schools have one goal—educating their charges. Parochial school curriculums are meat and potatoes—English, math, history, languages and the sciences. No trendy, feel-good courses. No trendy, politically correct courses. Discipline is consistently applied and commonsensically strict. These adolescents seem to quietly treasure their schools as safe havens in a disorderly world.



A sound investment: Peter Flanigan offers kids a leg up on their futures.

FORGOTTEN HERO

Orde Wingate: Irregular Soldier—by Trevor Royle (Weidenfeld & Nicolson, distributed by Trafalgar Square Publishing, \$45). Intriguing biography of one of the most brilliant, charismatic commanders of WWII.

Orde Wingate, now largely forgotten, had a genius for defying convention and was loved by those who served under him but was distrusted by army bureaucracy. He did win the support of influential political figures, including Winston Churchill, who relished Wingate's innovative, get-it-done-fast strategies.

Posted in Palestine before the war, Wingate, despite the British Army's conventional wisdom that Jews made poor soldiers, organized Jewish settlers into special crack forces that daringly, effectively, combated Arab terrorism. He created the spirit of the modern Israeli army—initiative, innovation, mobility,

surprise. Although a devout Christian, Wingate was an ardent Zionist in an army whose officer corps was pro-Arab.

The Second World War revived Wingate's career. He won Churchill's favor organizing and commanding the Ethiopian Patriot Forces, which, defying stereotypes, smashed superior battalion forces. He became legendary in Burma. Again performing the out-of-the-ordinary, he made British and Indian soldiers into jungle fighters who were more than a match for the vaunted, then-undefeated Japanese.

Wingate was killed in an airplane crash as his second campaign behind enemy lines was getting under way; thus, he was denied Lawrence-of-Arabia-like fame. Churchill's epitaph for Wingate was on target: "a man of genius who might well have become also a man of destiny." ■



March 1944: Wingate (right) briefs aircrew of 1st Air Commando at Hailakandi, India.

"With all thy getting get und...anding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



SPREADING THE WEALTH

THE SIZZLING STOCK MARKET has added trillions of dollars to equity values. When will the American economy and people's paychecks grow the way the stock market anticipates?

When these reforms are in place:

■ **Taxes.** This requires immediate action. The federal income tax code is the biggest deadweight on American life today. *Washington can't grasp the simple fact that taxes are a price on activities, as well as a revenue-raiser. The tax you pay on income, profits and capital gains is the price you pay for working and for being productive, successful, innovative and willing to take risks. The proposition is simple—lower the price on these good things, and you will get more of them.*

The Dole-Kemp tax cuts usefully do this. More important and dramatic, the GOP package is a bridge to a fundamental tax law overhaul.

We spend about 5.3 billion hours a year and almost \$225 billion complying with federal tax laws. The current code is corruptingly complex. Not even the IRS understands the laws it's supposed to enforce.

A California couple recently learned that the hard way. Needing to file a Tax Court petition, their attorney called the Los Angeles IRS office to find out the deadline date and was told March 14. The couple spoke with another agent to double check and were given the same date, so they filed on March 14. Later their appeal was dismissed because the deadline actually had been March 13. Under current law, the IRS cannot be held responsible for giving false or misleading information.

The tax code is an assault on the quality of family life, often forcing both spouses to work out of necessity, not choice. A typical family of four now pays Washington eight times as much tax on a dollar of income as it did 45 years ago.

The Republican Congress missed a unique opportunity to establish its progrowth, profamily, tax-cutting-and-simplification bona fides by not immediately repealing the 1990 and 1993 tax increases. Those boosts, which are stultifying the economy, will end up costing the average family \$40,000 in lost income by the end of the decade.

■ **Monetary reform.** Interest rates remain high by historic standards. Before we did away with the gold-based monetary system in the late 1960s-early 1970s, Americans could get a 30-year, fixed-rate mortgage at under 4.5%. And Uncle Sam could borrow at even lower rates.

■ **Health care.** Employer-provided health insurance counts as part of a worker's compensation. Yet most Americans have precious little control over how those dollars are spent. Medical savings accounts would allow Americans to own their own policies, giving them catastrophic coverage while enabling them to pocket any savings they achieve on routine medical expenses. Congress, alas, effectively gutted this vital change.

Growth would also be quickened by genuine regulatory and tort reforms. Only the Dole-Kemp ticket has made meaningful proposals here. These changes would unleash the deepest, longest-lasting economic expansion in history, substantially improving all Americans' standard of living.

HOW DO WE DEAL WITH THIS DANGER?

WITH THE FORMER SOVIET UNION no longer a threat, terrorism has become the primary international danger. We are in an era not dissimilar to that of a century ago, when Europe was at peace. At that time anarchists and terrorists were a constant plague. They didn't have the money and lethal weaponry that today's variety do, but their impact was all too bloodily real. An anarchist assassinated President McKinley. Anarchists also killed or wounded numerous monarchs, statesmen and businessmen. The murders of



Turn-of-the-century terror: Anarchist brazenly shoots President McKinley, 1901.

the heir to the Austro-Hungarian throne and his wife by pro-Serbian terrorists triggered the First World War.

We must gird ourselves for a sustained fight against terrorism. Economic sanctions alone won't work. The next President must formulate and achieve consensus for a new doctrine: Acts of terrorism will be treated as acts of war. Rogue states that harbor terrorists should know that we won't hesitate to strike at them militarily.

Iran is likely to be the first criminal regime that we must militarily con-

front. If we do so decisively and effectively, we will have set a salutary precedent. You can bet that other killer governments will then curb their own bomb throwers.

We will also have to take retaliatory measures against countries and companies that sell materials for constructing nuclear, biological or chemical weapons to these gangster states. Our European allies will squawk that they have a right to cut deals with thug regimes. But that shouldn't deter us from pressuring our allies forcefully and relentlessly to desist. And we will have to gear

up our intelligence efforts to infiltrate and gather information about terrorist groups.

As for domestic terrorists, there is no substitute for persistent, hard-nosed detective work. The FBI must be given the means to step up its own preventive activities. The calm way in which the feds wore down the Freemen in Montana is a guide for preventing the needless making of martyrs. Unless it can be shown that tagging explosives is unsafe, Congress should authorize the addition of telltale identifiers.

CURBING THE KILLING

THE UNITED NATIONS' ambitious, arrogant, putatively departing Secretary-General, Boutros Boutros-Ghali, had grandiose visions, inflated in no small part by the Clinton Administration's indifference to foreign policy. Egged on by Washington's obsession with multilateralism, Boutros-Ghali tried to move into the American-made vacuum. The results were disastrous peacekeeping missions in Bosnia and elsewhere.

There are, though, lethal hot spots where a forceful U.N. presence would be welcome. Prime examples are Liberia, where civil war has been ongoing since 1989, and Burundi and Rwanda, where intertribal killing has raged. These places are of no traditional strategic value and thus won't be subject to the political jockeying seen in Southern Europe and the Middle East.

In Liberia the killing is punctuated by occasional periods of exhaustion, but the situation has degenerated into anarchy. Military peacekeeping intervention by West African forces, largely supplied by Nigeria, was of little help: Too often, those soldiers took part in the looting and killing.

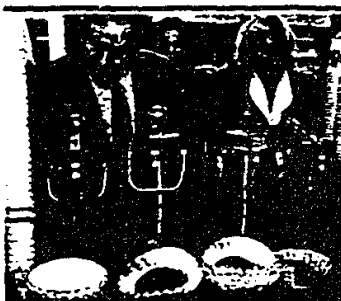
In Burundi and Rwanda the bloodletting is beyond comprehension. Three years ago, the U.N. inexcusably reduced its inadequate Rwanda-based peacekeeping forces when the Hutus began attacking the Tutsis. Within 100 days, some 500,000 Tutsi civilians were slaughtered. If U.N. troops had been reinforced instead of depleted, that horror could have been averted. Now Burundi is about to explode in a similar bloodbath.

In such situations, U.N. soldiers, rather than fleeing, should be trained and authorized to fight when necessary.

THERE'S NO SUCH THING

as a mature market, industry or commodity. Look at steel. Long battered by foreign competition, steel was seemingly headed for the industrial graveyard. But lean, innovative minimills arose, profitably changing the dynamics of a nearly dead industry.

Look at coffee. Consumption peaked in America in 1962. You'd never know it from the explosion of high-priced coffee shops and the proliferation of coffee varieties. Who would have thought that consumers would be attuned to the differences between Kenya AA and



Wife Sabina, daughter Moira and I queue up for quality caffeine kick on campaign trail last March.

Ethiopia Yergacheffe? Value added to a commodity? Dilute a shot of espresso with steamed milk and a dollop of foam and *voilà*—café latte. People like me pony up \$2 or more for a cup of the stuff.

Designer jeans showed us that sewing somebody's name on the butt of plain, old denim would increase its value twentyfold. Perhaps, as the electric industry deregulates, an enterprising executive will figure out how to offer Madonna-endorsed electricity and brands such as Dennis Rodman Shocks.

HECK OF A WHODUNNIT

The Alienist—by Caleb Carr (Bantam Books, \$6.99) Superbly told tale of a hunt for a serial killer in 1890s New York City. Psychologists were then known as "alienists" because people felt the mentally ill were "alienated." In this historical fiction, Teddy Roosevelt, then New York's police commissioner, initiates, oversees and protects (from politicians and department traditionalists) a special team of investigators trying to solve a series of gruesome murders. In those days, standard detective work was a crude, hit-and-miss affair. Combining doggedness with such revolutionary tools as psychology and fingerprinting (then inadmissible in American courts), Teddy's out-of-the-ordinary sleuths track their quarry. Wonderfully evocative of the age, this



fascinating, fast-paced spine-tingler never flags.

Excerpt: *Lucius gulped his Chamberlain nervously. "It's still theoretical, Doctor, and is not accepted anywhere in the world as legal evidence, but..." He looked to Marcus. Marcus spoke confidentially. "It's called dactyloscopy." "Oh," I said. "You mean fingerprinting." "Yes," Marcus replied, "that's the colloquial term."*

"But—" Sara broke in. "I mean no offense, Detective Sergeant, but dactyloscopy has been rejected by every police department in the world. Its scientific basis hasn't been proven, and no actual case has ever been solved by using it." The scientific premise was that fingerprints do not change throughout a person's lifetime—but there were a great many anthropologists and physicians who didn't yet accept that fact. ■

"With all thy getting get understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



NEW POLICY NEEDED

SADDAM HUSSEIN'S INCURSION into the Kurdish "safe haven" in northern Iraq is a sobering wake-up call. President Clinton was right to respond forcefully to Saddam's brazen act. But this is only a start to restructuring a flawed policy.

Our stance in that region has long been a lethal mix of neglect and wishful thinking. For years Washington deluded itself with the belief that appeasing Saddam would house-train the tyrant. Then during the Gulf war, under the misapprehension that preserving the territorial integrity of ramshackle Iraq was critical, we didn't break the back of Saddam's elite Republican Guard. And when we called upon the Iraqi people to overthrow Saddam, we never gave military backing to support the subsequent uprising.

After establishing a safe haven for the persecuted Kurds, we didn't work to make the zone secure from outside interference. Saddam placed infantry and artillery within striking range. Iran had its agents infiltrate the area, fomenting political mischief. Anti-American, anti-Turk terrorists used the enclave as a base

for committing atrocities in southern Turkey.

Our indifference to the price the Turks have paid for supporting our oil embargo against Iraq and for the growing political instability among Turkey's Kurdish population in the south, has shaken that critical country's ties to us. This is one reason secular Turkey is being governed, albeit precariously, by an Islamic fundamentalist.

What to do? For starters, don't ease the oil embargo as long as Saddam Hussein remains in power. (Incredibly, the Clinton Administration tagged along with a U.N. scheme to sell Iraqi oil, with proceeds earmarked for food and medicine for the Iraqi people. Money is fungible; Saddam would have had more leeway to beef up his armed forces and internal police.) Make clear to Iran that the enclave is off-limits and be prepared to take forceful steps, including military measures, to back up that statement. We must also take the Turks seriously again. We should liberate them from the anti-growth, inflation-inciting clutches of the IMF. A less anxious, more prosperous Turkey would provide a bulwark of stability on the border of a turbulent region.

AWFUL ANNIVERSARY

TWENTY-FIVE YEARS AGO this summer Richard Nixon took a step—severing the link between the dollar and gold—whose baleful consequences plague us still. Most observers fail to appreciate the dreadful enormity of what Nixon, to the applause of most economists and pundits, did in 1971.

The move set off an inflation of twister-like proportions. Although we largely rid ourselves of this destructive force in the 1980s, its legacy—substandard growth and financially stressed families—remains with us.

The immediate impact was devastating. The great boom of the 1950s and 1960s was abruptly halted. Economic stagnation and rising prices became the norm for the 1970s. High inflation made possible the OPEC oil shocks. People everywhere were slammed with unlegislated tax increases as inflation moved them into ever higher tax brackets. The Reagan cuts of the 1980s only partially restored the balance.

Our banking system went haywire. High interest rates threw the S&Ls into the red. In response, Congress let them go into other fields that they were ill-equipped to handle, compounding the crisis. The subsequent bailout cost us nearly \$100 billion. Commercial banks recklessly lent vast sums to the Third World, entrenching anti-statist, anti-free-enterprise policies and bureaucracies. Only in the late 1980s did this tide turn.

The volatile dollar became a plaything of ill-informed policymaking. The Treasury Department, for instance, deliberately weakened the dollar in 1987,

helping to trigger a great stock market crash. The zig-zagging greenback has also distorted trade patterns, giving new life to trade protectionism.

Interest rates have stayed at levels rarely seen in our history. Before the dollar-gold system began to unravel, it was highly unusual for Treasury bonds or household mortgages

**NIXON ORDERS 90-DAY WAGE-PRICE FREEZE
ASKS TAX CUTS, NEW JOBS IN BROAD PLAN:
SEVERS LINK BETWEEN DOLLAR AND GOLD**

—New York Times, Aug. 16, 1971

to stray much above 5%. In the early 1960s, for instance, a typical American family could get a 30-year fixed-rate mortgage at 4.25%. Frazzled families who wonder why two incomes can't do the job that one could in previous generations should consider how much better life would be if they had lower taxes and 4.25% mortgages.

If we had gold-era-like interest rates today, the money we

would save financing the national debt would pay for Bob Dole's tax cuts, with about \$200 billion left over. Today inflation-fearing central bankers, lacking the gold compass we had until 1971, continue to flounder, mistakenly believing growth must be suppressed lest we return to the purgatory of rising prices. This is why economic growth, especially in Europe, has been stunted by tight money.

WHAT'S TO BE DONE?

ARE WE STUCK in a low-growth, high-tax, high-interest-rate environment forever? No. We can get sound money without suffocating the economy.

How does the Fed know whether it is printing too many dollars, too few or the right amount? It doesn't. The best, time-tested compass for stability is gold. It is rare enough so that it has intrinsic value but voluminous enough to be traded. Virtually all of the gold that has ever been mined is with us today. Annual production is but a small fraction of the outstanding supply; thus it is not subject to the shocks that afflict other commodities such as oil or corn. A



Hoarding is unnecessary: Gearing monetary policy to price of gold begets low interest rates.

drought can send the price of corn soaring. Such acts of

nature have little or no impact on gold, its price unaffected by the normal ebb and flow of economic activity.

Under a modern gold standard, a boost in the price of the yellow metal would tell the Fed to tighten; conversely, a falling price would tell it to pump out more credit. Gold would work no differently than those gizmos on old cars that made a buzzer go off when you drove above a certain speed. There is no need to issue currency based on the government's pile of the barbarous relic, as was done in the past.

Sound money, which we had for the nearly two centuries before 1971, doesn't guarantee an economic nir-

vana. But it is an essential ingredient for strong prosperity.

BONEHEADED THINKING

THE FALLOUT from the Supreme Court's decision earlier this year against the Virginia Military Institute's remaining an all-male institution is already visible. Observers feared the ruling would undercut single-sex education, and they're right. A new all-girls junior high school in New York City is under legal assault from New York's Civil Liberties Union and National Organization for Women. Their beef: The school discriminates against boys.

Precisely. This school was set up to encourage girls from poor backgrounds to excel in math and science.

Studies have shown that many young women do better academically when boys are not around. But this kind of results-oriented flexibility is anathema to the one-size-fits-all, monopolistic mentality that dominates much of the American education establishment.

Why is NOW part of this antifemale effort? Since the small school doesn't immediately benefit all girls in New York, it's "unfair." Says one NOW navsaver, "It's a Band-Aid approach to equity for girls." So in the name of equity, the education of scores of young women will be blighted.

AN EPIC CULTURE WAR

Cultures In Conflict: Christians, Muslims, and Jews in the Age of Discovery—by Bernard Lewis (Oxford University Press, \$9.95). Brief but learned, lucid, incisive examination of 1492, that extraordinarily eventful year, during which Christopher Columbus inadvertently discovered America and the epochal clash between Christianity and Islam reached its critical turning point.

King Ferdinand and Queen Isabella defeated the Muslims in Spain, securing Western Europe. Simultaneously, the Russians from Muscovy turned back the Islamized Tatars. For centuries the spread of Islam, which, like Christianity, regards itself as a universal religion, had appeared unstoppable. Muslim states were at the forefront of science and literature. Islamic culture was cosmopolitan and, by the lights of the time, tolerant (Spain's Jewish population, expelled in 1492, was warmly welcomed by the Ottoman Empire). Europe, by comparison, had been a filthy, bickering backwater.

However, by the 18th century the Muslim world had become backward and stagnant. Europe's very divisions

had forced it to be receptive to technological breakthroughs in weaponry. The lack of a powerful center allowed a pluralism that ignited economic advances. Despite frightening thrusts by the Ottoman Turks into Central Europe during the 16th and 17th centuries, Islam had been put on the defensive at the end of the 15th.

Author Lewis closes by giving a fitting tribute to the positive, unique character of the principal offshoot of the great, post-Columbus explorations: American civilization.

Excerpt: In setting out to conquer, subjugate, and despoil other peoples, the Europeans were merely following the example set them by their neighbors and predecessors and, indeed, conforming to the common practice of mankind. Their attack on the neighboring lands of Islam in Africa and Asia was a clear case of be-done-by-as-you-did. The interesting questions are not why they tried, but why they succeeded and why, having succeeded, they repented of their success as of a sin. The success was unique in modern times, the repentance, in all of recorded history.



"With all thy getting get understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



LET'S USE IT

FOR YEARS THERE HAS BEEN a device that is successful in flagging the kinds of plastic explosives favored by terrorists that are next to impossible for old-line metal detectors to catch. The equipment is now used at major airports in Europe and Asia but is still virtually nonexistent

at ours. Although American-made by Vivid Technologies, Inc., the machine has yet to be deployed by the Federal Aviation Association.

Under congressional mandate the FAA was supposed to have had such a device by 1993. We're still waiting. Why?

MAKE 'EM PAY

THE U.S. SHOULD ADOPT an aggressive antiterrorist approach in the aftermath of the TWA tragedy. We may not yet know who is responsible, but we do know which countries train terrorists. Since such killers strike randomly, why not apply the same method to our response?

ple should be clear: If a murderous act is committed against the U.S., we will move against terrorist training camps. We should tell host countries such as Syria, Iran and Libya that they will be liable, even if they are not directly responsible for that particular deed.

Libya is not only nurturing terrorists but also developing lethal biological weapons. We could take out its facilities from the air via bombers or missiles.



Libya's Muammar Qaddafi, Syria's Hafez al-Assad, Iran's Hashemi Rafsanjani, Iraq's Saddam Hussein: Most global terror is spawned by this lineup of thuggish rulers.

Just maybe a heavy dose of collective responsibility would make these bloody-minded, mendacious nations think twice before carrying out their atrocities.

The princi-

PENSION LIB

CALIFORNIA NEXT YEAR may enact a pension reform bill that will profoundly, positively impact how people fund their retirements. (The proposal almost made it through the state legislature this year.)

to the people are compelling. In California, 70% of state workers lose their retirement benefits because they leave their jobs before qualifying for them. Usually, you have to be on the job five to ten years before being fully vested.

The change would allow state employees to gain personal control of their pensions. They could, if they wished, transfer the current value of their defined benefits that are in traditional benefit plans run by state employers to their own 401(k)-type retirement plans. In other words, pensions would belong to and be directed by each participant instead of being part of a large, centralized employer plan.

We are living in an economy where it is becoming more common for people to change jobs several times by retirement. With defined benefit plans and their vesting provisions, these workers will be shortchanged. This is particularly unfair to women who might wish to leave the work force for a few years to raise a family.

Big money is involved, some \$200 billion in California state employees' pension funds. Think of what that number balloons to nationwide.



California Assemblyman Howard Kalogjian: Freeing pensions from politics.

The arguments for liberating pension money from centralized management back

With 401(k)-type individual retirement plans, people would have full portability. They wouldn't lose their assets were they to switch jobs or temporarily opt out of the work force. They wouldn't have to worry about unfunded liabilities in their pension plans. Given long-term investment returns, they would likely have more

PHOTO: JEFFREY M. HARRIS

at retirement than they would with their current employer-directed schemes.

Astonishingly, thanks to the thickening jungle of regulations for traditional pension plans, this new approach would be much less expensive to administer. The California Finance Department estimates the state would save \$1,642 a year in contributory costs per average-salaried worker.

Naturally, mutual funds and insurance companies are energetic proponents; unions and the state pension funds are fiercely opposed. They see the change as a loss

of power, of political muscle—which alone is a good argument in its favor.

While a handful of other jurisdictions have enacted similar reforms, California, because of its size, would be a powerful model for removing the golden handcuffs that keep people tied to jobs they really don't like for fear of losing lucrative fringe benefits. It could also provide a prototype on how to save Social Security for younger people: Allow part of their payroll taxes to go into their own individual retirement accounts.

BE SENSIBLE

THE POSSIBILITY of this type of reform around the country underscores the need for sound rules governing investments for individual retirement plans. These plans should be restricted to investments in traditional financial vehicles such as stocks, bonds and CDs just as IRAs and Keogh plans are. No more than a certain percentage of this money—say 15% or 20%—should be allowed to be invested in the securities of a particular company. The percentage of assets that can go into a nonliquid investment such as real estate should also be restricted.

By the way, there should be similar rules for corporate-run 401(k) plans. Right now, these plans can invest their money in just about anything—jewelry, racehorses, cattle futures, stamps, etc. Also, managers should not be permitted to pour more than a reasonable proportion, say 10%, of 401(k) money into company securities. Sure, beneficiaries can sue trustees for violating fiduciary standards, but that can be too late.

Retirement accounts are no place for people to try to hit home runs by taking inordinate risks.

RIGIDLY WRONGFUL RULING

THE SUPREME COURT'S decision forcing the Virginia Military Institute to admit women is wrong and harmful. It effectively puts any sort of publicly supported single-sex education on the road to extinction. The ruling will also begin to undermine single-sex education at private institutions.

The High Court's rigid, one-size-fits-all approach to public education misreads the 14th Amendment's equal protection clause. That principle doesn't mean that every school has to be the same. It means that students must have equal access to a publicly financed education from kindergarten through high

school, as well as equal opportunity to receive advanced education from a state-supported college or university.

Millions of youngsters would blossom in noncoed schools. A growing number of observers have become particularly outspoken about how beneficial single-sex education programs can be for adolescent girls. And for boys from the troubled or broken homes of the inner cities, educators and parents in several programs are exploring the benefits of boys-only schools.

There are advantages to and a place for both approaches within our education system.



Cadet rifle drill: Our courts prize uniformity, not diversity, in education.

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones

● **Marguery Grill**—155 East 65th St. (Tel.: 744-2533). The former *Lex* has opened under a new name, and with a new chef. Fresh, tasty, beautifully presented food, such as spring asparagus and sweet-pea risotto; garlic-rubbed "rib-eye" lamb; oven-roasted cod. As an extra-special dessert, try the chilled mango, mint and lime soup.

● **Kokachin**—Omni Berkshire Place Hotel, 21 East 52nd St. (Tel.: 355-9300). Food spectacularly good and exquisitely presented. Entrées uniformly excellent: Kasu marinated sturgeon with pickled plums and enoki mushrooms; grilled beef tenderloin; grilled whole Tai snapper; Maine lobster. The service, however, very inattentive and slow.

● **King's Carriage House**—251 East 82nd St. (Tel.: 734-5490). First-rate, home-style fare. A favorite: filet of beef with Stilton cheese sauce and horseradish-whipped potatoes. Ambiance: deliciously cozy, quintessentially romantic.

● **Bolo**—25 East 22nd St. (Tel.: 228-2200). Consistently excellent Spanish fare. Consider appetizers such as mussel and crab salad with grilled lemon, tomato, red

onion and beetsteak tomatoes; and oven-baked flatbread with spring vegetables, spicy hummus and goat cheese. Main courses, equally innovative: Spanish spice-crusted tuna with lemon-garlic vinaigrette and white bean relish.

● **The Leopard**—253 East 50th St. (Tel.: 759-3735). Prix-fixe lunch and dinner include appetizer, soup, entrée, dessert, coffee and as much house wine as you like. Portions, generous; wine, passable. Two specialties—whipped cream of fresh pea soup and "Frozen Leopard" dessert made with brandy, macaroons and whipped cream—especially good.

● **The Sign of the Dove**—1110 Third Ave., at 65th St. (Tel.: 861-8080). As always, wonderful food—perfect roasted rack of lamb with white bean ravioli, and sea bass with polenta gnocchi—attractive ambiance, flawless service.

● **Aquavit**—13 West 54th St. (Tel.: 307-7311). New chef, improved menu and attentive, friendly service make for delightful dining. The smoked salmon is perhaps the most delicious in town.

"With all thy getting, yet understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



WITH HIS DRAMATIC TAX CUT PROPOSAL

Bob Dole has positioned himself for a political upset of Trumanesque proportions. Voters now have a genuine choice. They can stick with the sluggish, high-tax status quo or opt for a better, more vibrant economy. In effect, Bill Clinton says that what we have is about as good as we can get. Dole speaks the truth—we can do far better.

This economic expansion is the worst of the last 50 years, with annual growth rates averaging a pitiful 2.3%. What

Clinton and others like him will never comprehend is that taxes are not just a means of collecting revenue; they are also a price. By lowering the price on work, innovation, productivity, risk-taking, success—as Dole proposes to do—we will get more of these good things, particularly by halving the capital gains tax. Dole has made it clear that his proposal is only a down payment for a major overhaul of our complex, corrupting tax code. He has seized the high ground.

THE MOST LAUGHABLE WHITE HOUSE CRITICISM

is that tax cuts are a "free lunch." The American people's work created that money. Only in Washington could there be a belief that letting people keep more of what

they create is a giveaway. Americans know that the political culture exemplified by Bill Clinton has been lunching off the nation long enough.

WOULD YOU TRUST THESE GUYS?

UNDER THE GUISE of reinventing government, the Clinton Administration is privatizing a goodly chunk of the government's security clearances. Several hundred employees of the Office of Personnel Management are working for the new U.S. Investigations Services, Inc., which is conducting the background checks on some 40% of federal employees and job applicants.

The move is an open invitation for abuse of privacy. This Administration has already gravely compromised FBI files of hundreds of appointees who worked for Republican administrations. If the FBI could be compromised, how can sensitive information be guaranteed safe with a private company?

The firm's contract is up in three years. It is expecting too

much of human nature to think that an outfit trying to win a juicy contract would be able to resist improper requests from government officials. And what's to stop a company, or its employees, from keeping boodleg copies of sensitive personal information, particularly if it loses a contract?

Ostensibly, the maneuver will save the government some money. But that hardly justifies the enormous risk to the privacy of hundreds of thousands of Americans, particularly considering this Administration's ethics.

Last year Congress initiated a program allowing the IRS to hire private firms to collect money owed by allegedly deadbeat taxpayers. That idea should have been shelved—as should this one. These are scandals waiting to happen.

INCREDIBLE

THE DRAMATIC FALL of Argentina's finance minister, Domingo Cavallo, vividly demonstrates why the International Monetary Fund is in desperate need of a drastic overhaul. The IMF is an economic twister leaving eye-popping wreckage in its wake.

Cavallo was a miracle man. By tying the peso to the dollar in 1991, he quickly ended nearly 50 years of inflation, causing it to plunge from several thousand percent down to single digits. Taxes were cut at the same time, triggering an economic boom. Cavallo tackled a swamp of internal, cartel-like obstacles and regulations. An impressive privatization program was launched, with government-owned untouch-



IMF nostrums wreak no less havoc than nature.

ables such as telephone and oil companies sold to private investors. The government has partially privatized its bankrupt national pension system, a reform that is creating an impressive pool of private capital and savings.

This inspiring progress was nearly undone by Mexico's peso crisis in December 1994. Conventional wisdom was that Argentina would be sunk by the Mexican whirlpool. In the three months following the crisis, about 20% of Argentina's bank deposits fled the country in anticipation of a devaluation and a return of inflation. Cavallo adamantly refused to abandon a stable peso. To see Buenos Aires through the storm, the U.S. should have set

PHOTO: JAMES HAMILTON

up short-term bridge loans. Instead, Argentina was told to throw itself on the tender mercies of the IMF. The IMF demanded that Argentina decrease its budget deficit to around 1% of GDP, possible only by levying tax increases. The economy crashed into recession. Unnecessary austerity and unemployment resulted.

Thanks to higher taxes, recovery has been anemic. Government receipts have fallen below expectations, and Cavallo has been forced to propose new levies to make up

the shortfall. The slowdown politically damaged the government. Hence, Cavallo was sacked.

Unfortunately, our Treasury Department remains enamored with the IMF's toxic theories and procedures of economic malpractice. In medicine, a surgeon who perpetually botched his operations would be besieged by lawsuits and would lose his license. In economics, as the IMF and our Treasury Department demonstrate, such a miserable record generates no censure at all.

COMMERCE 101

JUST HOW CLOGGED Europe's economic arteries have become was recently demonstrated in a bitter debate in Germany. The subject: mildly liberalizing the hours stores can stay open. Germany had some of the most restrictive shopping hours in Europe, with most retailers forbidden to stay open later than 6:30 p.m. on weekdays (Thursdays, 8:30 p.m.) and 2 p.m. on most Saturdays, and flatly prohibited from opening on Sundays. No wonder the country's savings rate is so high—consumers don't have much time to spend their money. These restraints have cost the Teutons dearly in economic growth.

Liberalizing store hours should have been a nonpartisan no-brainer. It was quite the opposite, however. The new law, which allows stores to stay open until 8 p.m. on weekdays and 4 p.m. on Saturdays (bakeries will be permitted to be open for three hours on Sundays), triggered intense opposition. Naysayers claimed that longer hours would destroy small retailers in favor of department stores and supermarkets (apparently, these folks have never visited American malls, with their extraordinary variety of outlets), and would undermine family life. Angry unions are demanding lavish overtime for any extra hours worked.

These latter-day Luddites also claimed that business wouldn't be helped because consumers have only so

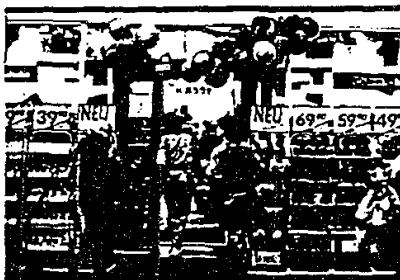
much money to spend, no matter when they shop. The notion that giving people more flexibility will stimulate commerce is an alien one in much of Europe.

Germany is in a foul mood, especially the formerly communist East. The government recognizes the need to get its sluggish economy moving again, but it is approaching the task in the most difficult way possible. It is proposing real cuts in social spending and deregulating things such as store hours without implementing massive tax cuts.

Germany's biggest economic obstacle remains its suffocating tax code. Chancellor Kohl should take a cue from Ludwig Erhard, the architect of Germany's post-World War II economic miracle. Erhard enacted a series of significant reductions and swept away economic restrictions the Allies had imposed after the war. Germany, a basket case, suddenly blossomed.

Today capital is fleeing the country as if Germany were Venezuela or Rwanda. Last year direct overseas investments by Germans zoomed nearly 80%.

If Bonn were to enact Erhard-like reforms, the country would quickly revive, and much of Europe would soon follow suit. Austria is planning to ease its Germany-like retail restrictions for fear consumers will cross the border to do their evening and weekend shopping in Germany.



Spreading the wealth: With increased hours everyone will benefit.

SORDID

Boy Clinton: The Political Biography—by R. Emmett Tyrrell Jr. (Regnery Publishing, Inc., \$24.95). Tells the oft-told tale of the First Couple's political rise. Tyrrell presents evidence that in the mid-1980s Clinton knew Arkansas' Mena Airport was being used not only to supply the Nicaraguan contras but also to bring in illegal drugs, and did nothing about it. Tyrrell dissects Clinton, making the point that chronic campaigners of his ilk are at heart performers—i.e., getting and holding an office is infinitely more important than performing substantively once in office. After reading chapter six one wonders anew at how much the Clintons have gotten away with: These cats seem to have an infinite number of political lives. Excerpt: *Historians will someday settle the question as to whether the Arkansas machine had a hand in the untimely deaths that overcame the Clintons' friends, associates, distant acquaintances, and enemies during their rise to power. We do*



know that in the summer of 1994 The Economist listed eight unpleasant incidents in warning of the "peculiar pattern of suicides and violence" surrounding "people connected to the Clintons": Vince Foster, Kathy Ferguson (ex-wife of a Clinton bodyguard, suicide), Bill Shelton (Arkansas policeman, boyfriend of Ferguson, suicide), Jon Walker (RTC investigator concerned with irregularities at Madison Guaranty Savings and Loan, fell from the top of a building, dead), Jerry Parks (chief of security for Clinton's 1992 campaign headquarters, shot dead in Arkansas), Gary Johnson (Arkansas lawyer badly beaten in 1992 after claiming to have videotapes of Clinton calling on Gennifer Flowers),

Dennis Patrick (endured three attempts on his life after he discovered millions of dollars passing mysteriously through his account at the firm of Clinton supporter and friend Dan Lasater), and Stanley Huguins (earily investigator into Madison Guaranty Savings and Loan, found dead in Delaware). ■

"With all thy getting, not understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



INADEQUATE Rx

THE INTERNATIONAL MONETARY FUND and the World Bank are concocting a scheme to reduce the debts of the poorest and most heavily indebted developing nations. Any such debt-relief program should be finalized by October.

The rationale is that poor countries can never get on their feet because of being too heavily in hock to lenders. This is a misdiagnosis. Their problem is their own misbegotten economic policies, policies too often manufactured or approved by the IMF. These nations are plagued by environments hostile to business-creating entrepreneurs.

There are four basic principles for economic progress: sound money, low taxes, property rights and no bureaucratic interference in the setting up and running of an enterprise. Countless countries make it extremely difficult for citizens to start legitimate businesses. Taxes are high, which drives businesses into the informal economy, thereby stunting their growth prospects. Inflation encourages barter and discourages sound investment.

Debt-Relief Cost for the Poorest Nations

IMF and World Bank Estimate at Least \$5.6 Billion for 6 Years

—New York Times

A few decades ago South Korea and Hong Kong were two of the poorest entities on earth. Today they are among the richest. They became so not by following the precepts of development experts but by unleashing their peoples' energies. Create an environment where people are allowed to prosper, and they usually will.

The IMF is still obsessed with the notion that the best way to create wealth is by emphasizing exports. Why selling a product outside the country is somehow intrinsically better than selling the product to your own citizens remains unexplained.

Hard currency? If a country's economy is growing, foreign investment will pour in. Attempting to artificially stimulate exports too often leads to devaluations, which, of course, fan inflation. The harm inflation does to a nation outweighs any temporary benefit from an increase in exports. And politically, inflation usually weakens pro-democracy forces.

SECOND CHANCE

THOSE FOUR PRINCIPLES of progress hold true for Russia, too. Boris Yeltsin's remarkable comeback victory in a free election is correctly described as an extraordinary achievement—particularly given the economic distress of millions of Russians—in a great nation that has previously known only authoritarian or totalitarian government. But complacency is not in order. Russia badly needs basic economic reform, not the roller-coaster-like changes between "free market" austerity and old-style statism.

The ruble can be stabilized and inflation

conquered. There are various methods, such as an Argentina-style currency board, where no money would be issued unless it were backed by hard currency or by some other way of linking the local currency to the dollar or to gold. Inflation undermines people's sense of order, of fairness. It destroys or warps the development of independent civic institutions that are the foundations of a truly free and democratic society.

Can't the U.S. stop passing the buck, so to speak, to the IMF and take a positive, forceful lead here?



IF CONGRESS IS SERIOUS ABOUT CAMPAIGN FINANCE REFORM

it will strip away the hypocrisy that surrounds current law. Today's rules are a hothouse for special interests. They protect incumbents. They stifle genuine citizen involvement. They breed Prohibition-like evasion and cynicism: Campaign managers know that their violations won't be discovered until well after the election. The attitude too often is, "By then, who's gonna care?"

Individuals are tightly restricted as to how much they

can give to each candidate in a federal race. The caps haven't been changed in 20 years, making it very difficult for an outsider or a nonincumbent to raise the necessary resources for a campaign unless that person has substantial independent means of his or her own or is anointed by the party establishment. The caps also mean candidates must knock on the doors of countless special interest groups.

While individuals are stifled, the major parties and

well-organized interests are not. Unions and other groups can, and do, set up so-called independent committees to actively support candidates. The maneuver is legal as long as committees don't formally coordinate their activities with a candidate's campaign. Another gaping loophole: Donors can give unlimited amounts of money to the national parties. Reformers want to add more restrictions to and increase the federal bureaucrats' power over our political life. Such an approach would only stifle vibrant political debate and competition. It would provide additional incumbent protection and increase the clout of powerful special interest organizations.

Instead, we should open the system up:

- Remove or substantially increase caps on individual contributions, as long as there is *full and prompt disclosure*. In this age of the fax there is no reason big gifts can't be made public within 48 hours of their receipt. Let voters decide if someone is selling his soul to unsavory interests. In 1968 dissident Senator Eugene McCarthy was able to mount his antiwar campaign against President Lyndon Johnson only because of the help

received from a handful of big-giving individuals. Was the process somehow tainted or corrupt because these people made it possible for a resource-less U.S. senator to make a principled run against a sitting President?

- Eliminate federal matching funds.
- So-called independent committees should disclose fully, on a weekly basis, how much money they are pouring into races and where that money is coming from.
- Remove state spending caps on presidential races.
- Remove or substantially increase presidential campaign spending limits. Again, real-time disclosure is the key.
- Since Congress will never effectively reform its flagrant abuse of the franking privilege—incumbents send millions of reelect-me brochures to voters at taxpayer expense under the guise of "informing the constituents"—allow opponents to match those mailings piece for piece at the expense of the incumbent's campaign.

As long as Washington or state capitals hold anywhere near the power they now possess, it is utterly naive to believe citizens and interest groups won't find ways to petition or influence their representatives or government agencies.

ONE WAY TO KNOCK NARCOTICS

CONGRESSMAN ROB PORTMAN (R-Ohio) has developed the "Coalition For A Drug-Free Greater Cincinnati," which could be a model for community antidrug activists around the nation. His effort is particularly timely.

Drug use among young Americans has increased sharply since the early 1990s, most alarmingly among kids ages 8 to 12. This surge follows a dramatic decline that lasted from the mid-1980s until around 1992. We again need a concerted "Just Say No" approach. Because of the upcoming election, the Clinton Administration this year has finally stopped gutting drug enforcement efforts.

The group Portman has been the catalyst in creating involves parents as well as religious and business leaders. Local media, including the leading newspaper, *The Cincinnati Enquirer*, have agreed to run antidrug public service ads. Similarly intense media efforts in the 1980s worked well.



Rep. Rob Portman: Small steps lead to giant strides.

Ministers and rabbis will use their pulpits, as well as follow-up forums, to hammer home the antidrug message. Various area businesses are working with the state to develop procedures for drug-free workplaces. A group called PRIDE (Parents Resource Institute for Drug Education) will implement parent-to-parent programs to teach moms and dads how to help their kids stay drug-free and what steps to take if their efforts fail.

As Walter Williams, a specialist in community antidrug efforts, puts it, "If you want drug-free communities, you have to start with areas you personally can control: your homes, streets, neighborhoods, schools. You don't need grandiose plans. You start with a few churches and angry, frustrated parents." Portman says that more than a dozen of his congressional colleagues have committed to establishing similar coalitions in their districts.

NO NEED FOR FATALISTIC PASSIVITY OR DEFEATISM

AMERICA HAS HAD substance abuse crises before and overcome them. In the 1820s, for example, alcohol consumption per capita was several times that of today, with much of the nation soused before noontime. This led to all sorts of predictable social problems. In reaction, a series of

movements arose whose core belief, in effect, was that "in order to have a self-governing nation, you must have self-governing individuals." The first public health campaign in America was the temperance movement. It worked. In a generation, alcohol consumption fell by more than half.

"A VISION FOR AMERICA"

Our Hopes, Our Dreams—by Gary L. Bauer (Focus on the Family Publishing, \$3.99) Compelling call to action to improve America's quality of life, which has deteriorated over the past 30 years. Bauer, who heads a profamily lobbying group, gives his brief on this decline in areas such as education, family life, crime, welfare, etc., and then puts forth public policy proposals. Not all are equally persuasive, but all come from careful, heartfelt analyses of how we



can once again get a handle on our culture, schools, streets and families. Citizen action, for example, shamed a callous Time Warner into dropping out of the gangsta-rap business.

Excerpt: *In the 1960s, the U.S. had 3.5 police officers for every violent crime reported. In 1993, the reverse was true, with 3.4 violent crimes reported for every police officer. Prisoners shouldn't live and eat better or have more recreational time than the victims they've exploited*

"With all thy getting, yet understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



TESTING DOLE AND KEMP

NO SOONER HAD BOB DOLE finished his acceptance speech, which the normally unresponsive *New York Times* called "full of eloquent passages," than White House flacks were labeling it "the most divisive since 1964." This is but a taste of what's to come.

The White House knows that if it doesn't discredit the GOP's get-America-moving-again agenda and demolish Dole's and Jack Kemp's characters, Democrats will lose and become the minority party for a generation or more.

Clinton's empathetic waffling and drifting is why *Americans don't fear him* today the way they did in 1994. They don't respect him, but they aren't going to turn him out unless given substantive reasons to do so. Voters are in no mood to swap one set of personalities for another.

With their bold, tax-cutting, tax-simplification proposal, Dole and Kemp have now drawn the line: America can do better, and their way is the way to move forward.

The White House's ferocious attacks will be backed by its constituencies—teachers' unions, government workers' unions, trial lawyers and welfare state special interests. The attacks will be aided by much of the media.

Americans want to see if the GOP nominees can, to turn a phrase of Harry Truman's, "stand the heat in the kitchen." Will Dole and Kemp flinch, retreat, become testily defensive? If they stick to their pro-growth, tax-cutting, America-can-do-better themes, Dole and Kemp will pull off one of the grandest upsets of American political history.

REDISCOVERING REAGAN

IT WAS FITTING that Republicans paid such a moving tribute to Ronald Reagan. It's the return to Reagan's credo—inspiring, can-do optimism; faith in America's unique mission; belief in the ultimate good of the American people and conviction that our best days are ahead—that is saving the GOP from losing the fruits of its 1994 victories. Republicans had not been conveying how their policies would improve people's lives.

Look at the budget battle. No one got excited by Republican talk of Congressional Budget Office numbers. By pushing sweeping spending cuts while virtually ignoring growth-producing tax cuts, Republicans came across as cold-eyed accountants interested in

numbers, not people. Promising a balanced budget early in the next century was too vague. With the economy sluggish,

Bill Clinton realized people would be uneasy about making big changes in programs such as Medicare. He demagogically exploited this opening, and surged in the polls.

Bob Dole has changed the equation. Resigning his Senate seat, he divorced himself from Washington's discredited political culture. By proposing a sweeping tax cut with the promise of tax simplification, Dole offers a dynamic alternative. In choosing Jack Kemp, he demonstrated genuine leadership and an ability to embrace and work with strong-willed colleagues to achieve common objectives.



Great First Lady honors great President.

TED KOPPEL STOMPED AWAY

from San Diego before the Republican convention's end, complaining that the whole thing was no more than an infomercial. He meant the charge as a criticism, but the GOP never concealed that this was precisely what it wanted. Its goal was to hammer home a positive, pro-growth agenda. That's exactly what it did.

In the past, political parties complained that TV broadcasters were reluctant to do gavel-to-gavel coverage. But this year the GOP acknowledged that conventions are



The Doles: Persistently purveying message of growth and renewal.

no longer vehicles for selecting candidates but rather stages for presenting the party's messengers and message to America.

Thus, the whole program was geared to be a TV production. The convention's sole purpose was to woo voters. Speakers were selected to underline decisive themes and images. Speeches were kept short and to the point, punctuated by lively videos. Stars such as Colin Powell were reserved for prime time. Delegates, alternates and guests were there to provide an enthusi-

astic backdrop. That's why there were no food stands in the convention hall for the 19,000-odd people. After all, no viewer wants to watch people munching on food.

Alas, instead of letting people see the show, networks too often interrupted the proceedings with "commentary" or usually newsless interviews.

When I first attended a convention in 1964, there were sessions twice a day. Speeches droned on and on. Noisy, unscheduled floor demonstrations were frequent. Conventions were bewildering, mind-numbing combinations of boredom, color and outrageous, unexpected events.

THE NEW HEALTH CARE BILL

is disappointing, pernicious. It contains severe criminal penalties against doctors who trip up on the myriad rules. Supposed safeguards are inadequate.

Medical Savings Accounts, the only hope of getting a consumer-oriented, patient-friendly, affordable health care system, have virtually been emasculated. During a four-year trial, roughly 750,000 MSAs will be permitted. Congress will then determine whether eligibility should be expanded. The bill dictates MSA policies instead of letting them develop in response to actual market needs. Because of the cap and that four-year sword, few companies will try to enter and nurture this market.

BRAINSTORM

THE OLYMPICS underscored the extraordinary feats people can achieve athletically, but there is another kind of competition that will ultimately do far more for our kids and our country—the U.S. First Robotics Competition. The brainchild of Dean Kamen, an extraordinary inventor-entrepreneur, U.S. First's goal is to make science as exciting for young people as are sports.

In this annual robotics contest, high school kids team up with engineers and teachers to build a robot that will then compete with other robots in various sports-like feats. Ninety-three teams, sponsored by corporations such as Motorola, Honeywell, Xerox, Nynex and Johnson & Johnson, participated this year, up from 29 teams when the competition started in 1992.

A team receives a kit of 120 parts, then designs and builds a robot. The creation may weigh no more than 120 pounds

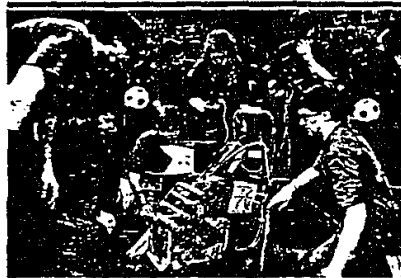
In those days, conventions actually chose party candidates. Primaries and broad-based caucuses do this today. In 1968, for instance, Democrats nominated someone who had not contested a single presidential primary; that's unthinkable now.

If this conrab had been what the media wanted—the political equivalent of a food fight—voters would have concluded that Bob Dole was not fit to be president and the GOP had no coherent message. But that didn't stop some media mavens from criticizing Dole and the GOP for sticking to their themes—and presenting them effectively.

Privacy provisions are weak. Federal and state government, insurers, HMOs and other providers are centralizing medical information in order to control costs. Unauthorized people will potentially be able to access sensitive records.

The legislation's mandates concerning insurance portability and availability to people with prior conditions, both laudable goals, are constructed in such ways that public pressure for price controls will grow. If MSAs are not expanded, insurance premiums for the less-than-perfectly-healthy will skyrocket, given the way this bill has been put together. Hillary-Kennedy national health care advocates will use this flaw to push for socialized medicine.

and, when dormant, must fold up to fit inside a 36-inch cube. Putting the device together and testing its agility against other robots gets kids' competitive adrenaline going. The youngsters invariably come away with more enthusiasm for and appreciation of science.



Dean Kamen (second from left) and students: Visionaries of the future.

Kamen, whose Edison-like energy and imagination is making him something of a cult figure among scientific circles, hopes to have some 2,000 teams competing by the turn of the century. The 1996 contest will be televised on ESPN in September.

Kamen dreams that someday kids will be as familiar with the names of Nobel Prize winners as they are now with sporting giants. That won't happen, but, thanks to Kamen, countless thousands of young Americans will be constructively turned on to an area that is beginning to have an extraordinary surge of creativity.

RESTAURANTS—GO, . . . , STOP

Here is the distilled wisdom of brothers Bob, Kap and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **The Terrace**—400 West 119th St. (Tel.: 666-9490). Truly a special place. Old-fashionedly elegant and romantic, with one of the best views of New York City. Fine offerings, such as escargot with basil and pancetta in an herb crust with fried leeks; grilled filet mignon; and red snapper Adriatic style. Service, professional and attentive.

● **West 63rd Street Steakhouse**—44 West 63rd St. (Tel.: 246-6363). One of New York's best steak houses. Genuinely, unashamedly luxurious. Glamorous setting (across from Lincoln Center), flattering lighting, impeccable service—and mouth-watering steak and seafood.

● **Angelo's of Mulberry Street**—146 Mulberry St. (Tel.: 966-1277). Always filled with devotees who are happy to wait in line to get in. But the food is so-so 1950s Neapolitan neighborhood fare served in big portions at not-too-modest prices. The atmosphere is noisy, almost raucous. Service, hurried but well-meaning.

● **Lemongrass Grill**—80 University Place (Tel.: 604-9870). Delicious Thai food served by a pleasant staff. First-rate appetizers, spring rolls wrapped with bamboo shoots, chicken satay, vegetable dumplings. For main courses, try Lemongrass pork chops or Siam chicken. ■

"With all thy getting understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



SHOULD BE AN IMPEACHABLE OFFENSE

THE WHITE HOUSE'S obtaining hundreds of FBI files on Republicans with previous White House clearance is an egregious, outrageous abuse of power. It is the equivalent of, if not worse than, using confidential IRS information for political ends—which the Administration may well be guilty of, too. Understand what these files are: When a person is considered for a federal appointment, the FBI conducts an investigation to see if that candidate's past conduct might make him or her a national security risk. FBI agents talk to friends, enemies, ex-spouses, workplace colleagues, neighbors and the like. All information, substantiated and unsubstantiated, is recorded. A disgruntled acquaintance could accuse a person of all sorts of hideous untruths. That information would be part of the permanent file.

It's easy to see how that kind of fodder could be misused for political purposes. It is thus astonishing, par-

ticularly after Watergate, that there weren't more elaborate, strict rules governing access to these files.

Why was it so easy for the White House to get these files? Apparently, the requests weren't even signed. Doesn't the FBI have by-the-book procedures for who can get to this sensitive material? Were certain officials trying to curry favor with the White House? Just imagine the hullabaloo if, say, the Reagan Administration had requested the folder on Jimmy Carter's chief of staff and political guru, Hamilton Jordan.

Severe punishments are in order. A vibrant democracy should not tolerate this kind of behavior. Even those gullible enough to buy the Administration's "the dog ate my homework" explanations should acknowledge the need for enactment of strict laws and regulations for both the FBI and the White House concerning such dossiers.



LOBBYISTS: THEIR GAIN IS OUR LOSS

THE CORRUPTING POLITICAL IMPACT of our increasingly complex tax code is dramatically documented by a recent report released by House Majority Leader Dick Armey (R-Tex.). Working with Census data and other sources, Armey came up with hard numbers that prove what we have instinctively known.

Washington's lobbying industry employs 67,062 people, quadruple what it did in the mid-1960s. That's 125 lobbyists per congressman. (Armey's numbers do not include lobbyists with offices in neighboring Virginia and Maryland. Nor do they include all those indirectly dependent on lobbying, such as courier services or restaurants.) This growth directly parallels the increase in the number of words in the tax code.

Lobbying revenues exceed the gross national product of 57 countries. Three times as many lawyers work in Washington, D.C. as in all of Japan. More lobbyists now

strive to manipulate the tax code than attempt to direct government spending, popularly known as pork.

Politicians want support and contributions. Lobbyists supply it in return for favors such as tax loopholes. In the past decade there have been more than 5,000 changes in the federal tax code. The power to tax is the power to destroy, to extort and to favor the politically powerful at the expense of everyone else. Armey's study underscores the reason we need to junk the tax code and replace it with a simple flat tax. As Armey rightly concludes, "The flat tax would have a chilling effect on the lobbying industry and transform the entire political culture in Washington."

Fortunately, public opinion is catching on to the need for radical tax reform, despite ferocious campaigns of misinformation by special interests. Even though my flat tax proposal was hit hard in the early primaries, exit polls showed that more voters favored the concept than opposed it.

AIRWAVES FOR FREEDOM

EVERY NOW AND THEN budget-cutters target Radio Free Europe and Radio Liberty as unnecessary following the fall of the Berlin Wall. Actually, these radio stations remain ex-

traordinarily critical—and cheap—instruments for directly affecting events in the former Soviet Union and its once satellite nations in Central and Eastern Europe.* The Radios

are vital to America's defense and foreign policy. The communists' comeback in parts of the former Soviet empire and their near-comeback in Russia demonstrate that democracy's triumph is all too fragile, too reversible.

RFE/RL have an audience of some 25 million people and are the only reliable sources of information and news about events inside these countries. They have an unparalleled regional network of bureaus, reporters and stringers. Other international radio broadcasters aren't able to obtain the same depth of internal information. CNN is no substitute, either, as it is broadcast in English and found mostly in hotels. With few exceptions, radio and television in this part of the world are under the firm thumb of government. Independent print media are sporadic and struggling. Poland has the most extensive, liveliest autonomous press. But even there, resurgent communists nearly passed a press law last year that would have effectively muffled most of these outlets.

The West often underestimates how difficult it is to establish vibrant, liberal democracies in lands with little or no history of strong civil institutions. Democracy cannot exist without the free flow of information, which is

what RFE and RL provide. In Russia only about 8% of the population gets its news from newspapers or magazines. Broadcasting remains the primary source.

In Bulgaria, RFE broadcast a debate between one political party's two presidential candidates. As a result of the exposure, the lesser-known candidate won. From no other source could so many voters have heard this exchange. In Belarus, the ruling regime wanted to suppress voter turnout for parliamentary elections because an arcane law would then have allowed it to strip parliament of its powers. Only through Radio Liberty were democrats able to broadcast a plea for voters to go to the polls, thereby thwarting that antidemocratic maneuver.

Some government officials and others in states such as Uzbekistan and Kazakhstan quietly say they are under increasing pressure from Iran, Russia and China. They see the Radios as a vital link to the West, as a way of avoiding isolation.

Since moving to Prague from Munich a year ago, RFE and RL operate on about \$72 million, a third of the previous budget—an immeasurably positive bang for the buck.

*Disclosure: I served as chairman of RFE and RL from 1985 to 1993.



RFE/RL President Kevin Kloze: Quarterbacking still essential (but low-cost) mission.

AMAZING UNDERMINING OF MARRIAGE

The Abolition of Marriage: How We Destroy Lasting Love—by Maggie Gallagher (Regnery Publishing, Inc. \$24.95). Well-written, well-researched, profoundly provocative, upsetting book on how fundamentally the institution of marriage has been undermined and trivialized in America. Gallagher, using unblinded research, details the damage divorce does to kids, no matter how well-intentioned the splitting parties. She hammers home the point that children raised by a single parent generally do less well behaviorally, emotionally and, as adults, sometimes professionally, than do kids raised by two parents—even when factors such as education and money are equalized. Yet marriage has been demoted to a commodity—one of many items on a menu of “lifestyle” alternatives. Today it is almost easier to

shed a spouse than to terminate an employee. The legal obligations of marriage are treated more cavalierly by the law than are business contracts. This refusal to buttress marriage legally, morally and culturally is having, and will continue to have, deeply disturbing consequences—more out-of-wedlock births, crime, welfare and millions of kids with emotional scars. There is much to be done, says the author. Barring extraordinary circumstances such as physical abuse, “The first step is to end unilateral divorce. Place some minimal power back into the hands of the spouse who is being left. Imposing a five-to-seven-year waiting period for contested no-fault divorces (as do many European jurisdictions) would serve the ends of both justice and prudence.” Make it harder for Dad to dump Mom as if she were a used car.



STRIKE OUT ALUMINUM BATS

WHY ARE professional baseball scores climbing so high that they're starting to resemble pro football's? There are the usual explanations: supposedly juiced-up baseballs to generate fan excitement in the aftermath of the devastating 1994-95 strike; smaller ballparks; umpires shrinking the strike zone; hitters increasing their power by muscle-building workouts. But a critical factor is, simply, poor pitching. Why can't hurlers fire the ball the way their predecessors did?

Blame aluminum bats, which even colleges may use. A batter can hit a ball almost anywhere on an aluminum bat, and the ball will sail as if it had come off the so-called sweet spot of a wooden

bat. An aluminum bat is thus lethal against fastballers—especially those who throw inside. In self-defense, up-and-coming pitchers go for breaking balls rather than speed, so they don't develop the inside firepower needed to duel successfully with wood-en-bat-welding, big-league hitters.

The NCAA should ban aluminum bats for college-level playing. Colleges and high schools should also be urged to have their hurlers spend more time practicing their craft. One former major leaguer told me that a serious pitcher should be throwing far more fastballs far more frequently to develop the muscles needed for success on the major-league mound. ■



College-level metal bats are mauling the making of marvelous major-league moundsters.

"With all thy getting, not understanding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



BONDS ARE A BUY

BOND PRICES will be going up; long-term interest rates will be coming down. Inflation is not reviving. The gold price is receding a bit. If inflation were in the offing, the cost of the yellow metal would be rising.

Contrary to what Fed economists and the Treasury Department believe, growth does not debase the currency.

And, contrary to the Administration's thinking, tax cuts, not easy money, are the key to a more vibrant economy.

DO IT FOR AMERICA, TOO

A BIPARTISAN BILL to enact a flat tax in Washington, D.C. has been introduced in Congress. Residents of the nation's capital could choose to file under the old system if it worked in their favor. Otherwise, they could file under the new tax rate, which would be a low 15% with generous exemptions: \$15,000 for single filers, \$25,000 for heads of household and \$30,000 for married couples.

This flat tax is being strongly advocated by Washington's liberal delegate to Congress, Eleanor Holmes Norton. She and other proponents see this as the best way to revive the District's moribund economy and to attract a now almost nonexistent middle class.

Senators Offer Bipartisan Plan To Cut Taxes in Washington

—NEW YORK TIMES

Which begs the question: If the flat tax is good enough for the capital, why isn't it good enough for the nation?

CRITICS CARR

that the flat tax would boost the deficit, benefit only the rich and wreck housing prices. Now a new study has come out that should demolish these criticisms—and others—once and for all.

Economists Barry Seldon of the University of Texas and Roy Boyd of Ohio University tested the flat tax using an econometric model that has passed muster with numerous economist peers.* Their findings:

- The economy would blossom with high rates of growth.
- Lower-income Americans would gain the most proportionately from the flat tax, even with the elimination of the earned income credit (my own proposal retains the EIC).
- The deficit would decline (if spending were controlled).
- Housing values would go up.

Those persons earning just under \$13,000 would see their money-in-the-pocket incomes grow almost 8%,

while those making over \$65,000 would gain but 2.4%. Part of the explanation, of course, is that many lower-income Americans would pay no tax under a flat tax because of the high personal exemptions. But the model also demonstrates that the low tax rate combined with simplicity would expand the economy, creating more and better-paying jobs.

The extra economic growth would increase government revenues, shrinking the deficit. The Kennedy across-the-board tax cuts of the early 1960s and the similar Reagan cuts of the early 1980s both triggered long-lasting economic booms that boosted government revenues.

With the flat tax, the only losers would be Washington's army of influence peddlers and the IRS, which would be a fraction of the size it is today.

*Study available from the National Center for Policy Analysis, Dallas, Tex.

WHAT TAXES RUSSIA MOST

THE PRINCIPAL SOURCE of Russia's political turmoil is economic. Devastating inflation has impoverished millions by wiping out their savings. Growth has been sharply uneven, with much of the prosperity concentrated in Moscow, St. Petersburg and a handful of other centers.

The chief villain of the lack of economic progress is the tax code, a monstrosity of horrific complexity and incentive-crushing rates. Why the International Monetary Fund and Western consultants haven't pressed for growth-or-

ented rationalizations is beyond belief. Until recently, the effective tax on above-minimal salaries was 111%. Even with the repeal of the so-called excess wage tax, it still costs an employer, on average, \$100 to pay an employee \$65.

Russia's sick tax system hits businesses with up to 180 different local and federal exactions. Tax regulations can be, and are, written by a number of different agencies that joust with one another for power and turf. These include the central bank, the finance ministry, the State

Tax Service and others. Enterprises must cope with the conflicting procedures of these rival agencies, including their levies' coming due at different times of the year.

Depreciation schedules are unrealistically low, thereby inflating taxable profits.

Foreign investment is effectively discouraged, not only by the government's capricious changing of agreements and by the power of gangsters but also by an absurd provision of the Value Added Tax. This places a 20% tax on any loans a foreign company makes to its Russian subsidiary or partner.

Russian tax collectors make our IRS look like pussycats. No rational avenue of appeal exists, and fines are ferocious and arbitrary. When applied, penalties of 100% of the alleged understatement of income are routine—plus annual interest of 255%.

A ludicrous securities tax has driven traders in Russia's nascent stock market to trade outside the country.

The only way to meet IMF targets on deficit reduction, other than by printing more rubles, is to slash government expenditures, which have, in real terms, fallen by almost

half. When an economy is as weak and uneven as that of Russia, these cuts hurt and arouse enormous resentment. The government responds with more and more taxes, deepening the deadly cycle. Honesty and openness are punished, driven underground, providing fodder for local mafias. Politically well-connected businesses get exemptions. So do many foreign companies. All of this gives people the feeling that the game is corrupt and rigged.

If radical rate cuts and simplification were instituted, government revenues would increase, just as they have in China. The Russians could then do what the Chinese have done—allow entrepreneurs to compete with politically important state enterprises, thereby easing the transition to a more vibrant private sector and avoiding the bone-crushing disruptions of shock therapy.

The West's ability to influence Russia's internal events is limited. But at least we could give sensible advice and encouragement instead of the toxic, destructive remedies the IMF and our shock therapists have been lethally applying to this critical, troubled country.

PERMITTING POT IS PERNICIOUS ROT

THE BEGUILING NOTION that decriminalizing the use of "mild" narcotics such as marijuana would allow authorities to crack down more effectively on hard drugs still persists (even in a recent FORBES story about the Netherlands). Alas, the idea is destructive nonsense.

Marijuana is extremely harmful. One joint does the equivalent damage to the lungs of four cigarettes. Pot weakens the immune system. It also appears to reduce the IQs of babies born to inhaling mothers. It distorts perceptions, impairs memory and reduces concentration. It can be addictive psychologically, and there is growing evidence that it can also be physiologically addictive. While experts debate

whether marijuana medically leads to the use of harder drugs, the fact is, as the Center on Addiction and Substance Abuse points out, that adolescents who smoke this weed are 85 times more likely to use cocaine than those who do not, and they are more prone to violent behavior and to suicide.

The experience of the 1970s, when several states decriminalized the personal possession of small amounts of pot, suggests that legalization leads to higher use. At a time when we deplore the growing number of teens who

smoke and drink, it makes no sense at all to ease the availability of marijuana. We have seen how laws covering underage use of alcohol and cigarettes have been flouted.

Why do we think the experience will be different with legalized pot?

The Netherlands is hardly an inspiring example of the benefits of marijuana permissiveness. From the mid-1980s to the early 1990s teenage use of pot in America declined by two-thirds; in the Netherlands it increased by 250%. The number of addicts of both hard drugs and pot have sharply increased there. No wonder the Dutch have upped the legal age for patrons of marijuana "coffee shops" from 15 to 18. Amsterdam is also enacting regula-

tions to reduce the number of these pot dens by half. Moreover, the easy availability of marijuana in Holland has made the country a smuggling center to neighboring nations.

The war on drugs is like most wars—there are few cheap and easy victories. We need greater enforcement (until this election year, the Clinton Administration was giving that task short shrift). Just as important, we need a renewal of Nancy Reagan's effective "Just Say No" campaign. Until Clinton was elected, marijuana use was dropping in America.



Up in smoke: Legalizing pot will sprout a country of drug addicts, young and old.

RESTAURANTS—GO, DRUGS—STOP

Here is the distilled wisdom of brothers Bob, Kap and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **The Grange Hall**—50 Commerce St. (Tel.: 924-5246). Charming, offbeat place serving delicious American fare. Imaginative, tasty entrees include cranberry-glazed pork chops with Shaker poached apples, grilled lamb steak with rosemary, fried Idaho potatoes and chow-chow; baked freshwater trout with wild rice and wheat berry medley. Especially delicious: side dish of braised beets with balsamic vinegar.

● **Campagna**—24 East 21st St. (Tel.: 460-0900). Attractively lit, casually chic, rustic Italian restaurant

Recommended main dishes: rosemary-roasted cod, and lamb served with polenta.

● **Willow**—1022 Lexington Ave. (at 73rd St.) (Tel.: 717-0703). Homey ambiance and good service, but overly elaborate fare.

● **The Lobster Club**—24 East 80th St. (Tel.: 249-6500). Sensational food. Among the most savory: crab and couscous cake with arugula vinaigrette; meat loaf; rock shrimp in paper with jalapeño tartar sauce; lobster club sandwich.

"With all thy getting, get understanding"

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By Steve Forbes, *Editor-in-Chief*



ONE CHOICE IS NO CHOICE

SENATOR JIM JEFFORDS (R-Vt.) undermined a modest school-choice program for Washington, D.C., which has one of the nation's most troubled school systems. Yet Jeffords' state is living proof that empowering parents to select the best schools for their children works.

Allowing parents to choose which schools their children attend is the most effective way to reform and rejuvenate our public schools. If a parent is dissatisfied with the local institution of learning, he or she can use a voucher to help pay the tuition at another school, public or private.

Not surprisingly, choice is fiercely resisted by the education establishment, particularly the National Education Association, America's most powerful union. Currently, students' interests get short shrift, but choice would force schools to be accountable to

parents. There is nothing like competition to spur reform, improve performance.

Opponents have effectively rebuffed a number of school-choice initiatives by conjuring up catastrophic consequences.

Advocates should use the example of Vermont. For over a century parents living in towns with no public high school have been able to send their kids to any schools they wish (except religious ones), in state or out, with the sending town picking up the cost of tuition for public and approved independent schools. For other schools, the sending town pays Vermont's

state-wide average tuition rate. For example, almost all the students at the highly respected, private St. Johnsbury Academy pay their tuition this way. Some Vermont high-schoolers have gone as far away as Quebec or Paris.



WHY HASN'T ALAN GREENSPAN BEEN RECONFIRMED

as Fed chairman? A handful of Senate Democrats are holding up action on him (and two new Clinton appointments) ostensibly because these legislators think Greenspan has been too stingy in printing money. Cynics think the President, who reappointed Greenspan to another four-year term, wouldn't mind seeing nothing happen through the election. Then, surmise these Machiavellian minds, Clinton can safely ditch Greenspan for someone he would truly prefer. After all, Alan had originally been appointed by the liberals' Great Satan, Ronald Reagan.

Republican lawmakers should force a hearing (which can be held in one day, not the three days Senator Tom Harkin [D-Iowa] wants). We might then actually get a salutary Senate seminar on the Fed's apparent belief in the Phillips Curve, which posits that vigor-

ous growth begets inflation, and, conversely, low or anemic growth keeps inflation under control.

The Fed gets antsy whenever growth rates exceed 2.5% for a couple of quarters. Yet, historically, we have had annual growth rates averaging over 3%. In the 1980s we experienced our longest peacetime expansion, while inflation simultaneously fell by over two-thirds. Sound money and vigorous growth can and should go hand in hand.

These blocking Senators, particularly ultra-leftist Harkin, refuse to acknowledge that, more than a cautious Fed, an even bigger obstacle to a higher standard of living

for all Americans is our horrifically complex tax code with its excessively high, growth-retarding income tax rates. The Harkinesque formula of easy money and high taxes gave us the economically devastating decade of the 1970s.



Anxious Alan is twisting in liberal and White House winds.

INDEFENSIBLE

DESPITE SOOTHING White House noises of compromise, opponents of a missile defense system may emasculate or defeat the Defend America Act. The legislation would com-

mit the U.S. to building effective defenses against ballistic missiles. The Congressional Budget Office stopped the bill's momentum by declaring that such a system would

cost up to \$60 billion. The CBO is playing games, taking the most expensive, complicated approach to missile defense possible.

A team of eminent experts assembled by the Heritage Foundation concluded what honest observers already know: A global antimissile system can be put into place for less than \$3 billion over five years by upgrading the Navy's Aegis project, a fleet/air defense system. Space-based sensors, which would greatly improve the Aegis-based



Will we ever be allowed to defend ourselves against rockets?

system, would cost about \$5 billion more.

The Administration is stalling by saying we ought to wait a few more years to see what threats may arise. That's really rolling the dice with America's safety. It won't be too many more years before North Korea will have missiles that can reach Alaska or Hawaii. Who knows what's going to happen with China, which is now trying to buy deadly SS-18 missiles from Russia and Ukraine. The time to move is now.

NUREMBERG-LIKE NONSENSE

THE ABSURDITY OF OUR OBSESSION with race and national origin was underscored recently by changes the government is considering making in how we're labeled. The Feds are thinking of adding a "multiracial" category to the current ones, such as Black, White, Asian and Pacific Islander. How, for example, are we supposed to list a child whose father is white and whose mother is Asian?

But this and other changes have got some special interests riled up. Surveys have found that with the new designation the number of people calling themselves, say, American Indian, would fall dramatically. Apparently, the wording used in the categories of race and national origin and the order in which they are listed have dramatic effects

on how people define themselves. The total of those checking off Hispanic origin would drop by nearly one-third. When it comes to race, Cuban-Americans who trace their ancestry to Spain tend to pick White over Hispanic.

The U.S. is a melting pot, and we are intermingling more and more. Thus, quota-obsessed bureaucrats are deploring how messy, how difficult it is trying to precisely categorize us. Perhaps these federal, modern-day Nurembergers might come up with another category: Mutt.

For a nation that never had a feudalistic past, that has traditionally judged people as individuals, not as members of groups or castes, this whole rignarole is preposterous and ultimately destructive.

IT'S ABOUT TIME

AT LONG LAST the Treasury Department will be selling bonds that will protect investors from inflation. This long-term debt could have coupons as low as 2.5%. Britain, which has been indexing its government paper since the early 1980s, now sells 30-plus-year bonds with interest rates averaging 3.5%.

The virtue of an indexed bond is that the rate is real—both principal and interest are adjusted for inflation. If we had started indexing when the Brits did, we would have saved literally tens of billions of dollars in interest costs on financing the national debt.

The Treasury Department and bond dealers have long resisted the idea. Dealers feared that indexing would reduce the volume of trading because investors wouldn't have to fear major interest rate swings.

The Clinton Administration, of course, has made this move for short-term advantage. It has been reducing the average length of our debt to cut the budget deficit

because short-term rates are usually lower than long-term rates. Indexing will allow the Treasury to issue longer-term maturities and avoid the penalty of higher coupons. Treasury Secretary Robert Rubin obfuscated that less than pure motive with some P. T. Barnum-style hype, declaring that indexing would boost the national savings rate and improve our standard of living.

Still, this long overdue move is sound. Indexing will avoid a repeat of the shafting investors got during the great inflation of the 1970s, when the government effectively repudiated a sizable portion of the national debt. Investors holding fixed-rate bonds of 2% to 5% saw the real value of their securities shrivel.

These indexed bonds will be a natural for retirement plans such as 401(k)s. By the way, if Treasury wants individuals to buy this paper, it will have to ban the IRS from taxing this inflation-principal as income. Otherwise, buyers will owe tax on *noncash* income.

Treasury Plans to Sell Inflation-Indexed Bonds

—THE WALL STREET JOURNAL

RESTAURANTS—GO, CONSIDER, STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Tropica Bar and Seafood House**—200 Park Ave., the Met Life Building, at 45th St. (Tel.: 867-6767). A delightful oasis in the midst of Midtown madness. Emphasis is on fresh, well-prepared seafood, but you can also get steak or grilled vegetables. Don't miss the passion and mango fruit soup with fromage blanc, garnished with raspberries.

● **Zinno**—126 West 13th St. (Tel.: 924-5182). Easy-going Village restaurant with fine Italian food, attentive service, live jazz, soft lighting and reasonable tab.

● **Cendrillon**—45 Mercer St. (Tel.: 343-9012). Open kitchen belches smoke and food smells, and noise level prohibits conversation. Food, inconsistent; service, good.

● **Zoë**—90 Prince St. (Tel.: 966-6722). Beautiful, earth-toned, coppery terra-cotta decor, more reminiscent of Malibu than of Manhattan. Highly recommended: crispy calamari with Vietnamese dipping sauce; shrimp and saffron chowder; aged sirloin steak with sourdough onion rings; grilled loin of lamb with horseradish gratin. ■

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INDEFENSIBLE

PRESIDENT CLINTON'S VETO of the partial-birth abortion bill was unconscionable—politics at its worst. *Unctuous* utterances to the contrary, this move was motivated purely by political calculation, ignoring the moral dimension entirely.

The procedure is performed with the baby's feet already out of the womb. The trick for the abortionist is to crack the skull and use an instrument to suck out the brain before the baby's head is expelled. If that isn't homicide, what is?

The bill allows the procedure if the mother's life is at risk. (But that still begs the question: Hasn't the birth, for all intents and purposes, already taken place? The only difference is that the baby is dead, not alive.)

No wonder many pro-choicers supported the ban. And the Catholic church hierarchy, from the Pope on down, has vigorously condemned the veto, and even has publicly condemned the President by name.

The White House cynically calculated that a veto would appease hard-core feminists and not provoke much reaction elsewhere. Given the relative lack of media coverage of this hideous decision, however, the President's political operatives may have been right.

Still, it's stomach-churning, even in an election year, to see the President of the United States so devoid of any genuine moral sense and fiber.

IT WILL HAPPEN

AS REPUBLICANS PONDER whether to make the flat tax a major part of their campaign agenda, the idea of radical simplification gathers momentum elsewhere. In tax-crushed Germany, three of the four principal political parties are seriously intrigued with tax reform, and the two governing parties are putting together their own proposals. Across the

world, the Philippines is well on its way to enacting a Hong Kong-like flat tax. The Philippine congress is reading legislation with a flat rate of 15% and exemptions that will remove about 60% of the population from the tax rolls. Both countries are coming to recognize the enormous economic energies that will be unleashed with a simple, low-rate tax regime.

A STILL-PITIFUL PERFORMANCE

THE REACTION to the recent news that the economy grew in the first quarter at an annual rate of 2.8% is astonishing. This anemic expansion, while better than the stagnation of previous months, was treated as if the country were exploding with growth on the double-digit scale Japan once enjoyed. Why have our national authorities and economists become so pessimistic in their expectations of what we can do?

Given fundamentals today, the U.S. should be experiencing growth rates rivaling those of the early 1960s,

when annual expansions of 5% were the norm.

We have had a robust investment boom since the early 1980s. Our manufacturing is once again world-class. Our high-tech prowess—software; microprocessors; fiber optics; Internet and biotechnology—is far ahead of that of other nations. Yet the first quarter's unimpressive performance triggered a selloff of bonds and stocks for fear the Federal Reserve would tighten credit to slow things down.

The American people know we should be doing far better.

ANTI-AMERICAN NATIONALISTS

in Russia and China are pushing their governments to reach a fundamental rapprochement. The idea is to tie these two giants close together economically and diplomatically, thereby better positioning both to resist human-rights and free-trade pressures from Washington. Russian and Chinese authoritarians see such an intimate tie as a way of short-circuiting their domestic democratic reformers.

The move, in spirit, would be rem-



China's President Jiang, Yeltsin: Ultra-nationalists want closed-door U.S. policy.

iniscent of the 1922 Soviet-German Rapallo Treaty, which was designed to make it easier for the two then-pariah countries to escape the diplomatic and military strictures of the Western powers. Germany's military was thus able to begin reviving itself years before the Nazis took power.

While a modern Rapallo may strike American diplomats as a fantasy, our continuing foreign policy dithering and drift make such an anti-An

ican, antidemocratic move more and more plausible.

Unfortunately, if reelected, the Clinton Administration will likely respond to these two nations with appeasement. But, over time, a combination of firmness and sensible economic initiatives would effectively undercut these two

states' xenophobic forces. For example, Russia's crippling inflation, which has given new life to the Communists, could easily have been avoided if the U.S. hadn't washed its hands of helping Russia reform its economy and turned the task over to the International Monetary Fund.

NOT COST-FREE

A REPUBLICAN CALIFORNIA STATE SENATOR has come up with a proposal that gives a reality-based dimension to the minimum wage debate. Senate Minority Leader Rob Hurtt's bill provides businesses with a tax credit equivalent to the cost of the proposed increase in California's minimum wage. For example, if, due to a minimum wage increase, a fast-food outlet's base payroll costs were to go up by \$5,000, the state would match that sum with a tax credit for the company. (Keep in mind that the tax credit would only apply to workers at the current minimum-wage level, not those making somewhere



Senator Hurtt: Minimum wage reality check.

between that and the new minimum wage.)

Democrats are yelping, but this legislation underscores the fact that raising the minimum wage will have direct, destructive consequences.

There are better ways to help those striving to get ahead. Restructuring the Earned Income Credit, for example, would rebate much of the payroll tax to struggling wage earners with dependents. Such a move would increase workers' take-home pay without burdening businesses. Reducing the payroll tax for those making low wages would accomplish the same thing.

HARLAN HAD IT RIGHT

A CENTURY AGO, in *Plessy v. Ferguson*, the Supreme Court upheld the legality of racial segregation by a 7-to-1 decision. The guiding principle of the lone dissenter, Justice John Marshall Harlan, still hasn't been realized today: "Our Constitution is color-blind, and neither knows nor tolerates classes among citizens. In respect of civil rights, all citizens are equal before the law. The humblest is the peer of the most powerful."

Harlan noted how the 13th, 14th and 15th amendments to the Constitution had the express purpose of removing "the race line from our governmental systems. . . . In respect of civil rights, common to all citizens, the Constitution of the U.S. does not permit any public authority to know the race of those entitled to be protected in the enjoyment of such rights."

Discrimination should be, and is, illegal, but group-based favors on the part of the government are antithetical to the American ideal of equality before the law.

Most Americans understand that one basic tenet of American citizenship is that we be judged as individuals,

not as members of groups. Yet Harlan's correct reading of the Constitution is still largely ignored by our courts today. When, in 1954, *Plessy v. Ferguson* was finally overturned

by the Supreme Court, the High Court did not banish the use of race in the enactment or enforcement of laws. Our Justices still do not see the Constitution as color-blind.

Harlan was more on target than perhaps even he realized when he noted in his *Plessy* dissent that "the judgment this day rendered will, in time, prove to be quite as pernicious as the decision made by this tribunal in the *Dred Scott* case."

There are a number of actions the government can take to enhance opportunity: tax, monetary, and regulatory reforms, so that we can have a vibrant economy; enterprise zones

to revive inner cities; school choice, so that all children can get a quality education; welfare reform, so that the system does not destroy the very people it is supposed to help; tenant-controlled public housing; renewed emphasis on marriage, etc. But a quota system is not one of them.



Harlan: Exemplar of equality before the law.

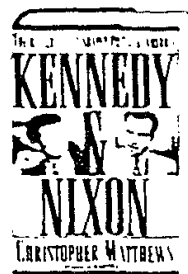
CONTENTIOUS CONTESTANTS

Kennedy & Nixon: The Rivalry That Shaped Postwar America—by Christopher Matthews (Simon & Schuster, \$25). Well-told tale of the oft-jugular-esque jousting between two fiercely focused, fast-rising, "new generation" World War II veterans who—each in his own way—were outsiders. Their competition, at first friendly, turned bitter as the young men fought for the summit in 1960. Their antagonism scarred American politics.

Nixon felt that JFK won the incredibly close 1960 election through fraud, and saw himself as the victim of a media double standard. Nixon never got much credit for not challenging the election—he feared that, at a time of intense enmity with the Soviet Union, the

resulting uncertainty might damage the free world. Although familiar with the brass-knuckled nature of politics, Nixon vowed that in the future he would out-tough the toughest. But in doing so, he fatally lost his moorings. The Kennedy clan arrogantly saw Nixon as a usurper, and Ted Kennedy played a pivotal role in unraveling Watergate.

Excerpt: *From the moment Nixon was elected president, major forces were collaborating in his downfall, all sprung from the legacy of John F. Kennedy. They included the capital's bureaucratic, media and social establishments, each spurning the Republican arrivistes with the same efficiency with which the human body rejects foreign tissue.*



"With all thy getting get un...standing"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



HILLARY CLINTON'S TRIUMPH

ADVOCATES of nationalized health care are on the verge of a stunning achievement with the passage of the Senate's Kennedy-Kassebaum bill. This legislation is portrayed as a benign way of making it easier for people to keep health insurance when they change jobs or to buy insurance if they are in less-than-perfect health. Actually, if this becomes law, it will put us on a fast track to Hillary care. Yet few foes of her socialized monstrosity are fighting what one opponent has rightly called a "Trojan pony."

The First Lady must be beaming. The enforcement language is lifted almost directly from Clinton care. Ferocious penalties litter the House version of this legislation. For instance, doctors face heavy fines if they are deemed to have delivered "unnecessary" health care services. And who determines what is unnecessary? You guessed it—federal bureaucrats, not physicians.

Where was the American Medical Association when such provisions were slipped in?

The Senate bill is written in a way that guarantees the eventual imposition of federal price controls. Right now, there are no caps on premiums—which will rise big-time because of the bill's mandates on who is eligible for insurance. Washington State, for example, has Kennedy-Kassebaum-like guarantees. Premiums for individual policyholders have skyrocketed. As prices go up, young, healthy people won't bother to buy insurance. The whole process will thus create irresistible pressure for federal controls "to make insurance affordable." There are other flaws here. The bill blithely guarantees that mental health coverage will equal coverage for physical ailments; this is an open invitation for massive abuse. Rules, mandates and caps will proliferate.

The Senate version doesn't even contain a provision for Medical Savings Accounts, the only hope for restoring true freedom and consumerism to the health care field.

Is this what voters elected a Republican Congress for?

CHINA

IN A FEW WEEKS CONGRESS will debate whether or not to renew China's so-called Most Favored Nation status. This is an opportunity for a hard look at our relationship with this increasingly critical nation.

The U.S. should take a several-pronged approach. We should continue MFN. Otherwise, rapidly growing Sino-American trade will collapse. As we've seen in other countries, an expanding economy helps to create the internal forces that push for political reform and that do not tolerate capricious, corrupt totalitarianism. Of course, economic expansion alone is no guarantee of political liberalism. But without it, the chances for long-term reform in China are almost nil.

At the same time, though, Washington should strongly, repeatedly condemn China's miserable human rights record; Beijing most fears international criticism. Barbaric abuses are widespread. China is doing a brisk trade in selling human organs such as kidneys, and routinely harvests these organs from executed prisoners. Even more gruesome are reports that some organs are removed before execution or before the prisoner is actually dead. The horrors of China's orphan-

ages that are no more than death factories have been well publicized, as have the misuse of prisoners for slave labor and the ongoing crackdowns on dissidents.

Furthermore, we should keep pressuring China to cease its rampant piracy of our software and other intel-

lectual property. One way to do this is by filing suits in our courts. Beijing must understand that it has no hope of becoming part of the World Trade Organization or the International Monetary Fund until there are real changes in its commercial behavior.

The communist government is desperately trying to control the flow of information into China. We can help undermine this monopoly not only by boosting Voice of America broadcasts but also by creating an entirely new Radio Free Asia service. The model here should be the extraordinary success of Radio Liberty and Radio Free Europe in undermining communism in the former Soviet Empire.

Diplomatically, we should not shrink from military arms sales to Taiwan or from Seventh Fleet maneuvers in the Strait of Taiwan. And we can certainly highlight



Chinese orphans are systematically starved, Nazi-style.

HUMAN RIGHTS WATCH

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China's sale of nuclear parts and equipment to other nations. Why don't we stop our *own* flow of our militarily sensitive high tech, such as supercomputers and hot-

section (jet engine-cooling) technology, to China?

Congressional Republicans can use the MFN debate to give our China policy focus and direction.

TIME TO TELL ASSAD WHERE TO GET OFF

THE CLINTON ADMINISTRATION should cease its relentless, nice-guy wooing of Syria's thug dictator, Hafez Al-Assad. This guy is playing us and the Israelis for suckers. If Assad is genuinely interested in a peace agreement with his longtime Jerusalem foes, let him prove it. It is counterproductive and unbecoming of our Secretary of State to make repeated trips (20 so far) that look like nothing more than exercises in bootlicking. Assad has no compunctions about snubbing Warren Christopher.

Why the U.S. and Israel continue to have illusions about this gangster is a mystery. Assad rules with sadistic, Sadaam-like ruthlessness. He has killed tens of thousands of his countrymen. He has effectively annexed neighboring Lebanon with a military occupation of more than 30,000 soldiers. While making noises about being interested in peace with Israel, Assad allows Hizballah, the principal

terrorist group attacking the Jewish state, to operate out of Lebanon. The Israelis have made clear that they are willing to make serious concessions in order to reach a peace agreement, but Assad has not reciprocated.

As long as President Clinton and Secretary of State Christopher treat this clever killer in an abject, groveling manner, Assad will feel no need to be forthcoming.

What to do? Restrict U.S. travel to Syria, as we do to Iraq. Cease Christopher's hat-in-hand, Willy Loman-like visits to Damascus. Bluntly tell Assad to forever forget the idea of the U.S.'s stationing troops in the Golan Heights; if a peace pact is that shaky, we'll have no part of it. Blackball any Syrian loan applications to the International Monetary Fund or the World Bank. Let Syria know it must cut a deal directly with Jerusalem; we won't be a tool for pressuring the Israelis.



REUTERS/REINHARDT

Bloody bully Assad is oblivious to American charms.

DISHING DEMOCRATS' DESTRUCTIVE DEMAGOGUERY

REPUBLICANS GOT BATTERED in the minimum wage battle by letting Democrats wrap themselves in the mantle of compassion and by not aggressively making constructive counterproposals. Raising the rate invariably destroys jobs for unskilled or first-time workers. Even Clinton poooh-pooohed the idea until the election year loomed.

There are a number of ideas the GOP could package to reoccupy the high ground of growth and opportunity:

- Liberalize the earned income credit (EIC). This would direct money to low-income wage earners with dependents, increasing their pay by up to \$900.
- Cut the payroll tax, a job-killer. Lower-income workers would keep more of their earnings, and the cost of labor to employers would be lessened, helping create more jobs.
- Get rid of the self-employment tax for teenagers. To avoid the plethora of employment taxes, many employers pay young workers as if they were independent con-

tractors. At the end of the year the kids get a 1099 form—and a major tax liability of 14%.

In addition, the GOP should throw into any future mix the *elimination* of the earnings test for Social Security recipients between ages 65 and 69. The GOP originally had proposed raising the limit from last year's \$11,280 to \$30,000 by the year 2002. Washington would not lose money because more work would go on the books and numerous people would boost their incomes. Right now this age group faces a tax rate that can approach 80% on each additional dollar earned.

The GOP should also include raising exemptions for dependents. But most important, this package must reduce the capital gains tax. Such a reduction would give Uncle Sam tens of billions of dollars of extra revenue, more than covering the alleged costs of these other goodies. More meaningful, a lower tax would mightily help job creation.

UNCIVIL REACTION

Ken Burns's **THE CIVIL WAR: Historians Respond**—edited by Robert Brent Toplin (Oxford University Press, \$24). An eye-opening "read" if you have seen PBS' extraordinary Civil War series. The 11-hour documentary deals well with the war itself and the major issues and forces, particularly slavery, surrounding it. Brilliant use of diaries and letters of soldiers and civilians, as well as of the speeches and remarks of statesmen, gives this narrative of America's epochal, nation-reshaping conflict a human dimension. The series' success brought in its wake withering attacks from various academic quarters. The essays in this volume include both praise and criticism. Despite their vigorous,



passionate arguments, the faultfinders come up short. History is ultimately interpretation, and the series' creators ably validate theirs. Scriptwriter Geoffrey C. Ward succinctly demolishes the negativists' analyses.

Surprisingly, most of the attacks come from the Left, even though the production puts unusual emphasis on nonmilitary aspects of the seminal event in our history. It provides, for example, full play to modern, controversial theories about slaves' self-emancipation. Most of the series' shortcomings could be summed up in a quote of Lincoln's that producer-director Ken Burns cites in his chapter in the book: "We must use the tools we have." ■

"With all thy getting get und...nding"

Fact and Comment

By Steve Forbes, *Editor-in-Chief*



EXPANDING NATO'S NET

THE U.S. AND ITS ALLIES should bite the bullet, so to speak, and expand NATO after Russia's presidential elections. Poland, the Czech Republic and Hungary have been knocking on the alliance's door for years.

Washington has dithered for fear of offending Russia. Actually, NATO's enlargement would enhance the forces of peace and democratic reform in that part of the world. Extreme Russian nationalists would see that they could not recreate the old Soviet Empire. Russia's beleaguered democratic forces could point to the NATO move as evidence that the West won't be cowed by some new form of Moscow militarism. Ukraine's chances of maintaining independence would be bolstered by having neighboring

Poland come under the West's protective umbrella.

The added security for Poland, Hungary and the Czech Republic would help democracy sink real roots in these countries, just as happened in Western Europe in the late 1940s with the creation of NATO.

Czech President Vaclav Havel knows how precarious democracy and freedom can be. In the 1930s and 1940s Western democracies turned their collective back on the Czechs. Havel wants no repeat of that, so has striven mightily to establish as many institutional ties to the West as possible.

The need for NATO will wither away if Russia develops along democratic lines.

But, if xenophobic nationalists continue to gain influence, an expanded NATO will guarantee central Europe's safety.



Czech President Vaclav Havel: No illusions about security.

BAD MATH ADDS UP TO BAD POLICY

REPUBLICANS ARE MAKING a major mistake by not overhauling the way the Congressional Budget Office calculates the impact tax code changes have on federal revenues. The current scoring method, so-called static analysis, assumes a tax cut is a revenue loser; a tax increase, a revenue gainer. It ignores the effect changes have on people's behavior.

Dynamic economic modeling would make clear to Congress how tax revisions affect revenue. For example, the Joint Tax Committee says that reducing the capital gains tax from a maximum of 28% to just under 20% would cost Uncle Sam \$32 billion. In fact, every time the capital gains levy has been cut, revenues from it have gone up, not down. In 1978 the Treasury Department warned that a proposed rate reduction would slice revenues 20%.

Congress passed the cut anyway, and revenues rose 20%.

After the maximum capital gains levy was boosted by 40% in 1986, the CBO expected annual receipts to more than double by the early 1990s. Instead, receipts and realizations have remained stuck around the 1987 level—a \$150 billion error in capital gains realizations.

Several states employ variations of dynamic modeling. But some congressional Republicans have been cowed by the threat of being charged with cooking the books. Still others wanted to stick with static analysis, thinking it was going to help them whack spending even more so that they could finance their promised tax cut. Instead, this conflict, exacerbated by the need for deeper cuts in the budget, is a critical reason we have no tax-cut legislation today.

KIDS' SAFETY A HIGHER PRIORITY THAN MOLESTERS' "RIGHTS"

A NUMBER OF FEDERAL JUDGES have become hostile to states that pass variations of Megan's Law. Under this law, any convicted sex offender must register with local police. Depending on the circumstances, neighbors, schools and certain types of organizations can be notified if child molesters and rapists are living in or move into the community. Since the relapse rate of these predators is high,

Megan's Law provides added protection to the public.

Tragically, some federal courts are taking the attitude that this "additional punishment" is unconstitutional. Federal judges in several states have blocked community notification laws. This judicial concern is misplaced. There's nothing in the Constitution that says the rights of children or parents should take a back seat to those of convicted sex offenders.

Mounting Legal Assault Against 'Megan's Law'

Class-Action Status Leaves Law in Limbo

—New York Times

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HOME RULE

WHEN PRESIDENT CLINTON recently announced a plan making it easier to toss drug dealers and other criminals out of public housing, he unwittingly underscored the reason tenants need more control of their buildings.

The White House directive is eminently sensible; an entire household can be evicted if just one of its members (or a guest) is involved in selling narcotics or engaged in a violent crime; there will be more thorough screening of potential tenants' backgrounds to weed out those with criminal records. Local housing authorities will have cash incentives to vigorously enforce these approaches.

All of this, of course, begs the question: Why weren't these measures enacted sooner? Answer: Many were declared law in 1988, but most housing authorities never bothered to enforce them. You can bet that plenty of tenants would have chased criminal elements out of their projects had they been allowed to do so. Control

from a distance is no substitute for on-the-spot authority.

Bureaucrats who run public housing often focus on the wrong problems. For example, those in charge of some Connecticut public housing projects that are plagued by crime and bad maintenance are forcing tenants to get rid of their dogs. One can understand a decree about pit bulls, but Labs, lapdogs and poodles are hardly a threat to people's well-being. It's some bad characters, not the animals, who are at the root of major problems in public housing. If tenants were running the projects, they could make such commonsense distinctions.

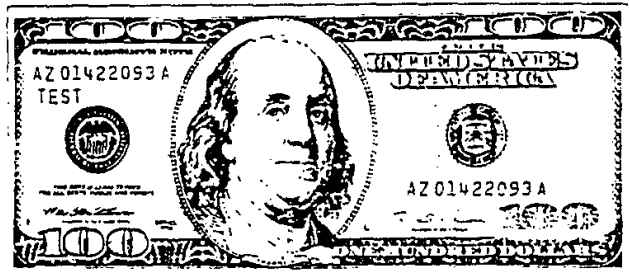
Washington is often a destructive force. Years ago, many public housing projects gave preference to married couples. But then attitudes in Washington changed, and preferences based on marital status were no longer accepted. It is hard to believe that residents could do a worse job of running public housing projects than have Washington and local housing bureaucracies.



With tenant control, there will be fewer troublemakers in housing projects.

YECH!

THE NEW \$100 BILL, designed to be counterfeit-proof, looks like a fake. Some play money used for games appears more authentic. Take the federal seal on the left—the eagle resembles something that might have been smudged on a common photocopier. And to think that other dollar denominations may go this route! Is it beyond the capacity of the government to simultaneously foil counterfeiters and create bills that resemble what we think of as the real stuff? Not since the Susan B. Anthony dollar coin, which feels and looks like a quarter, has there been such a dud as this.



HISTORY AT ITS READABLE, JUDGMENTAL BEST

Drawn With the Sword—by James M. McPherson (Oxford University Press, \$25). Marketers say that the description "collection of essays" is off-putting to most book buyers. In this case it shouldn't be. The combination of an always fascinating subject, the American Civil War, and an author with an absorbing, lucid, succinct style of writing gives you a book that you won't be able to put down. McPherson's appraisals, positive or negative, are always plausible. The author also explores the context of the times in which decisions were made. And he never falls into the trap of assuming that because events happened, there was a certain inevitability about them.

This book makes us appreciate more deeply President Lincoln's greatness. General Grant, too, gets his often overlooked due. McPherson's writing demonstrates how swiftly fortunes and attitudes change, especially in the hyper-pressurized atmosphere of war. One side can be riding high, but in just a matter of days or weeks its fortunes can collapse.

The author closes this short volume by gently taking his peers to task for their general unwillingness to write for a nonacademic audience.

Excerpt: Lee's strategy of attrition almost worked. That it failed in the end was owing mainly to Grant, who stayed the course and turned the attrition factor in his favor. Although Confederates had the advantage of fighting on the defensive most of the time, Grant inflicted almost as high a percentage of casualties on Lee's army as vice versa. Indeed, for the war as a whole, Lee's armies suffered a higher casualty rate than Grant's.

Excerpt: Lincoln did not accomplish [the end of slavery] in the manner sometimes symbolically portrayed, breaking the chains of helpless and passive bondsmen with the stroke of a pen by signing the Emancipation Proclamation. But by pronouncing slavery a moral evil that must come to an end and then winning the presidency in 1860, provoking the South to secede, by refusing to compromise on the issue of slavery's expansion or on Fort Sumter, by careful leadership and timing that kept a fragile Unionist coalition together in the first year of war and committed it to emancipation in the second, by refusing to compromise this policy once he had adopted it, and by prosecuting the war to unconditional victory as commander in chief of an army of liberation, Abraham Lincoln freed the slaves



"With all thy getting get un...standing"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



DO SOMETHING POSITIVE—NOW

AMERICA NEEDS a tax cut now that will slash the capital gains levy, give families higher deductions for their children and abolish the earnings cap on Social Security recipients.

Despite a few encouraging signs, the economy continues its lackluster pace. This expansion has been the slowest of the last 50 years. The tax hikes of 1990 and 1993 badly hurt our ability to perform to our full potential. The Federal Reserve's misguided notion that credit must be tightened when growth exceeds 2.5% has also been an unnecessary burden.

The tax cut should not be encumbered with contentious spending "reductions." Let Clinton and the

Democrats take on the Hooveresque mantle with their cries that cutting taxes will increase the deficit. Let Republicans gleefully, vociferously counter those cries by proclaiming that growth is the most potent antidote to Washington's red ink. If Clinton vetoes the tax cut, Republicans will have a defining issue this fall.

The GOP should have learned during the last 12 months that overfocusing on spending is a futile exercise. Without a genuine growth agenda, Republicans will lose the high political ground to the Democrats, and expanding spending will continue unabated.

REPUBLICAN Rx

REPUBLICANS ARE IN DANGER of making a hash of what should be a winning issue—medical savings accounts. MSAs give consumers more choice and more control, at less cost, over how their health care dollars are spent. Beneficiaries receive a certain amount of money each year, say \$2,000, for routine expenses. Any saving is money in their own pockets. They also get a high-deductible catastrophic policy, which costs only a fraction of other health insurance policies today.

MSAs help control costs through more consumer involvement and by sparing insurers reams of paperwork in covering routine expenses.

A number of private companies, including FORBES magazine, have tried variations of MSAs, with considerable success. Despite many serious employee illnesses last year, medical expenses at the magazine are less today than they were four years ago, when we implemented our plan, and we achieved this without managed care.

The House has passed a health care bill with a provision for private-sector MSAs. But those without company-paid insurance still get little or no help from the tax code in buying a health insurance policy. Even the self-employed are allowed to deduct only 30 cents on the dollar; by 2002, that will rise to a mere 50 cents. One of the virtues of MSAs is that they equalize tax treatment between individuals and employers. Employers now get to buy insurance with pretax dollars; most individuals, with aftertax income. The legislation should extend MSAs to all, not just those on corporate plans. The Senate has no MSA provision whatsoever.

MSAs would work particularly well with Medicare. The GOP suffered last fall when it mistakenly got into the swamp of deciding how much to hike Medicare co-payments and premiums. Instead, the focal point should have been MSAs.

An individual on Medicare would annually receive between \$1,500 and \$2,000 in his or her MSA. The exact amount would depend on whether the person chose a fee-for-service plan or some other form of managed care. The 38 million people on Medicare would have a powerful incentive to make sure they got the best possible prices for prescription drugs and to deter unnecessary doctor visits, which often occur under the current regime.

The other attractive feature of MSAs: Each beneficiary would have 100% coverage when annual expenses exceeded \$3,000. Medicare currently has enormous gaps in coverage. With MSAs people would immediately save money because they would no longer have to buy expensive "Medigap" insurance. Nor would they be open to the unlimited liability they now face with Medicare's Part B, particularly its

uncapped 20% co-pay provisions. And individuals would not have to fret about those high deductibles for Part A.

Too often Washington sees program changes as a zero-sum game. MSAs positively alter the dynamics of Medicare and private health care so that beneficiaries come out ahead and taxpayers save money. The National Center for Policy Analysis estimates that MSAs would cut estimated Medicare expenditures for the next seven years by \$195 billion.



Gingrich and Dole: Medical savings accounts can help the GOP recover from last fall's Medicare debacle.

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SOCIAL SECURITY SOCIALISM

A FEDERAL ADVISORY PANEL has broached the idea that Social Security be allowed to invest part of its surplus in the stock market. Social Security currently turns over the money to the Treasury Department for low-interest-rate securities.

The idea of the U.S. Government buying stocks is nonsensical. Whatever the supposed safeguards, does anyone believe politicians could long resist the temptation to meddle in the management of private corporations, especially during an election year?

The sums are not insignificant. Thanks to the demographic bubble of the post-World War II baby boomers, Social Security trust funds now have surpluses approaching \$500 billion and will rack up annual excesses of tens of billions of dollars for another 12 to 15 years.

There are better ways to correct this. One would be to start a new system for younger people, where a portion of

the payroll tax that now goes to Washington to subsidize the national debt would instead go directly into the equivalent of individual savings or retirement accounts. Younger people would have more when they retired than they'll get with the current system, which, despite present surpluses, will go bankrupt sometime in the next century. The money would be invested in the real American economy, but the securities would belong to individual Americans.

The numbers are potent. Take a 20-year-old today making \$15,000 a year. If the payroll taxes (now \$1,860, including the employer portion) were deposited each year into a retirement account earning the historic stock market average, he or she would have around \$1 million at age 65.

Another solution would be to let all working people receive a pro-rated share of the annual surplus that would be deposited into their own retirement accounts.

"NO" TO NATIONAL ID CARDS

CONGRESS IS READY to pass legislation to curb illegal immigration. Some of the provisions—strengthening border patrols, streamlining deportation procedures, denying welfare benefits to "undocumented persons"—make good sense.

There are two stipulations, however, that should be junked. One would permit states to bar the children of illegals from attending school. Pending deportation hearings, doesn't it make sense to have these young people in our schools instead of roaming the streets?

The idea of a national ID card, fortunately, has been put on hold. But the Senate bill has a provision for a five-state experiment in which employers would call a 1-800 number to verify the bona fides of a job applicant. Proponents see this as a first step toward a national computer registry. No one could get a job unless the employer cleared the applicant with the registry. Talk about a big-government power grab; imagine having to call 1-800-Big Brother to get Washington's approval to hire someone! This "trial" should be scrapped.

ENCOURAGING THE LIVING TO LIVE

THE STATE OF WASHINGTON, thankfully, is fighting a recent Appeals Court decision that permits doctor-assisted suicide. This Nazisque ruling should be resoundingly overturned. We are not talking about comatose bodies attached to respirators; nor are we talking about patients who refuse medication. The issue is a moral, not a medical, one.

The moral thrust of society should be to encourage people to live rather than to make it easier for them to die. Our ability to overcome medical or emotional adversity is immeasurably enhanced if society's ethic is that we should try to carry on, that our courage in not giving up will give others courage when a crisis hits them. We need this mutual reinforcement among family, friends and community.

Otherwise, we will have a hideous culture where the vulnerable will feel guilty if they don't give up.

The so-called right to die would soon become the duty to die. One can hear the rationales now: "How dare the infirm and the elderly continue to absorb such vast amounts of health care resources when they are probably not going to live much longer anyway!" As already has happened in the Netherlands, doctors here would take it upon themselves to make decisions about a patient's "quality of life." (The Appeals Court decision grants to others the authority to end a patient's life without the patient's involvement if he or she is incompetent. Given the underside of human nature, we will have all too many cases where relatives will want to hasten the end for selfish personal or monetary reasons.)

The Constitution guarantees our basic right to life, liberty and the pursuit of happiness. Euthanasia is the antithesis of what our Founding Fathers intended.



Christine Gregoire,
Attorney General
(Wash.); Fighting for life.

RESTAURANTS—GO.

Here is the distilled wisdom of brothers Bob, Ken and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Ithaka**—48 Barrow St. (Tel.: 727-8886). First-class appetizers and noteworthy specials: sweetbreads in light, fresh tomato sauce and herbs; eggplant stuffed with file; mignon; tender lamb baked in a clay pot with orzo.

● **Jimmy Sung's**—219 East 44th St. (Tel.: 682-5678). Very gracious hospitality, with private dining rooms offered to parties of five or more.

● **Wilkinson's Restaurant**—1573 York Ave., near 83rd St. (Tel.: 535-5454). Fried calamari, perfect; crab cakes with chipotle chili butter sauce and corn and black

, STOP

bean salad, delicious. Exquisite entrees, such as pan-seared, crumb-coated tuna with oriental vinaigrette and Japanese vegetable slaw; and pan-roasted lobster with sweet ginger sauce and brown rice.

● **Dava**—340 Lexington Ave., near 40th St. (Tel.: 953-3282). The food, often tepid. The tab, steep.

● **Etats-Unis**—242 East 81st St. (Tel.: 517-8826). Try souffled Dungeness crab pudding with lemon and thyme crab sauce. And don't miss the meatloaf and garlic mashed potatoes.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



FAULTY REASONING

WHEN THE STOCK MARKET PLUNGED 3% on Friday, Mar. 8, the culprit was instantly pegged as February's unexpected surge in jobs. Evidence of such strong growth in the economy, it was explained, would forestall any move by the Federal Reserve to lower short-term interest rates further. When the market turned up on the following Monday, pundits concluded that the good news on jobs may have been an aberration, a one-time uptick compensating for the loss of jobs in January. The economy may not be so strong after all. The Fed could still cut rates.

Not surprisingly, the theme here, that what is good for working Americans is bad for Wall Street and vice versa, was quickly picked up by the media. This headline was

typical. But for such an analysis to be true, the capital markets would have to be perverse. They are not; the analysis is flawed. Totally overlooked is the fate of the capital gains tax.

Until recent weeks it was assumed a reduction in the capital gains tax rate would be part of any budget package. But now the outlook for such a cut has dimmed markedly. This growing uncertainty is what underlies the market's volatility. And without a cut in the capital gains tax rate, the prospects for a growing economy diminish. A slowdown will hit hardest

the newer, smaller companies that create most jobs in America. That would be bad news for working people and for Wall Street.

COVER STORY

Job gains send markets into tailspin

—USA TODAY

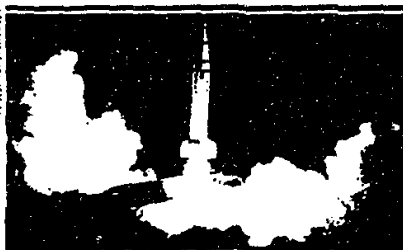
NO MORE APPEASEMENT

THE BULLYING OF TAIWAN is unacceptable. It should lead to a thorough reappraisal of U.S. policy toward China. Since the U.S. formally established diplomatic relations with China in 1979, we have accepted the so-called one-China doctrine. Diplomatic cooperation between the U.S. and China during the last decade of the Cold War kept pressure on the Soviets, and as China pursued more market-oriented economic policies, trade and investment expanded enormously. With \$57.3 billion in bilateral trade between the U.S. and China, both countries have benefited significantly. But America has been proceeding on the assumption that China would not use force in reuniting with Taiwan.

China's recent words and actions have put this bed-

rock principle in question. By lobbing "test" missiles into the sea near major Taiwanese ports and warning off shipping from the Strait of Taiwan during military exercises, China has disrupted Taiwan's economy and international trade. China's quasi-blockade has forced airlines and shipping companies to reroute and has sent Taiwan's banks and capital markets reeling. Remember, military blockades are generally considered acts of war.

The U.S., through its policy of deliberate ambiguity, escalated the crisis. To give China pause we must be clear and firm. By threatening Taiwan with force, China has put the very concept of one China in jeopardy. At stake here is much more than good economic relations.



One of four missiles China has test-launched near Taiwan: The intimidation can no longer be tolerated.

NUCLEAR TIME BOMB

SWAGUANA, THE CUBAN nuclear power plant, is only 180 miles from Key West, Fla. Begun around 1983 and mothballed in 1992, when money and Russian assistance ran out, this nuclear power complex is a potential nightmare for America. Even though the Cuban reactors are

of a different type from the one that caused the disaster at Chernobyl in Ukraine, there are real doubts about their safety. (Germany, which inherited four similar plants from East Germany, shuttered them as soon as possible because of grave safety deficiencies.) Questionable design

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is not the only issue. Cuban defectors who were involved in the operations at Juragua have detailed numerous defects, including flawed welds, faulty materials and shoddy workmanship. Despite mothballing, corrosive tropical air is already taking its toll on equipment.

In testimony before the House last August, a General Accounting Office (GAO) official spoke of Juragua as a "nuclear plant in a state of deterioration." In addition, he discussed allegations by a former Cuban nuclear plant worker that safety training and procedures are inadequate.

What is the risk to America? In a study requested by the GAO, the National Oceanic and Atmospheric Administration concluded that within four days of an accident, radioactive pollutants could cover all of Florida, be carried as far west as Texas and as far north as Washington, D.C. Nonetheless, completing this nuclear facility remains a top priority of Fidel Castro's regime, and the Russian Ministry of Nuclear Energy has agreed to help find foreign financing for the project and to involve Western companies in finishing the job.

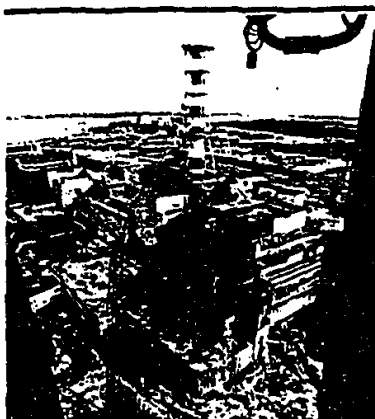
In the past the Soviets subsidized Cuba by selling it oil at low prices while paying top dollar for Cuban sugar. But that

arrangement ended with the breakup of the U.S.S.R. Now Castro is counting on the development of tourism and other industries to revive Cuba's economy and bail out his regime, but without a new source of cheap power this won't be possible. No wonder one top Cuban official was quoted

in the *New York Times* as saying, "Nobody is more interested in not having to build this power plant than us. But the problem is that we have no choice." In other words, the pressure for political change will grow unless Castro can get Juragua on line.

Here is an opportunity for the U.S. to protect its citizens from a possible nuclear catastrophe and nudge Castro closer to the exit. The Clinton Administration must resist suggestions being made that it open relations with Cuba or that it provide technical assistance for completion or operation of Cuba's nuclear plant. We must make clear that any government or company providing equipment, financing or assistance to this project will lose access to the U.S. market.

Cuba and the rest of the world must also understand that there will be no U.S. bailout of the project, no payoff through financial support and no guarantee of new energy sources as long as Fidel Castro remains in power. The sooner he goes, the better for Cubans, as well as for Americans.



Blown-out core of Chernobyl's reactor
No. 4: Do we want this on our doorstep?

TWO GOOD READS

The First World War—by Martin Gilbert (Henry Holt and Co., \$35). Though authentic history, this thick volume keeps you turning pages as if it were a thriller—never mind that you know how the plot will turn out. Winston Churchill's official biographer uses the effective technique of intermixing closeups with panoramic shots to bring to life the bravery, suffering and folly that was almost beyond belief. On nearly every page, for every battle, for every diplomatic event, Gilbert manages to quote a personal letter, an encounter, an anecdote that portrays these great events on a human scale. After the battle for Cheeluvelt in 1914, a German soldier writes to his landlord: "Our Regiment fought like heroes. I was made lance-corporal and was saved by a near miracle." You curse that miracle—the German soldier's name was Adolf Hitler. But then you're brought close to tears by an entry from the diary of a British officer who survived the hopeless offensive on the River Somme—20,000 British dead on the first day alone. "Everyone I care for gone: dear Harold died most splendidly. He was shot through the stomach and Lawrence killed behind him by the same shot. Iscariot was shot through the heart and all his staff killed around him. The men did grandly—going on without officers and reaching all objectives."

When you turn the last of these 615 pages, it will be with

a better understanding of the forces and people who ushered in the modern age, its triumphs as well as its tragedies. **Harry & Teddy**—by Thomas Griffith (Random House, \$24). If you're curious about the esoteric craft of journalism, this is great reading. It's the tale of the long-playing love-hate relationship between Henry R. Luce, last of the great press barons, and Theodore H. White, one of Luce's star reporters and author of the famous series of books, *The Making of the President*.

In pre-TV days, when people still got their news from print, these men were two of the most influential people in America, influential in ways that today's TV anchors will never be. The Presbyterian missionary's son who cofounded *Time* Inc. and the poor Jewish boy from Boston shared disputatious natures and a passion for China. Their common traits first brought them together, then

later caused an irreparable rift.

Of Luce, the author writes: "If a conservative, Luce was an unpredictable one. [He] was unyielding in his belief in free enterprise, but his support for capitalists was qualified by his insistence that it have a responsible moral base." Of White's devious but effective reporting technique: "In the gathering of a story [Teddy] was capable of dissembling and flattering his sources, saving his honesty for the telling of it."



BOOKS BY "FOUR" NO. 50

"With all thy getting gett'ng und'rstanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



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WHITHER CANADA?

THE NEAR-PASSAGE of Quebec's separatist referendum underscores two deep flaws in Canadian government, one philosophical, the other constitutional.

Philosophically, Canada has engaged in a statist, tax-and-spend approach far more than Washington. Canada's national debt proportionately is significantly higher than our own, its tax burden far greater. There is no earthly reason Canada shouldn't have consistently outpaced the U.S. in economic growth. The heavy loads imposed by Ottawa and the relative stagnation vis-à-vis the U.S. have made Canadians wonder what the advantages are of sticking together. Canada badly needs a vigorous regime of massive tax cuts and a Gingrich-Kasich approach to reining in spending.

The constitutional flaw is Canada's imperfect federalism. Canada has long been dominated by two big

provinces, Ontario and Quebec. Because Canada has no senate with equal representation, the western provinces have long felt abused by Ottawa. During the oil boom of the 1970s, for example, oil-rich Alberta was routinely milked to finance schemes hatched by Ontario and Quebec politicians.

By contrast, the U.S. does have an upper chamber where Wyoming, our least populous state, has the same number of votes as does California, our most populous state. Our federalism better protects minority interests. Moreover, our big states have nowhere near the clout that Ontario has in Canada.

The answer for Canada is simple: Create a senate that has equal powers to its House of Commons, that has equal representation from each province and that is directly elected.

DUMP IT

THAT THE GOP, even for a moment, considered jettisoning its attempts to ease the Social Security earnings penalty was astonishing, given the increasing heat Republicans are taking from the elderly over the party's ill-understood, incredibly detailed changes in Medicare. Social Security recipients between ages 65 and 69 face a ferocious tax on earnings above \$11,280, which, when combined with other taxes, becomes a marginal tax rate of over 60%.

The House of Representatives earlier this year ap-

proved only slight modifications. Deficit hawks are acting like dodo birds here. The earnings penalty should not be fiddled with; it should be scrapped altogether. It punishes productive work, which means that the government ends up with less revenue.

This tax punishment, moreover, applies only to wages and salaries. Investment income has no such cap. By abolishing the earnings penalty, GOPers could win credit among a group of people with whom they badly need it.

ALBATROSS

POLICYMAKERS AND ECONOMISTS still make a mistake that costs us dearly: They continue to confuse a rise in prices resulting from increased demand with a rise resulting from the currency's being debased. The distinction may appear arcane, esoteric, but its costs in lost jobs and incomes are all too real.

When politicians print too much money, the worth of the dollar goes down. Interest rates go up. That's a very differ-

ent phenomenon from, say, the boost in the price of paper that results from newspapers', magazines', catalogers', etc. wanting to buy more than papermakers can make.

Has This War Been Won?

A Debate Grows on the Durability of Low Inflation

-New York Times

Economists, of all people, should understand that such pricing changes are essential in a free market. In the case of paper, increased demand tells suppliers that it might be time to add capacity. Buyers are told to try to increase productivity, and, perhaps, to print

fewer catalogs (which is what is happening today).

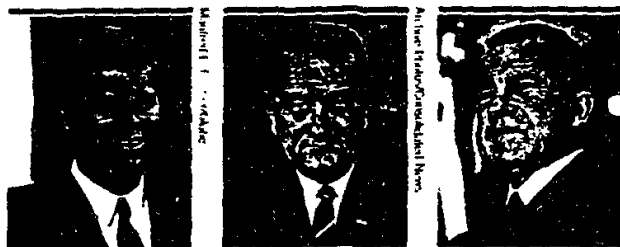
This inability to separate currency debasement from healthy supply and demand has given us the pernicious theory that prosperity causes inflation. The way to keep inflation low is not by depressing the economy—which is what the Federal Reserve has been doing since last year, to the applause of both Democrats and Republicans—but simply by avoiding churning out more dollars than the economy can use productively.

Between 1954 and 1965, the American economy grew at a rate almost 50% higher than the current expansion, and consumer prices rose around 1% annually. In those days, of course, the Federal Reserve operated under a monetary system called the gold exchange standard. When John Kennedy took office, he stated that the dollar must always be as good as gold. His policies of sound money and lower taxes made possible a long-lived boom. But Johnson was unsure, and

Nixon did not believe in a sound dollar and destroyed the gold exchange standard. The U.S. paid dearly. A debilitating decade of inflation, oil shocks, rising taxes, high interest rates and falling wages was the result. Even today, despite a Federal Reserve extremely sensitive to inflation, interest rates remain historically high.

Ronald Reagan understood the need for a sound dollar free from political interference, but no others in his administration quite knew how to make that happen. Actually, the process is simple. Use gold as a compass. If its price were to go much above \$385 an ounce (its current cost), the Fed would know it's

printing too much money and would withdraw dollars from the banking system. If the yellow metal were to fall below \$385, the Fed would do the opposite—add dollars. With this as the proclaimed approach, interest rates would fall to the levels we had before the mid-1960s, and we would again have 30-year, fixed-rate mortgages at 4.25%.



JFK understood sound money was good for growth. His immediate successors did not, and we suffered stagnation and inflation.

SUBSIDIZED PLACE AT THE TROUGH

CONGRESS SHOULD LIMIT groups that receive Federal largesse on how much they can spend to lobby Washington for more money. But legislation proposed by Representatives Ernest Istook (R-Okla.) and David McIntosh (R-Ind.) to do just that may well be blocked by—you guessed it—fierce lobbying from the affected parties.

Thousands of organizations, such as the American

Association of Retired Persons, that receive federal funding spend considerable sums to persuade Congress to pony up additional dough. True, under current law, government grants aren't supposed to be used for political purposes, but money is fungible. Beneficiaries can claim that their lobbying dollars came from nongrant sources.

Why should taxpayers pay for groups to badger Congress for more taxpayer money?

GETTING REAL ON CAMPAIGN REFORM

A NUMBER OF Democrats and Republicans are calling for more campaign finance reform. In the past, these efforts have been nothing more than incumbent-protection acts, making it difficult for challengers to raise the resources necessary to run credible races against entrenched officeholders.

Instead, reformers should whack away at some of the more egregious perks representatives and senators use to

stay in office. A good start would be franked mail. Your Washington legislators send literally millions of pieces of "constituent information newsletters" that are nothing more than glorified "reelect me" brochures. Both the Senate and the House should disallow these freebie political mailings. The frank should be permitted only for responding to a letter or query from a constituent.

ANCIENT GREEKS MADE US MODERN

The Oldest Dead White European Males—by Bernard Knox (W. W. Norton & Co., \$9.95). Concise, delightfully learned, pleurably readable. This should be required reading for college students, lest their minds be muddled by politically correct fads and fashions. Without ever being argumentative, the author, a renowned classicist, lays out how much our democratic culture owes to this Mediterranean civilization that flowered some 2,500 years ago. Its literature still speaks to us today. The triumphs and shortcomings of Athenian democracy remain absolutely relevant to the challenges and opportunities we face. The role of the Sophists is given its just due. The Sophists understood, perhaps better than many academics today, the importance of a liberal arts education.



Excerpt: We should not forget the astonishing originality that sets [the ancient Greeks] apart. They invented democracy more than two thousand years before any modern Western nation took the first steps toward it; they invented not only philosophy and the theater but also the model of a national literature, with its great writers, its critics and commentators, its libraries; they invented organized competitive athletics, political theory, rhetoric, biology, zoology, the atomic theory—one could go on. Above all, in startling contrast to the magnificent but static civilizations of the great Eastern river valleys—Tigris, Euphrates, and Nile—they created in the restless turbulence of their tiny city-states that impatient rhythm of competition and innovation that has been the distinguishing characteristic of Western civilization.

OF THE "FOR" AND "BE"

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., Editor-in-Chief



TAKE SOME PROFITS

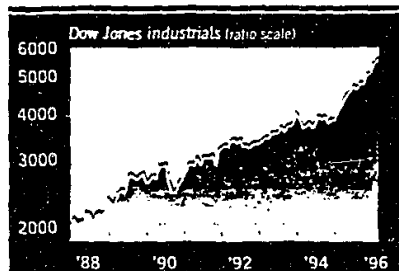
POWERFUL FORCES have propelled this bull market: relatively low interest and inflation rates; a flood of 401(k) money; efficiency-enhancing technology; strong corporate earnings; globalization that creates new investment opportunities.

With all this fuel the market hasn't had a major correction since 1990, and, after a lull in 1994, the bull became supercharged. In just the past 14 months the Dow industrials have spiked up by nearly 2,000 points, with scarcely a pause for breath. In the broad sweep of things there have been four great bull markets since

World War I: 1921-1929, 1932-1937, 1949-1966 and 1982-? This one is already the biggest in percentage gains.

How much higher can it go? It's not time for Armageddon, but it is time for caution. History shows that the longer the market goes without a correction the worse the inevitable downdraft—it comes when least expected.

So do some hard pruning in your portfolio. It's good discipline. If the pruning costs you some capital gains taxes, chalk it up to insurance. And with money market funds currently yielding around 5%, cash isn't trash.



NOT A BAD START

but the telecommunications bill recently passed by Congress and signed by President Clinton is only that—a start. It needs to go a lot further.

At more than 100 pages, this bill is too long, too riddled with lobby-crafted breaks. For example, TV broadcasters get a \$70 billion free pass on air-wave rights, but innovative upstarts must pay for theirs. Why does Disney need corporate welfare? Another fault of the bill: Administration friends at the Justice Department and the FCC were handed too much control in deciding who can compete in which markets.

Real deregulation is the answer. Our world-leading computer industry shows the way. PCs have been around for only 20 years, yet during this period the industry—free from regulation—has sold 150 million computers, has grown to a \$300-billion-a-year industry and has

sparked the U.S. economy. New business heroes, from Microsoft's Bill Gates to Sun Microsystems' Scott McNealy to Netscape Communications' Jim Clark, rose up and built this industry. They've also grown rich (a feat worrisome to Clintonites), but only by delivering

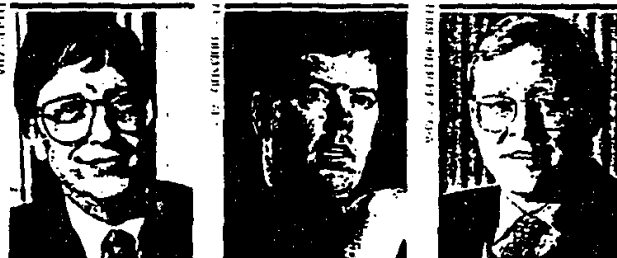
vastly improved products to American businesses and consumers every year.

Capitalism works. It will deliver the information superhighway faster and better if we let it. America is bubbling with new communications technology, from satellites to cable modems to digital flip phones.

But technology alone is not enough. Congress and

the President must once and for all let loose in telecom the same spirit of enterprise that boosted our PC industry to the world's number one spot.

We could start by eliminating the FCC.



Gates, McNealy and Clark: the drive behind U.S. computer industry.

True deregulation of telecom will let loose the same can-do spirit.

WRONG APPROACH

ILLEGAL DRUG USE is rising, leading many observers to conclude that the war on drugs cannot be won and that the best solution is legalization, or at least decriminalizing the possession and use of marijuana, cocaine, heroin and other narcotics. It is a misguided view.

The war on drugs was formally declared during the Reagan Administration. It involved treatment of addicts and implemented educational programs to discourage potential new users. It also included vigorous law enforcement in the U.S., the interdiction of incoming

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drugs and efforts to reduce supplies abroad. The program has been enormously expensive—\$20 billion for arresting, prosecuting and imprisoning drug offenders last year alone.

There have been some successes. Nancy Reagan's "Just Say No" campaign contributed to a real decline in drug use among teenagers. But overall results have been mixed at best.

Proponents of legalizing drugs compare the situation with Prohibition, arguing that the evils of drug use have been surpassed by those of trying to stop it. They cite as examples the high costs of law enforcement, choked courts and prisons, the resources diverted from education and health care, and the spread of AIDS through addicts' sharing needles. They



Crack: This should be legal?

claim that legislated control, as we have with alcohol, is a better approach.

Experience has proved otherwise. In countries such as Turkey, where narcotics traditionally have been cheap and available, addiction remains common. Switzerland and other nations have experimented on a limited basis by liberalizing drug policies in designated areas; but the programs have failed miserably, with no reduction in drug use or in related criminal activity.

While the war on drugs may be frustrating in its high costs and limited results, the current alternatives would be infinitely worse. Easy access, low prices and no threat of criminal penalties would lead to more drug users and, hence, to more addicts. The young would be particularly vulnerable. Legalizing drugs is a sure loser.

LESSON IN FAILURE

GOVERNOR GEORGE PATAKI should overrule New York's bilingual education establishment. More than 20 years ago it was decided that children living in homes where English isn't spoken would be helped if they were taught subjects in their native languages. But there is growing evidence from across the country that this bilingual approach doesn't work and can, in fact, harm the very students it is intended to benefit. As a result, many Latino and other non-English-speaking children

are way behind the education levels of their peers who learn English sooner.



Bilingual education: Assimilation is the goal; isolation is the result.

This sad state of affairs has not been lost on a group of Brooklyn parents who have brought suit against New York's Commissioner of Education to change the program. Pataki should heed their wishes. Better yet, he should give parents control over their children's education through vouchers or other means so that parents can choose the schools and programs best suited to their family's needs.

POWERFUL PORTRAIT

Lincoln—by David Herbert Donald (Simon & Schuster, \$35). Superb biography of our greatest president. Written from Lincoln's perspective, the book vividly conveys the man and his world as he experienced it. We see a boy, "hungry for books," inspired by Parson Weems' *Life of George Washington*, and a young man, desperate to avoid the type of life his father had as a farmer, try his hand at all manner of manual work before finding his calling in the law and politics. As early political successes are followed by loss after loss, we feel with Lincoln how much of his life seemed to be ruled by accident.



Lincoln's character was of an essentially passive nature, but animated by unyielding ambition and sustained by a profound sense of destiny. Most striking throughout are Lincoln's enormous capacity for growth and his passionate faith in a country where a man

of his beginnings could, by his own work, better his life. **Excerpt:** [Lincoln] wrote, "No state can, in any way lawfully, get out of the Union, without the consent of the others; and . . . it is the duty of the President, and other government functionaries to run the machine as it is." Lincoln's commitment to maintaining the Union was absolute. As a young man, he had looked to reason for guidance, both in his turbulent emotional life and in the disorderly society in which he grew up. When that proved inadequate, he found stability in the law and in the Constitution, but after the Dred Scott decision he could no longer have unqualified faith in either. The concept of the Union, older than the Constitution, deriving from the Declaration of Independence, with its promise of liberty for all, had become the premise on which all his other political beliefs rested.

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Rip and Tim, and other Forbys' eatery experts Jeff Cunningham and Tom Jones.

● **Petrossian**—182 West 58th St. (Tel.: 245-2214). Relaxed, comfortable elegance—perfect for times calling for champagne and caviar. Wonderful borscht, creative foie gras salad with haricots verts, perfect roasted duck, appealing steamed lobster. Desserts, tops. Service, professional.

● **L'Absinthe**—227 East 67th St. (Tel.: 794-4950). French cote on an austerity budget, with few good tables

Moroccan-style salmon and roasted free-range chicken, both ordinary and overdone. However, double lamb chop, tasty, moist and savory. Desserts, definitely worth the calories.

● **Nobu**—105 Hudson St. (Tel.: 219-0500). Traditional sushi and tempura dishes, beautifully presented. Lobster cooked in wasabi, as zingy as it is innovative. Desserts are special, try the bento box and the chocolate maki. ■

PHOTO: JEFFREY M. HARRIS

"With all thy getting get un...standing"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



REPACKAGING BIG GOVERNMENT

IT'S NO LONGER FASHIONABLE to advocate big government, so the liberal faithful are raising a new banner. It's called stakeholder capitalism. In Britain its principal huckster is the Labor Party leader, Tony Blair. In the U.S. Clinton's labor secretary, Robert Reich, is cheerleader-in-chief.

Stripped of verbiage, stakeholder capitalism is a system in which the politicians and social engineers achieve their goals through a network of laws and regulations. Instead of taxing the voters and then redistributing the money, the politicians require individuals and enterprises to spend their own money on "socially desirable" goals. Keep that plant open even if it loses money. Help the poor by instituting an unrealistically high minimum wage.

Provide supplemental relief disguised as job retraining. Neat. The pols get the credit for largesse without bearing the blame for raising taxes.

The Reichs and the Blairs argue that America's prevailing private capitalism doesn't protect jobs and communities. They take for their models Western Europe and Japan. The American way may seem "inhuman" to its critics, but look at the bottom line: In the U.S., after a decade of painful restructuring, of plant closings and of growing investments abroad, the unemployment rate has remained at around 6%. And in the "stakeholder" economies? In

France unemployment is 12%, in Germany, 11%. And Japan is mired in a deep recession. Some models.



French workers protesting in Paris: So much for social engineering.

LEST WE FORGET

DURING A RECENT CNN INTERVIEW to mark the fifth anniversary of the end of the Gulf war, President Bush again correctly labeled Iraq's Saddam Hussein for what he is—evil. It is a timely reminder, coming on the heels of the double murder of Hussein's prodigal sons-in-law, who defected to Jordan last year. But the message seems to have been lost on the United Nations diplomats who are once again negotiating to restore Iraqi oil exports.

Except for limited amounts of oil it has sent to Jordan, Iraq has been banned from oil markets since its invasion of Kuwait in 1990. Until last year the embargo remained in place as part of the effort to keep pressure on Saddam's regime. But then the Security Council voted to adopt a resolution allowing Iraq to sell up to \$1 billion in oil every 90 days. The money was to go into an account controlled by the U.N. Most of it was to be used for humanitarian supplies of food and medicine, with substantial sums specified for the Kurds in north-

ern Iraq. The remainder was to be put toward reparations to Gulf war victims and toward defraying U.N. expenses in destroying Iraq's nuclear and chemical weapons. Saddam rejected the deal out of hand, saying the restrictions violated Iraq's sovereignty.

The situation in Iraq is bleak. Reports speak of alarming food shortages, and people are dying of malnutrition and disease. Infants and children are especially hard hit. This grim reality is what is behind the renewed talks. But the Clinton Administration must not allow the U.N. to back off the restrictions on Iraqi oil sales. Let's not forget that Iraq is far from complying with agreements to destroy its weapons of mass destruction, as one of Saddam's

murdered sons-in-law, the former head of Iraq's nuclear and biological weapons programs, made clear. The best way to save the innocent children and starving people of Iraq is to help drive Saddam Hussein from power. You cannot compromise with such evil.



Saddam Hussein: Evil.

FORBES "F5E" 40 "66

ART AS MARKETING

AN EXHIBITION of the work of Russian jeweler and goldsmith Peter Carl Fabergé is now at New York's Metropolitan Museum of Art. Fabergé's most famous creations, the Imperial Easter Eggs, are on view, including several from the FORBES Magazine Collection. Made for Russia's last two Czars, these ornate fantasies are often seen as glittering testimony to the excesses of Russia before the Revolution. The reality is different, more interesting.



Lilies of the Valley Egg, 1898.

THE FORBES MAGAZINE COLLECTION

The contrast between life for the privileged few and for the rest of society in Imperial Russia was profound, unjust and unsustainable. But largely unrecognized today is how dramatically Russia was already changing before the Bolsheviks took power. Beginning with the abolition of serfdom in 1861, the autocratic regime and rigid social order had begun to yield step-by-step to a more fluid society with nascent democratic institutions. Rapid industrialization gave Russia the fastest growing economy in Europe in the decades leading up to World War I. Land reforms made millions of peasant farmers landowners. Despite the comparatively crude farming methods, food production surged. By 1913 Russia was growing one-quarter of the world's wheat and had become a major grain exporter. There was a burgeon-

ing middle class. Successful merchants, bankers and industrialists proliferated. In the aftermath of the Revolution of 1905, an elected national assembly, the Duma, was convened. As wealth grew and spread, Russian culture flowered as never before. World War I devastated Russia, clearing the way for the Bolsheviks.

Although the House of Fabergé is remembered for catering to a dying regime, its rise was, in fact, fueled by Russia's dynamic growth and change. At its peak Fabergé employed 500 craftsmen making luxury goods for a diverse Russian and international clientele. There were factories in St. Petersburg and Moscow, with shops in these cities as well as in Kiev, Odessa and London. Fabergé salesmen regularly traveled to Paris, Cannes, Rome and the Far East.

The Imperial Easter Eggs and other commissions for the Czars gave Fabergé fame and unparalleled cachet. These creations were not only art objects but marketing tools, less symbols of excess than of Russian entrepreneurship during the brief period when such was allowed to flourish.



Fabergé in his workshop.

THE FORBES MAGAZINE COLLECTION

VIRTUAL HISTORY

American Heritage: The Civil War—The Complete Multimedia Experience—Byron Preiss Multimedia/Simon & Schuster Interactive in partnership with American Heritage, a division of Forbes Inc.: \$54.95 (plus \$4.50 shipping and handling; Tel.: 1-800-876-6556; Windows version, #AXH13; Macintosh version, #AXH14). Multimedia CD-ROMs are a rapidly growing adjunct of the personal computer industry. With 1995 worldwide sales estimated at \$4.2 billion, they are already a big business, having carved out useful and popular niches as reference tools and games. This two-disk set is designed to satisfy both roles. Based on the Bruce Catton classic *The American Heritage Picture History of the Civil War*, this CD-ROM serves up a wealth of text, illustrations, photographs, maps, artifacts, music and live video that give an overview of the war.



Disk one is organized into broad topics and subtopics, including a timeline. A lot can be learned just by scanning and clicking along the main menu. But it is disk two that is truly absorbing. You can watch the armies of the North and South maneuver and collide on detailed battle maps as you click down its timeline. Along the way you hear the shuffle of feet and the explosion of gunfire, as soldiers give firsthand accounts of the marches and battles. The power of straightforward historical narrative remains as compelling today as ever, but multimedia offers a different attraction. Playing this is something like wandering through a museum combined with the larger-than-life, live-action experience of the movies. And with its broad array of elements at your fingertips, *The Civil War* suggests well the complexity and immensity of our nation's defining conflict.

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Giovanni 25**—25 East 83rd St. (Tel.: 988-7300). Good, comfortable Italian place. Grilled portobello mushroom, among the best; grilled steak brushed with olive oil, rosemary and garlic, superb. Also deserving raves are sauteed chicken breast with asparagus and fontina cheese, and sauteed chicken livers with shallots, rosemary and balsamic vinegar.

● **Dawat**—210 East 58th St. (Tel.: 355-7555). Chaos now reigns at this popular Indian restaurant, and the food has been affected. Poor, excessively greasy soups, tepid desserts, uniformly unappealing.

● **Tse Yang**—34 East 51st St. (Tel.: 688-5447). Has pretensions of being a temple of gastronomical delight but is really rather run-of-the-mill. Spring and autumn rolls, giant shrimp, scallops, tea-smoked chicken, all ordinary.

● **Caffe Grazie**—26 East 84th St. (Tel.: 717-4407). Charming, affordable little restaurant near the Metropolitan Museum of Art. Offers a particularly good, warm white bean salad served over prosciutto with Parmesan cheese, as well as delicious pastas, salads and simple entrées, such as shrimp with lemon caper sauce and roasted potatoes. ■

"With all thy getting get under standing"

Fact and Comment

By Malcolm S. Forbes Jr., Editor-in-Chief



BEIJING'S DISTURBING MOVES

CHINA IS BECOMING increasingly aggressive. The U.S. must quietly make clear that we are not going to stand idly by.

Beijing is turning up the heat on Taiwan, including launching "test" missiles near the island's shores. It is also stepping up pressure on the disputed, oil-rich area around the Spratly Islands, its navy reportedly exchanging fire with a Philippine ship.

China is in the throes of disruptive power plays for control in the post-Deng era. But this is no reason for us to take a powder as various factions use the ultranationalist card against their foes. If China is to evolve into a peaceful state more concerned with raising living standards than with truculently flexing its diplomatic and military muscle, we must take convincing steps now.

Our Seventh Fleet should increase passages through the Strait of Taiwan. As a face-saver, we could take a cue

from President Teddy Roosevelt, who years ago sent our battle fleet on a "world tour" as a means of cooling Japanese belligerency during a crisis.

We could also dust off the idea of establishing a Radio Free Asia service, which would give the Chinese people—as its European counterpart gave those under the yoke of the Soviet Union during the Cold War—access to the truth about what is happening internally and around the world.

Longer term, to diffuse the Taiwan-Beijing crisis, we might suggest allowing vibrant, democratic Taiwan into internation-

al agencies, including the United Nations, without repudiating the One China policy. There is a precedent of sorts: the Soviet Union in 1945 was allowed three memberships in the U.N.—for itself and for the then-non-independent Ukraine and Belorussia.



T.R. inspecting the Great White Fleet: Clinton could learn from this art of gentle persuasion.

SENSELESSLY DEFENSELESS

MOST AMERICANS MISTAKENLY BELIEVE that we can defend ourselves against incoming ballistic missiles. But we are defenseless, vulnerable, and, thanks to the White House, we are going to remain so.

Who knows what is going to happen in Russia, not to mention China? Moreover, rogue states such as North Korea, Iraq and Iran will, in a matter of time, have the ability to lob missiles with nuclear (or biological or chemical) warheads at our shores.

Yet the Clinton Administration adamantly refuses to allow effective safeguards to be developed. It still worships at the obsolete, increasingly dangerous shrine of the Cold War doctrine of mutually assured destruction. The idea is that no one will pop a missile at us because theo-

retically we could wipe them out. Sadly, though, the ability of a terrorist state to deliver a missile of mass destruction to our shores or to those of any of our allies would give it immense blackmailing capability. Credible missile protection would sharply reduce the inclination of outlaw regimes to engage in international extortion.

To its credit, the Republican Congress had included a provision in the defense authorization bill for developing an effective missile defense system by 2003. Clinton vetoed the bill—and Republicans backed down.

In fact, the Senate in late 1995 overwhelmingly approved START II nuclear treaty without this agreement



Russian tactical missile crew: Just one reminder of why we can't be caught with our defenses down.

6. Jan. 24

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from developing missile defenses.

Soothing words about rogue nations still being years away from having the means to harm us via missiles are the equivalent of whistling past the graveyard. After all, on the eve of the Gulf war our intelligence agencies grossly underestimated how close Iraq was to developing

nuclear weapons. There is no excuse for delay. The Navy's Aegis project can easily, cheaply be converted to a ballistic missile defense system. We should start working on land-based systems as well.

If this means repudiating the long-obsolete ABM Treaty with the now-defunct Soviet Union, so be it.

HEADED FOR TROUBLE

HAITI'S IMPOVERISHED ECONOMY is contracting. The country received massive amounts of U.S. and international aid, but the money was largely squandered. In fact, these infusions allowed the Aristide government to put off needed reforms. Haiti is burdened with a corrupt, bloated public sector and a handful of vampirish, politically well-connected families and interests that feast on government favors.

Haiti has the capacity for real growth. Its economy began to expand impressively in the 1980s before political turbulence did in this nascent boom.

The U.S. should put major pressure on Haiti's new government to undertake sensible pro-growth reforms: slash taxes, sweep away webs of trade restrictions, hack away red tape that prevents nonpolitically connected entrepreneurs from getting into business, stabilize the currency and start to downsize the parasitic public sector. We should not leave Haiti in the hands of the IMF, an agency still committing economic malpractice. We should proffer proper advice forcibly, directly. Otherwise, conditions will soon arise that will impel Haitian refugees to try to reach our shores.

WHY THIS DEADLY DELAY?

THE FOOD AND DRUG Administration recently underscored again why it needs a fundamental overhaul. It has finally approved an extraordinary device, the Sensor Pad, that allows women to easily, more efficiently test themselves for breast cancer. But it added a caveat that will sharply reduce the use of this pad. The agency has mandated that women must obtain a prescription before using it. The pad itself will sell for



Sensor Pad: Yet another example of the FDA's needless procrastination and obfuscation.

about \$15, but the necessary doctor's visit will increase the cost severalfold.

The FDA has been warring against this breast lump detector pad since it first came on the market more than a decade ago. The agency forced the manufacturer to stop selling the pad and then unconscionably twiddled its thumbs for years. How many women have suffered unnecessarily because of the FDA's bureaucratic spitefulness?

STAPLE FOR HISTORY BUFFS

The Battle for History: Re-fighting World War II—by John Keegan (Vintage Books, \$10). Not a history of the world's most momentous, murderous conflict, but a two-pronged overview. The first part succinctly touches on the controversies generated by World War II; the second is a brilliant bibliographical essay on the best books written about various subjects of the war: the major campaigns, the leading figures, technology and intelligence, and foreign occupation and the responses to it.

With this wee volume, the author makes us appreciate how extraordinarily far-reaching this war was. Even 50 years later, there is so much we don't know, particularly about the biggest battleground of all, the Eastern Front, where countless millions perished in the German-Soviet death struggle. Keegan whets our appetite to read even more.



Excerpt: *In Poland, the policy of the principal resistance organization, the Home Army, was to delay rebellion against the German occupiers until victory was a realistic probability. The existence of a legitimate government in exile and of a strong army abroad—Poland, even in 1944, had the fourth-largest number of men fighting Germany, after the Soviet Union, the U.S. and the U.K.—lent powerful heart to the Poles. In the aftermath of Operation Bagration, the Russian offensive which destroyed the German Army Group Centre in July 1944, the Polish high command decided to unleash [its] rebellion by seizing the city of Warsaw, in order to preempt its liberation by the Russians. It had reckoned without the duplicity of Stalin, who halted the Red Army's advance within sound of the firing in Warsaw until the Germans had crushed the Home Army.*

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Restaurant Charlotte**—145 West 44th St. (Tel.: 789-7508). Try the tender strip steak with a choice of golden mashed potatoes or french fries, or the lobster and cheese quesadilla with avocado sauce.

● **Zarela**—953 Second Ave., near 50th St. (Tel.: 644-6740). Noisy and crowded, but friendly and fun. Particularly noteworthy: salmon grilled and served with chipotle

mayonnaise; marinated skirt steak with salsa, guacamole and flour tortillas. Desserts, delicious, unexpectedly elaborate.

● **Palio**—151 West 51st St. (Tel.: 245-4850). The food, definitely good; the service, decidedly cold.

● **Seryna**—11 East 53rd St. (Tel.: 980-9393). Primarily a Japanese steak house, with sushi and shabu-shabu to accommodate American tastes.

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"With all thy getting get unstanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



APPOINTMENT WITH DISASTER

WASHINGTON AND THE WEST are getting nervous over Boris Yeltsin's tilt to the nationalistic right after the impressive Communist showing in December's parliamentary elections.

Particularly ominous was Yeltsin's appointment of Yevgeny Primakov as Russian foreign minister. Primakov is a onetime KGB apparatchik who clawed his way up to the politburo in the former Soviet Union. He supports Russian efforts to reestablish Kremlin control over Ukraine, Georgia and Azerbaijan, which were once the core of the Czarist-Soviet Empires. He is a hawk regarding Chechnya. He was an avid supporter of Saddam Hussein before the Gulf war, and he has been a prime mover in Russia's cozying up to Iran.

Primakov's appointment should be a wake-up call to the West, particularly after those Communist advances.

The U.S. bears some of the blame for this troubling

turn of events because of our utterly misguided economic advice. So-called shock therapy was wrapped in free-market rhetoric—but ignored free-market principles. Devaluations and high taxes were tolerated, if not encouraged. The resulting inflation undermined support for democratic reform forces.

We should junk this toxic approach and urge the Kremlin, for starters, to stabilize the ruble and slash crushing tax rates. These steps would make for a broader-based economic recovery, which would be our best hope of creating pluralistic, antiauthoritarian political forces. Remember, rising prosperity in South Korea, Taiwan and Chile brought democratic reforms in its wake.

We should also promote pro-growth policies in Ukraine and other parts of the former Soviet Union.

The resulting economic expansions would enable these lands to better resist any Muscovite imperialistic pressures.



Foreign Minister Yevgeny Primakov:
Will Russia drown in the rising Red tide?

SAVING THE SYSTEM

THE CONSERVATIVE GOVERNMENT of Ontario set off a firestorm with a proposal to micromanage almost every aspect of a doctor's work. This controversy underscores the shortcomings of managed care and highlights the virtues of medical savings accounts (MSAs).

Canada's socialized medical system is run at the provincial level. Skyrocketing costs have provinces frantically searching for ways to stem a fiscal hemorrhage.

Ontario's proposal is a government version of America's managed care plans. In HMOs, doctors generally work on salary, and their decisions and practices are routinely second-guessed to curb allegedly excessive care, such as too much testing and unnecessary surgery. Ontario, however, plans to go further, making doctors financially liable for treatments the province decides were unneeded.

This approach will restrain costs but at the expense of quality care. Such systems are hostile to innovations because something new can initially be very expensive.

Medical savings accounts are a better way. Here's how they would work with Medicare: Each beneficiary would

receive between \$1,500 and \$2,000 for his medical savings account, the amount depending on whether a person chose managed care or a fee-for-service plan. This money could be used for prescriptions and for ordinary medical expenses. If one were blessed with good health, he could keep any money remaining in the account at the end of the year. Beneficiaries would also receive full coverage for all expenses above the \$3,000 level.

Thus, maximum liability in a year for a beneficiary would be \$1,500. Most people on Medicare would immediately come out ahead since they have to buy supplementary insurance to cover the huge gaps in Medicare coverage. Moreover, Medicare's Part A has a very high deductible for hospital care, and Part B has costly co-pay provisions.

FORBES magazine has had a variation of MSAs since January 1992, and expenses today are no higher than they were four years ago.

MSAs give beneficiaries more control and better coverage at less cost. Combined with Medicare, MSAs would save Uncle Sam almost \$200 billion over seven years.

FORBES "FORBES" HQ "S&S"

GIVE IT UP

THE LOS ANGELES SUBWAY FLASCO is a prime example of why the federal government should stop paying for mass transit rail systems with tax dollars. Like it or not, most people prefer to go to work in cars or buses. Subways and rail lines make sense in compact cities like New York, but in most other U.S. cities they are largely cost-inefficient.

Rails have numerous drawbacks. They are hideously expensive and time-consuming to build. Traffic patterns are always changing in our mobile society, and subways and commuter rails lack the flexibility to respond to these changes the way cars and buses do.

Los Angeles' \$72 billion, 20-year transportation program—with heavy emphasis on rails—is collapsing under its own weight. There are huge envi-

ronmental/safety issues, such as tunneling through fault lines. And tearing up neighborhoods to make way for the trains is arousing opposition. A growing number of Angelenos, particularly minorities, are rightly pointing out that resources should be used for beefing up bus service.

New subways and train systems haven't had much success in other noncompact cities either, including Miami and Dallas. Social planners should rid themselves of the notion that they can fundamentally change people's transportation preferences and habits. We don't have a gasoline crisis today, and impressive advances

in pollution control in automobiles have made newer cars an infinitely smaller hazard to the environment.



Sinkhole in the streets of L.A.: Subway construction is pulling the city under.

BASEBALL OWNERS HIT A HOME RUN

with their sensible proposal for a handful of interleague games. Starting in 1997, American and National league teams will get to play a few games with their geographical counterparts. Thus, New Yorkers will see the Mets and Yanks play each other—even though the teams have never made it to the World Series at the same time. Ditto, intratown rivalries in Chicago, Los Angeles and San Francisco/Oakland. The number of games planned is modest enough that it won't make having two different leagues meaningless.

While on the subject of change, the American League should finally abolish the designated hitter (the National League never went in for this nonsense). Players will disagree, arguing that this effectively cuts positions for them. However, the probability of additional teams before the decade ends should quell their fears.

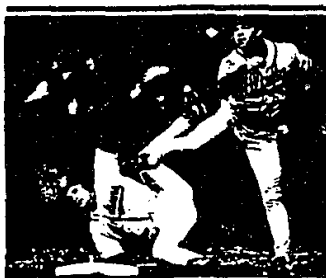
But it will take more than these reforms to truly put the

zip back into our once-national pastime. Baseball biggies should seriously consider revamping their revenue-sharing agreements for the playoffs and the World Series.

Right now, too much money goes to nonwinning teams. Instead, the loot should go only to those who make the playoffs, and most of that should land in the laps of those who actually make it to the World Series. A more winner-take-all approach would actually benefit teams from smaller cities. There'd be less emphasis on individual aggrandizement since the big money would come when the ball club wins rather than when one star shines. Players would be less likely to jump around since the premium would be on team play. Fan loyalty would be

renewed, as in the days of old.

Baseball is an extraordinary, unique blend of individual and team play. The latter needs rejuvenating.



Baseball's new balancing act: It just might help revive the game.

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Rip and Tom, and other FORBES entry experts Jeff Cunningham and Tom Jones.

● **One If By Land, Two If By Sea**—17 Barrow St. (Tel.: 228-0822). One of the prettiest restaurants in New York—fireplaces, cut flowers, discreet lighting make it a perfect refuge on a snowy evening. Signature Beef Wellington, superb; homemade gravlox on thick, squishy blini, mouth-wateringly good. Desserts, heavenly, especially butterscotch mousse torte or poached pears on warm gingerbread.

● **Alva**—36 East 22nd St. (Tel.: 228-4399). When the waiter was asked for the special, he said to skip it. Not very encouraging.

● **Frankie & Johnnie's Steak House**—269 West 45th St. (Tel.: 997-9494). Right in the heart of the theater district. The steaks, chops and lobster are well prepared, the cuts good and the portions enormous.

● **Al Bustan**—827 Third Ave., near 50th St. (Tel.: 759-8439). A good place to introduce a friend or business associate to Middle East food. Skewered chicken,

lamb, delicious; hummus, baba ghanouj, first-rate in freshness, texture and taste.

● **Gramercy Tavern**—42 East 20th St. (Tel.: 477-0777). Sauteed foie gras with onion, vinegar and beet tops, excellent. And after sampling the sauteed squab with fava beans, you'd be a pigeon not to become a devotee.

● **Provence**—38 MacDougal St. (Tel.: 475-7500). Authentic French feeling—small garden in the back and an ambiance conducive to either courtship or simple camaraderie. Try the Provençal onion-anchovy tart or exquisite roast chicken with whole garlic cloves.

P.J. Clarke's—915 Third Ave., at 55th St. (Tel.: 759-1650). The burgers are still very tasty, but no longer the best in town.

● **La Metairie**—189 West 10th St. (Tel.: 989-0343). As cozy as ever. Venison with pepper sauce and apples, the special of the evening, indeed special.

"With all thy getting get und...anding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



GET RID OF THIS BURDEN

HERE'S A WAY TO STIMULATE the economy: Congress should repeal the Humphrey-Hawkins Act. This legislation, passed in the late 1970s, mandates that the Federal Reserve attempt to achieve all sorts of desirable goals—full employment, productivity, a balanced budget, stable prices. This law is an example of the highest order of hubris—that a government agency can decree prosperity.

Senator Connie Mack (R-Fla.), chairman of the Joint Economic Committee, wants to replace the misnamed Full Employment and Balanced Growth Act of 1978 with the Economic Growth and Price Stability Act of 1995. Its mandate: to have the Fed concentrate on achieving price stability. Senator Mack rightly recognizes that such stability would sharply lower interest rates, which would be a boon to us all. When the Fed, or any other central bank, tries to fine-tune the economy, the results are uniformly bad. In pre-Thatcher Britain, for instance, the Sceptered Isle was repeatedly wracked by periods of printing-press prosperity followed by ever-deeper recessions. The U.S. went through the same thing in the 1970s.

Mack understands that other government policies, such as lowering tax rates and lessening regulations, are also critical in creating conditions for prosperity. The missing ingredient in the Mack bill is a provision spelling

out how the Fed can achieve a sound dollar—not by holding the economy back but by using the gold price as a compass. When Chairman Greenspan does this from time to time, the results are good. In the past year, there has been little fluctuation in the price of the yellow metal, and long-term interest rates have plunged from 8% to 6%.

The gold ingredient is critical. One of the heaviest deadweights on the American economy today is the pernicious notion that prosperity causes inflation. The idea that there is a tradeoff between inflation and unemployment—if you want less of one, you have to get more of the other—is pervasive among policy-makers. Federal Reserve economists believe the economy can't constructively grow more than 2.5% a year. Republicans and Democrats implicitly accept these pessimistic constraints.

The theory is nonsense. America grew rapidly in the 1980s while inflation fell by more than two-thirds. Benighted believers fail to make the distinction between price changes that are a result of supply and demand and price changes that result from debasing the currency.

The Mack bill, with a gold proviso, would enormously expand opportunity. We would get the type of money that we haven't had in 30 years—4.25% mortgage rates and 3.5% Treasury bonds.



Connie Mack: Undoing a mischievous bill.

THAT COMMUNIST TRIUMPH

in Russia's parliamentary elections last month was the latest, most ominous bitter fruit of our misbegotten policies for the nations of the former Soviet Empire.

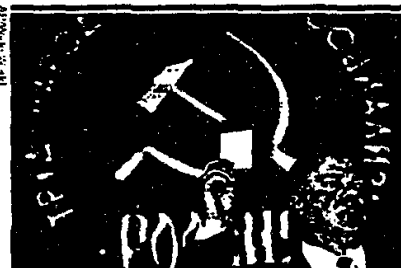
The Bolsheviks' systematic destruction of civic life was bound to make any post-totalitarian transition extremely difficult in the best of circumstances. But the horrific inflation that has afflicted Russia and most neighboring lands has played a huge role in moving millions of voters to cast nostalgic glances at the old Red guard.

Periods of great inflation always undermine a sense of justice and of law and order. Just look at how major currency debaucheries in this century

made Imperial Russia, the Weimar Republic (Germany) and Nationalist China ripe for totalitarian takeovers.

The reduction of the ruble to rubble over the past five years has wiped out the savings of tens of millions of ordinary Russians while impoverishing millions of pensioners. True, many Russians are beginning to enjoy a more affluent, middle-class life, but their numbers are no match for those who feel they have lost ground since the fall of the Berlin Wall.

The U.S. and our allies did nothing to effectively show Moscow how to stabilize the ruble. In fact, the toxic nostrums of the International Monetary Fund perversely hastened



Gennadi Zyuganov: Hyperinflation produces poisonous political personages.

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the ruble's plunge to wallpaper status.

What could have been done? One measure would have been to establish a currency board like those the Baltic states and Argentina have instituted to give value to their own money. No local currency is issued unless it is backed by sound monies, such as the dollar, or by gold.

A more likely solution would have been for Russia to employ a modernized version of that pioneered by Alexander Hamilton 200 years ago, when the dollar suffered ruble-like status. Hamilton pegged the dollar to gold and issued bonds. What gave creditors faith in these instruments

were the immense land holdings of the U.S. government and the receipts pledged from sales of that land to back the bonds, as well as revenues from tariffs and excise taxes. Even today, despite a massive, corruption-laden privatization program, the Kremlin still owns assets worth hundreds of billions of dollars that could be used as collateral.

What's to be done now? Give forceful, Hamilton-like advice to Ukraine, Armenia, Georgia and other entities that were once a part of the Soviet Union and wish to remain independent—not to mention to former satellites such as Poland and Hungary.

AVOIDING A DEADLY DISASTER

ONE OF THE 20TH CENTURY'S most ghastly horrors took place during the spring and summer of 1994 in Rwanda. In the space of 100 days, the majority Hutu tribe slaughtered some 500,000 Tutsis, a minority group. About half of the Tutsi population perished, mostly at the hands of machete-wielding Hutus. While the Rwandan government is suspected of having long planned the extermination, much of the killing was carried out not by SS-like bands of trained murderers but by countless civilians—neighbors, teachers, priests, doctors. The genocide ceased only when a Tutsi rebel group of exiles from nearby Uganda invaded, routing the Rwandan army. The rebel triumph sent millions of Hutus fleeing into neighboring lands.

Diplomats fear that the resulting instability wrought by refugee camps filled with millions dreaming of revenge will soon ignite a regional war that could consume an even greater number of lives than were lost nearly two years ago.

The only way to bank this seething cauldron of red-hot hate is to effect a formal partition, separating the Tutsis and the Hutus. Each tribe would have its own country carved out of the existing states of Rwanda and Burundi (where Hutus and Tutsis have also literally been at each other's throats for decades).

It would be fitting for the French to take the lead here, as it was their diplomacy that allegedly helped trigger the horrors of 1994. Behind the scenes, the U.S. could nudge the U.N., which shares culpability, into a face-saving role. When the genocide began, the U.N. voted to *reduce* the handful of peacekeepers stationed there. Observers believe a few thousand *additional* troops could have put a stop to the genocide quickly. The Clinton Administration is not guilt-free, either. As the killings were taking place, the White House refused to brand these acts as genocide.

Fast action is imperative lest rivers of blood flow again.

WE STILL PINE FOR THOSE RHYME SIGNS



IF NOSTALGIA CAN EVER RESURRECT a long-dead product, Burma-Shave is the most likely resurrectee.

A small Virginia company is reintroducing this legendary shaving cream. What gives the product the chance to live again commercially (the record for reviving dormant consumer goods is miserable) is the legendary red Burma-Shave road signs remembered by most Americans over the age of 40. Each set of six had

a rhyme that always ended with the words Burma-Shave.

Years ago, riding each summer from New Jersey to Wyoming and back in a station wagon, my parents, siblings and I delighted in reading these humorous verses. For decades they were an American roadside fixture, nearly the only good thing about those narrow, two-lane roads motorists had to travel to cross much of the continent before the advent of the Interstate highway system.

UNROMANTIC LIFE

Men-of-War: Life in Nelson's Navy—by Patrick O'Brian (W. W. Norton & Co., \$23). Short, descriptive panorama of British naval life during the Napoleonic wars. Richly illustrated with informative captions. Landlubbers will be a bit overwhelmed by some of the jargon. Best parts are portrayals of how sailors operated the ships' guns during battle and of how stomach-curdling the food was that seamen had to survive on. The sailing vessels of that era are magnificent to behold; life on them, however, was anything but. The advantage the British had over their French and Spanish foes was not superior technology but vastly greater experience in operating at sea. His Majesty's ships spent sig-



nificantly less time in port than did those of the enemy. **Excerpt:** *Food was usually so bad that when they could catch them, the men often ate rats. Admiral Raigersfeld, looking back on his youth, says, "They were full as good as rabbits, although not so large." Speaking of the bread he observes, "When you tipped the biscuit upon the table, it almost fell into dust, and thereout numerous insects, called weevils, crawled; they were bitter to the taste. If instead of the weevils, large white maggots with black heads made their appearance, then the biscuit was considered to be only in its first state of decay; these maggots were fat and cold to the taste, but not bitter."*

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



SO-SO '96

THE SLUGGISH PACE of the U.S. economy will continue in 1996. Consumers are indeed heavily in credit card debt. Retail and auto sales will not be stellar. Business investment has had a fabulous four-year period of impressive growth. That pace, too, will slacken. The Federal Reserve has kept short-term interest rates too high for too long in the mistaken belief that vigorous growth will ignite inflation. Congress' failure to enact a sweeping deregulatory bill and to promote widespread tort reform will also be a burden. The stock market will be unimpressive until after the election. In the meantime, short-term interest rates will decline.

To the south, Latin America is ready for a Pacific Rim-like boom, but it remains hobbled by bad economic thinking. Mexico, for example, still can't decide whether

it should shore up the peso. Unless it does, its depression will deepen.

Elsewhere in the world, Western Europe continues to be hobbled by excessive, antigrowth labor laws and taxes. Japan is only beginning to recover from a devastating deflation. China remains a question mark because of poor monetary policy and uncertainty about how reforms will fare in the post-Deng era. India faces critical elections that will determine whether its initial free-market reforms can survive a hypernationalistic counteroffensive. Russia, as usual, remains a mystery wrapped in an enigma.

The U.S.' fundamental strengths are real. The faster we remove the fiscal, monetary and regulatory barriers to realizing our full potential, the faster we will astound ourselves and the world with our opportunities and achievements.

WHERE'S THE GROWTH?

FRANCE HAS BEEN braving strikes to cut its deficit and to trim a bloated, insolvent social welfare system. But the approach lacks the most critical elements needed to get France growing again: slashing punitive payroll and income taxes and removing job-killing labor regulations.

Worse yet, France is raising exactions instead of reducing them. If progrowth reforms were implemented, government revenue would increase, political support for the difficult changes ahead would be won and the country's double-digit unemployment would be cut.

NECESSARY INSURANCE

REGARDLESS OF WHAT HAPPENS in Bosnia, we must resist pulling back our permanently stationed troops in Europe and Asia. Budgetary problems at home, combined with a growing who-needs-them-now mood among voters in Western Europe and Asia are creating pressures to reduce and eventually eliminate a meaningful American military presence overseas. Such a move would be a disaster.

Only the U.S. can play a stabilizing role around the world and prevent a destructive resurfacing of past Big Power rivalries. In a 1984 interview German Chancellor Helmut Kohl told FORBES, in effect, "Don't leave Europe to its own devices. Look at what has happened in this century." This advice is still sound. Clearly, European nations could not cope

with the Bosnian crisis. Who knows what may yet develop in Russia?

For that matter, what direction will China take? Its military buildup continues. If the U.S. were to withdraw from Asia, then Japan—and perhaps even Russia—might feel forced to increase its armaments in self-defense. Japanese rearmament would send tremors through other Asian nations. Despite the Marine rape scandal in Okinawa, Asian leaders badly want the U.S. presence to continue.

Real U.S. defense spending has been declining since the mid-1980s. While our stationing troops overseas is a burden, the cost is a fraction of what it would be if a major conflict or arms race were to erupt in Europe or Asia.



Marines training in Okinawa: Locals may resent them, but leaders want them.

FORBES "FEB" "NO" '96

CASTRO IS NO DENG

CUBA WILL NOT GO the way of China or Vietnam as long as Fidel Castro remains in power. His hatred of capitalism and of individual opportunity and autonomy remains fixed. He won't set the kind of fundamental reforms in motion that Deng Xiaoping did in China in the late 1970s—reforms that have made that nation the fastest growing in the world.

Every reform Castro has made since his Soviet subsidies disappeared has been undermined or reduced to insignificance. Foreign investors, for instance, can bring in their capital, but they are restricted in hiring and firing workers. The government

decides who is eligible for the jobs, only approving those workers with politically correct credentials. You can be self-employed, but the government imposes horrific rules and regulations.

Any change Castro permits is designed to keep his regime in power, to generate enough revenue to buy off those who might turn on him, principally the army. He would never approve of free-enterprise zones like those that are turning China into an economic beehive.

Only when this murderous, aging autocrat is finally ousted will the Cuban people and economy finally blossom.



Still prefers his socialism straight: "Reforms" opportunistic, tactical, temporary.

BIG APPLE'S BIG ASSAULT

CRIME-FIGHTING EXPERTS are pooh-poohing the extraordinary achievements of New York City's Police Commissioner William Bratton. Since taking office nearly two years ago, Bratton has, with the full support of his boss, Mayor Rudolph Giuliani, brilliantly reorganized the New York Police Department and taken an aggressive, proactive approach to curbing crime. The results have been spectacular. Gotham's murder rate has dropped nearly 40%, robberies 30%. Felony assaults, burglaries and auto thefts have also experienced double-digit declines.

No other American city can match this record.

Yet many criminologists have been loath to give Bratton his due because his activist approach has confounded their theories that little could be done to reduce crime rates. It's true that the decline in crack use and the decrease in drug turf wars have both helped. But these

forces are at work in other major cities whose records are no match for New York's.

What did Commissioner Bratton do? He remodeled the NYPD so that there is genuine coordination and cooperation among foot patrols, the narcotics division and the Department's detectives. He also instituted strategies that quickly channeled police resources to high-crime areas. The police took an aggressive approach in fighting graffiti,

petty vandalism, public drinking and other disorders in the belief that small crimes set the stage for more serious crimes as a neighborhood deteriorates. Police officers were also encouraged to make more narcotics and gun arrests. Gangs are no longer allowed to control neighborhoods, as has tragically happened elsewhere.

Other cities can learn from New York's example.

The Commissioner vs. the Criminologists

Bratton Spars With Academics on Crime's Decline in New York

—New York Times

THIS DEMOCRAT HAS IT RIGHT

Values Matter Most—by Ben J. Wattenberg (The Free Press, \$25). Well-researched, well-thought-out examination of, and prescriptions for, four crucial, controversial problems: crime, welfare, education and affirmative action. This Democrat is far more "conservative" than his Party in his commonsensical, back-to-basics approach. Crime: Incarceration works. Education: Develop real standards, with no more "feel-good" curriculums; restore discipline. Welfare: Stop subsidizing out-of-wedlock births; let states have a real part in constructing and running their programs. Affirmative action: Quietly, coolly phase it out.

Excerpt: *The root causes of [our social] issues can be tracked back to liberal ideas about American guilt and American victims. These ideas yielded a liberal politics, which yielded liberal policies, and liberal government, all of which helped erect the something-for-nothing state.*

What government has caused, government can cure.

What liberals have caused, conservatives can cure. What liberals have caused, liberals can cure if they see the error of their ways. Liberals may have acted with the BOI (best of intentions), but their remedies were subject to the LUSE (Law of Unintended Side Effects).

Excerpt: *I believe that, with all our problems, the cause we Americans promote today is still the best around: democracy, individualism, pluralism, and markets. We offer that American Plan freely and often with gusto. [But] only if America moves smartly ahead, if we deal with our linked social issues, will there continue to be a democratic model for the world. There is an apparent paradox. The most exciting thing in the world today is the spread of American values. And consequently, the most troubling thing in the world today is the*

erosion of American values, in America. I hope—and think—that the old American way of life, surely adjusted for modern times, will prevail again in America. I know this: If America falters, the world is in trouble.



"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



THE STUNNING DEFEAT

of Poland's President Lech Walesa by a neo-communist, Aleksander Kwasniewski, is another reaping of the whirlwind sown by wrongheaded Western economic advice foisted on former communist nations. Dubbed shock therapy, these policies recommended by the U.S., the IMF and others for newly liberated nations of the former Soviet Empire were supposed to bring about a sudden transformation to a vibrant free-market economy. Subsidies would end; government-owned entities would be hastily privatized; taxes would stay high so budgets could be balanced; credit would be tightened to curb inflation.

While the goals were laudable, the results were appalling. Rapidly rising unemployment put a quick end to the notion of eliminating subsidies. In Russia, hasty privatization turned into a corruption feast for old-line communist officials who rigged the process so they could acquire assets cheaply. High taxes forced many entrepreneurs into the informal economy (in Poland, payroll taxes approached 70%). Tight credit put an enormous burden on new businesses. Incredibly, while interest rates were made high, money was pumped into dinosaur industries to preserve employment; thus many of these countries experienced hyperinflation.

The Chinese did it better economically. They established free-enterprise zones, attracting massive foreign investment and energetic local entrepreneurs. While privatization occurred at a much slower pace, China did allow new entities to compete with state-owned companies, whose bloated

cost structures made them easy targets. China's tax structure is not punitive, so growth has been in double-digits. Inflation—high by Western standards—has never exceeded, in its worst years, the monthly rates Russians experienced routinely. People's savings in China have not been destroyed, as they were in Poland, Russia and elsewhere.

Former Red lands could have had less painful transitions had they been urged to follow a few sensible policies:

- **Curb inflation.** The Baltic states are now doing this with currency boards. Russia could have achieved the same goal by fixing the ruble's value to the dollar and by selling dollar-denominated bonds backed by government-owned assets for rubles. This would have soaked up excessive credit.

- **Slash or scrap taxes, tariffs, numerous licenses and restrictions.** Again, the Baltic states have demon-

strated that reasonable tax rates fatten budget receipts.

- **Respect property rights.** Russia's capricious, ever-changing rules governing foreign investment have severely damaged the inflow of capital while making local entrepreneurs prey to powerful mafia-like gangs.

- **Stop bureaucratic interference in the setting-up and running of private businesses.** In too many countries, entrepreneurs have to go through mazes of red-tape to legally establish their businesses.

Democratic forces are on the defensive in Russia because of unnecessary economic distress.

The U.S. and its allies blew it here, big time.



Walesa (r.) and opponent Kwasniewski. Shock therapy gives old Red guard new life.

BAN THIS BARBARIC SURGERY

THE U.S. Senate should be ashamed for not passing the Smith bill outlawing a late-pregnancy procedure known as partial-birth abortion. In this hideous operation, the baby's live body, except the head, is delivered. While the head is still in the birth canal, the abortionist undertakes an unconscionable act, collapsing the skull and destroying the brain. Tragically, many partial-birth abortions are elective—with no medical necessity for them.

The House of Representatives overwhelm-



Senator Bob Smith (R-N.H.)

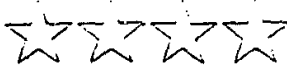
ingly passed a similar measure. Several senators blocked a Senate vote, ostensibly for hearings but more likely to kill the bill by delay. Carefully crafted by physicians, the bill makes no reference to other late-term abortion procedures.

Morally, there is no justification for what might be called a hospital divided: In one room doctors struggle (with increasing success) to save premature babies who have been in the womb for as little as 24 weeks. In another room physicians are at work to end pregnancies of similar duration.

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The Forbes 1995 All-Star Eateries in New York

This year's winners once again come from the digested wisdom of brothers Bob, Kip and Tim, and two other Forbes colleagues, Jeff Cunningham and Tom Jones.



Aureole
Chanterelle
The Four Seasons
La Caravelle

La Côte Basque
La Grenouille
Le Cirque
Le Régence

Lespinasse
March
Parioli Romanissimo
'21' Club

Changes in the firmament: Bouley is being dropped, as it is closing next July. The Four Seasons' Tom Margittai and Paul Kovi have successfully passed the managerial mantle to Alex von Bidder and Julian Niccolini. La Caravelle, famous

for its soufflés—and justifiably so. Lutèce, a standard Four Star-er, is on standby until its new chef, Eberhard Müller, shows he can fill André Soltner's apron. An American classic, '21' Club deserves recognition as the best of its kind.



Arcadia
Fifty-Seven, Fifty-Seven
Gotham Bar & Grill
Gramercy Tavern
Il Cantinori
Il Mulino
La Réserve

Le Bernardin
Les Célébrités
Montrachet
Nippon
Nobu
Oceana
Palio

Peter Luger Steak House
Restaurant Daniel
Seryna
Shün Lee Palace
Sparks Steak House
West 63rd Street Steakhouse

Gramercy Tavern—just what American cuisine was meant to be. Il Cantinori—closest thing to Tuscany without leaving the country. The original Nippon (East 52nd St.) continues to produce superb traditional Japanese fare. Nobu, a newcomer, has delicious food, but its reserva-

tions system needs polishing. Oceana serves snappy seafood, killer desserts. Palio—first-rate risotto. Steak reigns supreme at Peter Luger's, followed closely by Sparks and West 63rd Street steakhouses. Restaurant Daniel's food is Four Star, but its service precludes a move up.

Special



Aquavit—super Scandinavian; Café des Artistes—was it the food or Howard Chandler Christy's nubile nymphs that brought Bill Clinton here to dinner?; Café de Bruxelles—great fries and beer; Café Nicholson—romance galore; Chez Joséphine—it's a party; Chin Chin—some of the most innovative Chinese food around; City Crab and Seafood Co.—cleverly cooked crustaceans; Dial-a-Dinner—take-out service from a number of fine New York restaurants; Etats-Unis—tiny storefront, imaginative cuisine; Harley Davidson Cafe—burgers, BBQ and one of MSF's big bikes; Harry Cipriani—fabulous Italian; Lola—festive and fun; Mad, 61—a feast for the palate and the eyes; Mesa Grill—inspired Southwestern; Mi Cocina—sensational South-

of-the-Border dishes; Mortimer's—tasty people watching; Museum Café—nice food after a field trip to the Museum of Natural History; Periyali—great Greek; Petrossian—the ideal place to toast an anniversary, a birthday or the beginning of a love affair; The Rainbow Room—an old favorite; Rosa Mexicano—the real thing; The Royal Canadian Pancake House—high-cholesterol heaven; Second Avenue Kosher Deli—best corned beef in town; Serendipity 3—fantastic fantasies for the sweet tooth; Silk—the meld of French and Pacific Rim works beautifully; Sylvia's Restaurant—food for the soul; The Terrace—beautiful view and romantic setting make trip uptown well worth it; Turkish Kitchen and Uskudar—terrific Turkish treats; Zarela—marvelous Mexican.

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"With all thy getting get und...nding"

Fact and Comment

By Malcolm S. Forbes Jr., Editor-in-Chief



WILL MEXICO STEP BACK FROM THE CLIFF'S EDGE?

MEXICO'S ECONOMIC CRISIS is worsening. Against the expectations of the Mexican government and the Clinton Administration, the peso has been sliding. Mexican interest rates are going up, which will deepen and prolong that country's savage recession. Recently, the Bank of Mexico, finally, forcefully intervened to shore up the peso. Will the government now make a sound peso its policy?

If it doesn't, the repercussions will be political, not just economic. Mexico's battered middle class is becoming increasingly restive as unemployment grows and living standards shrivel. More Mexicans are going to try to cross into our country illegally.

Mexico had been unintentionally throwing gasoline on its inflationary fires, with its central bank pumping out more and more pesos. Now the government thinks that jacking up inter-

est rates will bolster its sinking currency. All that does is squeeze small businesses and consumers even more.

The Bank of Mexico should turn off its printing presses and sop up the excess liquidity by selling the bonds and other assets it currently holds. It shouldn't worry about interest rates. As soon as the markets realize the government is truly serious about stabilizing the peso, interest rates will fall. Mexico should do what Argentina did four years ago with its successful anti-inflation program: firmly fix the peso to the dollar. Monetary policy would be based solely on keeping that connection ironcladly intact. The government could then follow up with some badly needed pro-growth tax cuts.

The economic hurricane would then be over, and the Mexican economy could rapidly recover.



Presidents Clinton and Zedillo: Despite the good feelings, Mexico's situation continues to worsen.

PHONY PROGRESS

THE FOOD AND DRUG ADMINISTRATION is touting a new report by the General Accounting Office that the FDA is approving new drugs far faster than it did a few years ago.

Don't believe it. The FDA's "improvement" is only for the last phase of a long regulatory process. The major hurdle is the so-called clinical development period, during which the FDA over the years has been demanding more and more data that outside experts feel are unnecessary. The mean clinical testing time has increased two-and-a-half-fold since the 1960s, from an average of 2.5 years to 6 years. Only after this process is completed can a pharmaceutical company formally file a new drug application with the FDA.

As a result of this needless, bureaucratic expansion of clinical study time, the cost of developing a new drug is almost \$300 million, up from \$130 million (inflation-adjusted) in 1976. Other major nations with respected, reputable testing procedures, such as Britain, Germany

and Japan, take significantly less time to allow a new drug to come to market. That's why only 27% of recently approved new drugs in the U.S. were first marketed here. Some 12% of new medicines were available for more than ten years in a foreign market prior to U.S. approval.

The FDA hopes that this GAO study will derail congressional legislation that would speed up the agency's sluggish drug-approval process. (Under the legislation being drafted, if the agency did not act within a given period, the review would be turned over to a private group—and even better, the drug could go on the market if it had already been approved for use in another reputable testing nation, such as Britain.)

The FDA is becoming an increasingly destructive obstacle to the development of new medicines and is wreaking increasing havoc in the field of medical devices. Its director has already undermined the agency's integrity by playing politics with a number of issues.

The time is long past for bringing the FDA to account.

F.D.A. Has Sharply Cut Drug-Approval Times, Report Finds

—New York Times

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CALIFORNIA VOTERS

will have the opportunity next March to pass three exciting initiatives. These will slash auto insurance costs, rescue new, job-creating high-tech companies from extortionist shakedowns by rapacious trial lawyers, and reduce court congestion by encouraging rapid settlement of numerous lawsuits. The measures are the brainchild of the Alliance to Revitalize California, a pro-consumer, antilawsuit organization spiritually spearheaded by author and financial wizard Andrew Tobias.

One initiative would create a genuine no-fault auto insurance system, virtually eliminating the need for lawyers and taking away incentives to file fraudulent insurance claims. Victims would be covered by their own insurance, which would immediately pay for actual losses, such as medical expenses, rehabilitation and for-gone wages, no matter who was at fault. There would be less need to go to court or to negotiate a settlement. Motorists would receive the compensation they had paid for; uninsured motorists would get nothing. Currently in California, and in many other states, lawyers get more of an auto-insurance-premium dollar than do doctors and hospitals.

The second measure would stop an ugly cottage indus-

try's imposing growing burdens on emerging companies. The stocks of startups are inherently volatile, but lawyers routinely file shareholder suits charging fraud whenever a high-tech company's stock takes a plunge. Defending these actions is so expensive that many outfits simply settle. The Alliance's initiative would require the losing party to pay the winning party's legal expenses. Since most of these suits are meritless, shakedown artists would hesitate to file if they had to pay the other side's legal bills. Thus, managements of emerging companies could spend their time and resources growing their businesses instead of fighting off legal hyenas.

The final initiative would limit contingency fees—when the defendant quickly agrees to pay damages—to 15% of a settlement instead of the usual 33%. More money would go to victims, less to lawyers. And defendants would have incentive to speedily close a case when in the wrong.

Not surprisingly, trial lawyers are outraged at these threats to their gravy trains. But such sensible reforms are absolutely necessary in order for consumers to save money, to bring back sanity to our courts and to enable honest entrepreneurs to concentrate their energies productively.



Auto accidents need not be bonanzas for lawyers.

PERSONAL MEMORIES OF A GREAT MAN

I FIRST MET Yitzhak Rabin 15 years ago, when I visited Israel with my father and *FORBES* editor Jim Michaels. At that point Rabin's political career seemed over, after a tough stint as Prime Minister. The underacclaimed architect of Israel's spectacular Six-Day War victory impressed us with his candor, his perceptive appraisal of the issues and personalities of the day, his direct approach and his underlying humanity, which had not been warped or extinguished by years of military and political warfare. The three of us remarked afterward how regrettable it was that such a down-to-earth, obviously able man would not be in harness again in the service of his country.

My next meeting with Rabin took place ten years later and was strictly business. He was Defense Minister and I was Chairman of the Board for International Broadcasting, which oversaw Radio Free Europe and Radio Liberty. At the time, we were trying to implement an agreement with Israel to build a major transmitter station in the Negev desert. The Israeli Air Force had raised obstacles that threatened to scuttle the project. We felt the objections could easily be overcome but realized the military didn't want to be bothered with what it thought was an unnecessary nuisance. My colleagues and I conferred with the Defense Minister and key Air Force leaders. Rabin listened carefully to our presentation and to our interchanges with the Air Force brass. He then asked straightforward, penetrating questions. To the discomfort

of his associates, he concluded that the project should not be stopped. He was that kind of man—he could weigh information and wasn't afraid to make a difficult decision. Because of the transmitter project (ultimately nixed by the Clinton Administration), I met with Rabin a third time when he was Prime Minister (he was a man of too high a stature to be called the comeback kid) in 1992. Despite noisy domestic opposition, Rabin said Israel would honor its commitments. What was noteworthy again was his trust-inspiring, businesslike manner.

I was fortunate to see Rabin one more time, last spring, when I had the opportunity to host a small group of American executives for a visit to Israel in order to size up investment opportunities in that extraordinary country. The Prime Minister and his wife, Leah, invited us to their apartment for dinner. While obviously fatigued, he spent the evening answering our questions and sharing with us his unshakable conviction that Israel must continue to pursue the peace process. The dinner underscored what everyone already had known: Without Rabin's vision, determination and ability to quickly win the trust of others, those breakthrough agreements would never have happened.

Rabin was no know-it-all, doubts-are-for-others leader. He had deep convictions, tempered by a personal, Lincoln-esque appreciation of the strengths and frailties of human nature. That humanity is why so many of us genuinely grieve his loss.



Israel, March 1980: SF, MSF, Rabin and JWM.

"With all thy getting get up standing"

Fact and Comment

By Malcolm S. Forbes Jr., Editor-in-Chief



BLOODY DUMB IDEA

PRESIDENT CLINTON IS ADAMANT that the U.S. put 25,000 ground troops in Bosnia as part of a peace settlement. The proposal is murderously preposterous.

Have we learned nothing from our experiences in Lebanon and Somalia? What, exactly, would be our soldiers' mission? For how long? Under whose command?

These Americans would quickly become targets of anti-peace, anti-American factions, which are numerous in that part of the world. Instead of preserving peace, our presence would goad those who want conflict.

Presidential apologists point to Haiti, where U.S. troops have suffered virtually no harm. But Haiti isn't the Balkans, where war is being waged by determined armies. Moreover, Haiti sadly appears to be headed for another dictatorship as President Aristide methodically eliminates his foes. Our previous occupation (1915-1934) didn't make Haiti safe for democracy. This episode won't either.

President Clinton calls opponents of his ill-conceived scheme isolationists. The real fanners of isolationist sentiments are those who, like the President, would put our troops in harm's way without systematic, careful consideration as to how this will help our long-term national interests.

At the same time, the Administration still balks at the idea of removing the arms embargo on Bosnian Muslims. Instead, the White House prattles about providing defensive weapons. In the real world, only armaments of the scope and on the scale of the Serbs' will suffice.

A settlement that has any chance of lasting should involve NATO air power, not U.S. ground forces; should supply the Bosnian Muslims with sufficient arms and munitions; and should require Western Europeans, particularly the Germans, to forcefully tell the Croats that their hopes of joining the European Union are zilch if Croatia tries to cut a deal with Serbia to divvy up the rest of Bosnia.

BAD THEORIES → THROTTLED GROWTH

BRAZIL IS AN EXAMPLE of obsolete economic thinking's throttling a country that is ready for explosive rates of economic growth.

Until recently, the country seemed consigned to perpetual hyperinflation, to forever fulfilling that jocular but pessimistic forecast: Brazil has a great future and always will. But in 1994, former finance minister (now president) Fernando Henrique Cardoso instituted a dramatic anti-inflation plan that has been sensationally successful. From a level just shy of 2,500%, the annual inflation rate is now down to 22%. Brazil's long-shackled economy began to blossom and seemed ready to become the world's fastest-growing one.

Alas, the government and the central bank are now starting to choke the economy because of two wrongheaded ideas. One is that a developing country should have a trade surplus in order to

"generate" capital for internal expansion. When imports mushroomed earlier this year, Brasilia responded by slapping on tariffs and quotas for automobiles and other items.

The Central Bank of Brazil is guilty of the other toxic theory: Fast growth breeds inflation. The bank imposed a credit squeeze that has been especially damaging to small entrepreneurial companies. Neither central bankers nor government planners nor economists can possibly know how fast the Brazilian economy can grow. Growth doesn't destabilize a currency; excessive credit creation does. In short, if the central bank kept its currency permanently fixed to the dollar and announced this as its policy, real interest rates would fall and the economy would grow even more.

As it is, Brazil's potential is so extraordinary that the economy is still expanding at a 5% to 6% pace.



President Cardoso: Quelled inflation. Must now exorcise slow-growth ideas.

JUST SAY, "NO"

ALABAMA GOVERNOR FOB JAMES recently returned \$1.4 million his state received last year from the Department of Education to help implement Washington's Goals 2000 program. The project, supposedly, will promote

new national standards to improve kids' education. The governor is right to send the money back. The guidelines, voluntary today, will, in Washington fashion, become mandatory and do schooling more harm than

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good since they are permeated with political correctness. The most notorious example is the initial draft of standards for American history. Figures such as the Wright brothers, Paul Revere, Thomas Edison and countless other icons are given short shrift while Joseph McCarthy and the Ku Klux Klan are highlighted.

The state of New Hampshire has also wisely rejected the fund-

ing, as has Virginia. After originally participating, Montana is opting out. Other states should resist the lure of seemingly easy federal money and follow the example of these four states.



Governors Fob James, Alabama; Stephen Merrill, New Hampshire; George Allen, Virginia; and Marc Racicot, Montana: Resisting the D.C. bribe to imbibe a bad idea.

American education best flourishes when schools are accountable to parents, not to self-serving unions such as the National Education Association or to government bureaucracies.

LET'S FIND OUT WHAT'S THERE

FIFTEEN YEARS AGO Congress created the Arctic National Wildlife Refuge and set aside a small portion of the area for studying the potentially huge oil and gas resources there. Environmentalists are now waging a ferocious fight to put that part of ANWR into commercial deep freeze. Congress should pass the necessary legislation to enable



Oil activity hasn't stopped caribou proliferation.

exploration to begin. Our experience with Prudhoe Bay, now the source of almost 25% of our domestic oil production, amply demonstrates that development can be carried out in ways that are environmentally safe and sound.

There is no good reason, other than emotion, for not letting exploration go forward.

SADDLING UP ANOTHER EQUINE MYSTERY

Come to Grief—by Dick Francis (G. P. Putnam's Sons, \$23.95). Unlike the case with your usual whodunnit, we know the villain in this one from the start. And the crime here is not murder but the mutilation of horses for sadistic pleasure. Alas, the good guy is regarded as an envious cad for getting the goods on the bad guy, who enjoyed pre-trial O.J. Simpson-like popularity. The story tells how the evil deeds were done (the horses trusted their torturer) and who tried to cover up for the brute and why. As usual, the Francis-can hero is stoic and single, a man who hates to show emotion. A book not for the squeamish. Excerpt: "I understand the jury isn't allowed

to know anything about a witness. I was at a trial once in the Central Law Courts—the Old Bailey—when a beautifully dressed and blow-dried twenty-six-year-old glamour boy gave evidence—all lies—and the jury weren't allowed to know that he was already serving a sentence for confidence tricks and had come to court straight from jail, via the barber and the wardrobe room. The jury thought him a lovely young man. So much for juries."

"Don't you believe in the jury system?"

"I would believe in it if they were told more. How can a jury come to a prison-or-freedom decision if half the facts are withheld? There should be no inadmissible evidence."



RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones

● **El Parador Café**—325 East 34th St. (Tel. 679-6812). Can't get a reservation at Rosa Mexicano? Don't like the hassle of Zarela's? Try this granddaddy of Mexican restaurants in New York (opened in 1959). No attempt at the more sophisticated culinary achievements of the aforementioned restaurants, but what is offered is robust, tasty and dependable. A fun place, romantically lit.

● **Mambo Grill**—174 East 82nd St. (Tel. 879-5516). Venezuelan cuisine. If it's on the menu, try the *ropa vieja*—shredded pork, moist and garlicky. Desserts good, too—rice pudding, delightfully nonsweet.

● **Shun Lee Palace**—155 East 55th St. (Tel. 371-8844). Better than ever. Food and service are tops. Consider chicken *grand chet* (marinated with black

beans, ginger, scallions, mushrooms and bamboo shoots) or rack of lamb Szechuan style (grilled with garlic and scallions, served with broccoli and carrots in a Szechuan sauce).

● **Deniz**—400 East 57th St. (Tel. 486-2255). Turkish food, occasionally wonderful (particularly char-grilled, mashed eggplant salad), but generally disappointing.

● **Royal Canadian Pancake House**—1004 Second Ave., at 53rd St. (Tel. 980-4131). High-cholesterol heaven. Even so, place full of smartly dressed young professionals who order up Texas-size pancakes, French toast the length of the Wonder Bread loaf topped off with gobs of whipped cream. Everything that doesn't get syrup is dripping with melted cheese. Sausages are to die for. ■

"With all thy getting get un...standing"

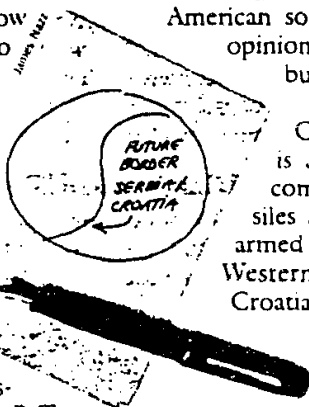
Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



THE GREAT UNANSWERED QUESTION

about the upcoming settlement in Bosnia is how that country avoids the fate Poland suffered so many times: being partitioned by greedy, more powerful neighbors. In this case the obvious carver-uppers are Serbia and Croatia. In fact, in May Croatian President Franjo Tudjman indiscreetly told a British politician at a state dinner in London that the divvying up of Bosnia is what he happily foresees, and then he jotted down a map on the back of a menu, showing how his country and Serbia would share the spoils.



This would mean the slaughter of countless numbers of Muslims and the forcible repression of those who survived such a "cleansing." To avoid any such bloodbath, diplomats say, American ground troops must be a part of any settlement. But

American soldiers are not the answer here. Public opinion will not support such an open-ended butter role.

NATO must make clear to Serbia and Croatia that the Bosnian rump state that is about to be created will have the full commitment of NATO war planes and missiles and that Bosnian troops will be amply armed with the most modern of weapons. And Western Europe should repeatedly remind Croatia that its ability to trade with Western

Europe and to become a member of the European Union depends entirely upon nonaggressive behavior. The longer a peace can be kept, the more

likely that more and more increasingly prosperous Croats will oppose a war of aggression.

STOP THIS STRONG-ARMING

REPUBLICANS ARE TOYING with the idea of having the IRS farm out the collection of delinquent taxes to private-sector bill collectors who would receive sensitive information about taxpayers that normally remains within the confines of the government.

The idea is a bad one. Sure, enforcers outside the federal government might be more "efficient" and cheaper, but any such savings are not worth the price of this gross invasion of privacy.

Unquestionably, compliance with the tax code is declining. Self-compliance was once a characteristic that sharply distinguished us from other nations. But the real villain here is the sheer complexity of the tax code itself. It is axiomatic in history that the more complicated tax law becomes, the less revenue is paid

and the more nasty—or corrupt—tax collectors become.

For almost 20 years Washington and the states have been obsessed with tightening the rules and increasing resources to bring in more money.

Result: growing resentment from taxpayers. And no wonder—some 40% of the delinquent notices the IRS sends out are mistakes.

The answer is to junk the current code and enact the flat tax. The resulting simplicity would enormously increase compliance, would remove the major sources of political corruption in Washington, would set off an economic boom because people could keep more of each

dollar they earned, and would eliminate barriers to job-creating investment.

G.O.P. Wants I.R.S. to Use Bill Collectors

Hired Outsiders Could Get Data on Taxpayers

New York Times

SIMPLE WAY TO SAVE \$\$\$

ONE QUICK WAY to reduce the deficit is to index government bonds for inflation. Uncle Sam could then sell long-term debt with coupons as low as 2%. Britain began indexing its government paper in the early 1980s. London now issues bonds with maturities for almost 40 years, with interest rates averaging around 3.5%.

After an indexed bond is sold, interest and principal

are geared to reflect inflation. Since investors know that they will earn a "real" return, they don't expect a premium in interest rates as compensation for unknowable levels of future inflation.

Our Treasury Department has resisted the idea since the Brits started it nearly 15 years ago. Too bad. In the early 1980s we were issuing long-term, fixed-rate bonds

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with coupons of up to 15.75%. If we had started indexing them, we would have saved literally tens of billions of dollars in interest payments, as inflation plummeted from 13% to 4%.

The Clinton Administration has been shortening the average length of our debt as a gimmicky way to reduce the budget deficit. This is a dangerous trend, the most extreme example being Mexico, which relied almost

entirely on short-term maturities and was thus extraordinarily vulnerable to financial shocks.

Indexing would also reduce the temptation of the Federal Reserve to engage in inflationary policies, knowing that the government would immediately face higher costs.

Ultimately, of course, the best lower-interest-rate policy is refixing the dollar to a fixed measure such as gold. In the meantime, indexing is a sensible bridge.

GIVE PEACE A CHANCE

NOW THAT ISRAEL AND THE PLO have signed an historic agreement concerning the West Bank, both sides should be urged to shuck off some deeply ingrained philosophical barriers to economic progress.

Israel today is one of the most overregulated, overtaxed nations. Income tax rates rapidly reach 50%, and there are numerous indirect taxes. It costs an employer more than \$3 to give a worker an aftertax salary increase of \$1. If Israel were to enact a flat tax—as a small group of Knesset members are proposing—and sweep away some of the more ridiculously onerous rules, the country would quickly

reach double-digit growth rates. Its highly educated, hard-working, innovative work force guarantees such a result.

The government in Jerusalem would then be in a position to advise the Palestinians—even more statist-minded than the Israelis ever were—to do the same. Since the Palestinians began achieving more self-rule, government decrees and taxation have become oppressive. The new governing authority not only has stamped out grassroots entrepreneurship but also has introduced a wave of outright thuggery.

The only hope for lasting peace is if this region becomes a hothouse of prosperity.

ECONOMIC MALPRACTICE—AGAIN

ARGENTINA'S FREE-MARKET finance minister, Domingo Cavallo, recently survived an assault from his country's retrograde political forces. But the economic slump that has been fueling the attacks against him underlines yet again how destructive the economic medicine and advice are that we and the International Monetary Fund administer to other nations.

Starting in 1991—and with the full support of President Carlos Menem—Cavallo began liberating a nation that was suffocating under excessive inflation, taxation and regulation. By strictly tying the value of the peso to the dollar via a currency board (no peso can be issued unless it is backed by hard currency), Cavallo quickly reduced inflation from over 2,000% to under 4%. Tax rates were cut; stifling regulations were eased; and state-owned companies, including telephone and oil, were privatized. Until last December's Mexico crisis, Argentina was enjoying an impressive annual growth rate of almost 8%.

Now, thanks to IMF-imposed austerity, Argentina is writhing in recession. When Mexico abruptly devalued its

own peso, speculators attacked Argentina's, figuring it would quickly succumb. Foreign capital was withdrawn from Argentina, sharply reducing the money supply and bringing on a devastating credit crunch. Knowing the huge costs of inflation-causing devaluations, Cavallo fought back, impressively cutting government spending.

But Argentina needed temporary loans to ease the credit shortage. Alas, with our connivance, the IMF provided the necessary funds but demanded higher, anti-growth tax increases in return. If the Clinton Administration knew what it was doing, it would have told the IMF to extend the money and require Buenos Aires *not* to boost such growth-inhibiting exactions.

The peso was saved, but the unnecessary economic slowdown is making it extraordinarily difficult for the government to introduce another round of needed reforms—particularly with regard to onerous labor laws and a hemorrhaging health care system—to stimulate further growth.

Once more, Washington has gratuitously hurt the cause of democratic, free-market capitalism.



Cavallo: How long can he and his country survive bad medicine?

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Le Périgord**—405 East 52nd St. (Tel.: 755-6244). Menu, decor, captain, waiters and flowers all speak of an earlier, grander era for New York French restaurants. While old-fashioned, Le Périgord retains a freshness and vitality. Delicious food: perfect cold foie gras with Sauterne jelly; a simple and superb artichoke vinaigrette; beef stew; grilled Dover sole; cooked-to-order shad roe.

● **Thomas Scott's on Bedford**—72-74 Bedford St. (Tel.: 627-4011). While the setting is charming and romantic, the food is terrible.

● **Hangawi**—12 East 32nd St. (Tel.: 213-0077). Unusual Korean restaurant. Vegetarian menu with such specials as

pumpkin porridge, tofy roll and mushroom bulgogi. Traditional Korean full-course meal, pleasing, light and satisfying.

● **La Ripaille**—605 Hudson St. (Tel.: 255-4406). Like L'Auberge du Midi, this is an atmospheric West Village French bistro. Try the fish and game dishes.

● **Vong**—200 East 54th St. (Tel.: 486-9592). Unique, like eating on the set of *The King and I*. Try appetizers such as crab spring roll with tamarind dipping sauce or sautéed foie gras with ginger and mango. Entrées, just as special: lobster with Thai herbs; roasted chicken with lemongrass; black bass with black trumpet mushrooms, chestnut and lotus root broth. Desserts, worth every calorie. ■

PHOTO: JEFFREY M. HARRIS

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



STOP STUNTING OUR PROSPERITY

THE DIRECTORS OF THE National Association of Manufacturers have issued a resolution calling on the Federal Reserve to ease monetary policy to stimulate growth. Others should take up this cry. There's no reason we can't expand at a 50% to 100% faster pace than the Fed thinks we're capable of doing.

Our central bank, with the overt support of the Clinton Administration and the passive acceptance of congressional Republicans, believes that real growth in excess of 2.5% a year will trigger inflation. That's a pre-

posterous proposition, but it still retains an unassailable grip on the minds of Washington policymakers. Between the end of the Korean War and the big Vietnam buildup of the 1960s, the U.S. economy expanded at an annual average of 3.5%, with negligible inflation. Growth during the Reagan expansion averaged almost 4%, while inflation plummeted.

Given the Reagan record, not to mention so much other overwhelming evidence, why doesn't the GOP take the Fed to task?

LASSOING LAWYERS LIBERATES THE REST OF US

TORT REFORM IS BOGGED DOWN, even in this Republican Congress, as the trial bar showers contributions on a party it had disdained until last November's elections. Too bad: Real change would help stimulate prosperity. A study from the National Bureau of Economic Research finds that reforming our so-called civil justice system will enormously benefit job creation and economic expansion. Researchers found that states that

reduced excessive litigation and unjustified awards did far better economically than states that did not. In fact, the study found that employment fell when suit-encouraging laws were passed.

Gratifyingly, states are enacting their own progrowth changes. Particularly impressive are reforms enacted by Governor George W. Bush in one of the most notoriously litigation-happy states, Texas.

GO SLOW

REPUBLICANS are ready to wield an ax against the earned income tax credit. They should think carefully before they act. This credit supplements incomes of low-wage earners. Its goals: to get people off welfare, since taking a job means a sharp, quick loss of noncash benefits, and to keep those with low incomes from falling into welfare.

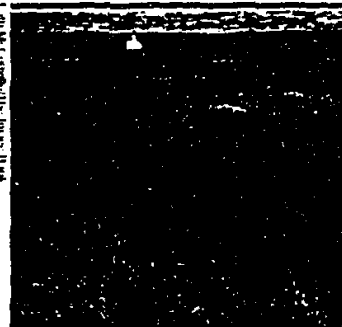
The program has expanded far beyond what it should have, and it is riddled with fraud. The GOP is, of course, right to deal with these problems. But until there is genuine welfare and tax reform (read flat tax), the principle of the earned income tax credit is sound.

A scalpel, not a meat cleaver, is called for.

AN ANTI-AG PROGRAM

ONE MEASURE Washington should kill is the Conservation Reserve Program. Its purpose is to have farmers set aside highly erodible or other environmentally sensitive land. Farmers are paid not to grow crops on the land for ten years.

This supposedly pro-environment program does more harm than good. Around 36.4 million acres have been set aside, an area larger than the state of Iowa. Most acreage is actually good agricultural land that could be used soundly by incorporating basic environmental safeguards.



Opportunity lost: Unused fields mean losing overseas markets.

At a time when world trade for food is growing, this perverse program reduces American agricultural production, thereby leaving global markets open to foreign competitors. Lower production has meant lessened agricultural activity, resulting in social costs. Senator Kent Conrad (D-N.D.) has blamed the Conservation Reserve Program for destroying "small town after small town."

Good land should not lie fallow, especially when market opportunities are expanding worldwide.

FORBES 400 '95

POLITICAL HOSTAGE

THE CLINTON ADMINISTRATION is slowing down efforts to bring other nations, such as Chile, into Nafta. The reason is political. In the aftermath of the Mexico debacle, Nafta is seen as an electoral liability. Ironically, if the Administration and Mexico had lived up to the spirit of Nafta, Mexico today would be humming with vibrant rates of growth.

Last December's disastrous devaluation (which we urged on Mexico) was an anti-free-trade move meant to make our exporting to Mexico more difficult and to give

Mexican exports an artificial boost by effectively lowering their prices. That is protectionism. Since December, our exports to Mexico have shrunk, costing us tens of thousands of jobs. The Mexican economy is in deep recession.

Previously, U.S.-Mexico trade had blossomed because barriers were lowered and the peso-dollar relationship was stabilized. Between 1985 and 1994, American exports to our southern neighbor just about quadrupled, from \$13 billion to \$50 billion.

BIG LESSONS

THE STUNNING ANNOUNCEMENT that AT&T is splitting itself into three companies underscores two critical points. The first, and lesser one, is that big is not necessarily better, despite a spate of sensational mergers. The information age puts a premium on speed for creating opportunities and for implementing up-to-date technology. Only such fast companies can achieve the productivity and create the products and services essential for staying successful. AT&T's CEO Bob Allen rightly pointed out that management was spending too much time and too many resources keeping track of and integrating the company's multitudinous businesses and markets.



CEO Allen: Keeping core company focused by shedding non-core parts.

The breakup will mean thousands of layoffs, which leads to the second, more important point: In an environment where such downsizing remains a constant, it is essential that the American economy be expanding vigorously instead of moving at the anemic rates of recent years. Otherwise, those jobs will not be replaced with comparable ones—not to mention creating the new ones needed for young entrants into the work force.

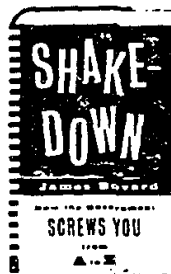
The way to get the economy growing as it should is to enact the flat tax. That won't happen until after the next election. In the interim, Congress must cut the capital gains tax to generate job-creating investment.

TRUE TALES OF TERROR

Shakedown—by James Bovard (Viking, \$14.95). Bovard's make-your-blood-boil book of government's abusive excesses against ordinary Americans should turn even the most stout-hearted statist into a fervent libertarian. In anecdote after anecdote the author chronicles outrageous acts from agencies such as the Environmental Protection Agency, the Equal Employment Opportunity Commission, the Department of Housing and Urban Development, the Food and Drug Administration, and even municipal zoning boards. This wee volume underscores the reason so many Americans are turning conservative. It's one thing for the government to go after major corporations, quite another when it begins strong-arming countless thousands of ordinary citizens.

Bovard's wide-ranging, meticulous research has proba-

bly put him at the top of any bureaucrat's most-wanted list. **Excerpts:** *In 1990, Sisy McGill, owner of Solid Gold Pet Foods in El Cajon, California, was jailed for 179 days and fined \$10,000 after the FDA prosecuted her for claiming that her dog food offered pooches "a long and healthier life." ... FDA review time for major new medical devices has increased from 337 days in 1988 to almost 800 days in 1994. ... The Endangered Species Act has made self-defense a crime. John Shuler, a Montana rancher, was fined \$4,000 by the Interior Department for shooting a grizzly bear. Shuler saw three grizzlies attacking his sheep—and a fourth one heading toward him. He shot the bear charging him, then retreated to the safety of his home. [When] the Interior Department sued, a judge held that Shuler was at fault because "he purposely placed himself in the zone of imminent danger."*



RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Parioli Romanissimo**—24 East 81st St. (Tel.: 288-2391). Remains one of the best—and most expensive—restaurants in New York.

● **Martini's**—810 Seventh Ave., at 53rd St. (Tel.: 767-1717). Food very inconsistent. Maryland crab cakes not only uninspiring but the smallest we've seen. Chicken breast paillard, over-sauced. French fries, disappointing. So are desserts.

● **Taliesin**—55 Church St. (Tel.: 312-2000). Positive addition to the limited selection of restaurants downtown. Grilled lamb chops and grilled swordfish,

first-rate. Flourless, bitter chocolate cake with caramelized bananas, and the lemon mascarpone cheesecake, heavenly. Service wasn't quite up to the standard one would expect in a hotel restaurant.

● **Le Colonial**—149 East 57th St. (Tel.: 752-0808). Bad-tasting, greasy food; inattentive service. Victim of its own success.

● **Sasso**—1315 Second Ave., near 70th St. (Tel.: 472-6688). Welcome is warm; service is efficient and courteous; and the food is very good. Beef gnocchi with arugula and goat cheese sauce—innovative and delicious.

PHOTO: FORBES MAGAZINE

"With all thy getting get und...anding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



BAD IDEA BEGETS BAD ECONOMY

THE U.S. ECONOMY is bogged down because of a misbegotten idea. One of the most destructive, durable theories is the notion that growth causes inflation, that there's a "natural" level of expansion that can be exceeded only at the high risk of a resurgence of rising prices. Economists call this tradeoff the Phillips Curve: If you want more growth, you have to accept more inflation; if you want less inflation, you have to accept a semi-sluggish economy.

The Federal Reserve in early 1994 began raising interest rates with the avowed goal of slowing down the economy to fight inflation. The resulting torpor has meant that at least a million new jobs that could have been created were not. It has meant that personal incomes that could have gone up did not.

Prosperity is not the fueler of inflation. We had our longest peacetime expansion in the 1980s, and inflation plummeted from 13% to 4%. Yet Republicans and Democrats implicitly accept the restraints of the Phillips Curve. Both accept the uninspiring assumption that the economy can only grow around 2.5% annually. The Federal Reserve becomes horrified when economic growth approaches 3%. How in the world do these people know what our economy is capable of doing? Past averages are very interesting, but they are not predictive of the future.

Given the fundamentals—strong productivity, strong investment, technological leadership, plentiful capital—there is no reason we can't do significantly better than the Federal Reserve and its passive, political co-conspirators seem to think.

SIMPLIFY CENSUS

CONGRESS SHOULD TELL the Census Bureau to get back to basics as the Bureau prepares for counting us in the year 2000. Instead of sending out ever-more-complicated, intrusive, multipage questionnaires to millions of people, the agency should substitute a simple postcard. The Constitution requires only an enumeration of how many of us there are in the United States and where we live. It does not require the government to collect



Counting people, not doing market research, should be Census' mission.

reams of data for the convenience of social scientists and corporate marketers. The private sector has enough resources and ingenuity to get all the marketing data it needs. That, we must answer so many nongermane questions under penalty of law is truly an outrage. The postcard approach would save us billions of dollars. More important, it would do away with an absolutely unnecessary government intrusion into our lives.

TEACHER DIVERSITY

HERE'S AN IDEA that will help re-energize our public schools: Expand the traditional pool from which teachers are drawn. Most districts rely on résumés that come in from about-to-be graduates of teaching colleges. No effort is made to actively solicit people from other walks of life who might consider teaching.

The great obstacle to seeking out nontraditional candidates is, of course, state licensing laws that emphasize time spent—usually years—taking teacher education courses. There is little correlation between these certification requirements and true effectiveness in the classroom.

Wendy Kopp has a better way. She is the founder of Teach For America, which has taken over 3,000 outstanding college graduates, put them through rapid training and sent them to work in distressed urban or rural school districts for two years. This version of the Peace Corps has been immensely successful and widely praised.

Instead of trying to reform the current system, Kopp proposes a parallel, alternate one, TEACH!, which she launched in 1994. Districts would provide intense, extensive training to all beginning teachers, regardless of their previous education credentials. The alternative cer-

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tification would be based on actual, on-the-job performance over two years—not on time spent in a college classroom.

Kopp and her colleagues have ongoing demonstration projects in Oakland and Compton, Calif.; Baltimore, Seattle and rural areas of North Carolina. The results are very encouraging. A new pilot partnership is starting this fall in Houston. TEACH! hopes to get all school districts to vigorously recruit teachers from nontraditional sources. Schools will have no excuse not to have top-notch people in classrooms.

As Kopp puts it, "We want to insure that school districts have the freedom to recruit individuals from all walks of life, regardless of their prior experience of course-work in teacher education. Teachers would be licensed on the basis of individualized evaluations of their classroom teaching performance." Of course, there is no reason that nonpublic schools couldn't use Kopp's evaluation tools as well.

The need for an alternate system is great. Experts estimate that half of America's public school teachers will be leaving the system over the next decade.

EAST SOLUTION



High-tech tolls keep us moving.

NEW JERSEY GOVERNOR Christine Todd Whitman has an idea that motorists will love. She is urging her fellow governors from the Northeast to adopt an electronic toll collection system that would allow cars to zip through (via special lanes) all the region's toll roads, bridges and tunnels. Scanners would record the information from a car's bar code

and bill the owner via credit card or some prepaid account.

Dallas and a handful of other areas have radio- or chip-activated booths so that drivers don't have to stop. The benefits are obvious: fewer tie-ups at tollbooths and speedier rides.

The Whitman plan, in fact, should be adopted nationwide.

Rx: PROTECTING PRIVACY

DID YOU KNOW that there is no federal law that protects the confidentiality of your medical records? Washington forbids the release of video rental lists without a court order, but there is no similar protection for the infinitely more sensitive area of your medical information. Safeguards are essential now that records can easily be whisked across computer wires with the press of a button.

Patients should be notified if there is a request for

their records, and there should be patient consent before this information is transferred or disclosed. Legislation should spell out restrictions on who in an HMO or some similar institution can have access to records and under what circumstances. In too many instances, information can be accessed by just about anyone working there.

A good starting point would be the medical privacy bill proposed by Representative Gary Condit (D-Calif.).

THE MORE THINGS . . .

THE AMERICAN FETISH for healthful, life-elongating foods and diets and our concern over hazardous elements in the environment are nothing new, as this letter (from the Forbes Magazine Collection), written over 80 years ago by our most extraordinary inventor, Thomas Edison, attests.

I am in receipt of your favor, and in reply would state that I am not a strict vegetarian. I am an extremely well eater, and eat just about enough to keep my weight constant and to prevent putrefaction in the lower intestine. Of the small amount of animal food I do eat, it is cooked at rather high temperature. I eat no lettuce, celery or cornish except those with heavy dressing. I will live in a well-lit environment, and I can protect myself against it as far as my knowledge permits me to do so.

Yours very truly,

Thomas A. Edison

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Frank's Restaurant**—85 Tenth Ave., at 15th St. (Tel.: 243-1349). Despite a campus eating-hall atmosphere, steaks are almost up to the stellar status of Sparks'.

● **Il Pellicano**—401 East 62nd St. (Tel.: 223-1040). Surly and inattentive service. Food, inconsistent. Insalata di fagioli (black-eyed beans with onion and celery leaves tossed with balsamic vinaigrette), for example, delicious; but insalata di popile (poached octopus with Mediterranean dressing), rubbery.

● **La Réserve**—4 West 49th St. (Tel.: 247-2993). Remains one of the tried-and-true classics. Service, impec-

cable; the setting, handsome; the food, superb—if not inspired. An oasis of reliability in this ever-changing world.

● **Home**—20 Cornelia St. (Tel.: 243-9579). Tiny, but for memorable food in comfortable setting, few places can match it. Pistachio and white chocolate cake, outstanding.

● **Sel et Poivre**—853 Lexington Ave., near 64th St. (Tel.: 517-5780). Few bistros more welcoming and comfortable than this small, cozy spot. Menu done beautifully: moules mariniere, saucisson chaud and brioche, steak frites and salad, bouillabaisse. Couscous offered on Friday and Saturday nights. Perfect place for a rete-a-tete. ■

"With all thy getting get un...standing"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



THERE THEY GO AGAIN

THE INTERNATIONAL MONETARY FUND recently reminded us once more why it needs a fundamental overhaul. IMF officials are now urging developing countries to consider imposing "temporary" controls on inflows of foreign capital when they might be "disruptive."

Empowering politicians to determine who can bring money into their country—and how much—is ostensibly being done to avoid another Mexico crisis. But using that as an example is simply an excuse for another bureaucratic power grab that will do these nations more harm than good.

Naturally, the Clinton Administration applauds this destructive step. "The absolutist religion that some have had against capital controls anywhere, anyplace, anytime is, we have learned, mistaken," declared Deputy

IMF Urges Developing Nations to Study Controls on Inflows of Foreign Capital

—Wall Street Journal

Treasury Secretary Lawrence Summers.

Like wage and price controls, exchange controls invariably breed corruption and economic disruption. Malaysia tried them over a year ago but has had to back off.

Mexico is a poor example, anyway. That crisis occurred not because of an "excessive" inflow of foreign money but because of a government decision to devalue the peso instead of defending it by tightening money. If authorities are worried that foreign-

ers find their country too attractive, there's a simple way to respond: Don't block the money; soak up that capital by having the central bank sell bonds or other assets. This would remove the money from circulation since the central bank doesn't deposit the receipts from those sales into a bank account but, instead, lets them disappear.

CUT THE TAX RATE—INCREASE THE TAX TAKE

SENATE REPUBLICANS WILL SOON demonstrate whether the GOP is truly a self-confident, forward-looking, growth-oriented party or whether it is still the defensive, reactive, aimless entity of old.

The defining issue is reducing the capital gains tax. Welfare will dominate the headlines, but everyone already agrees the system is a disaster. By contrast, the capital gains issue has no such consensus. Most Democrats are adamantly, ideologically opposed to reducing that levy. Republicans have been so beaten by the "helping the rich" charge that they have lacked the internal fortitude to argue and push the matter effectively.

A high capital gains tax is destructive, blocking the flow of money from those who have it to those with the entrepreneurial ideas that enable people to progress. Contrary to what demagogic Democrats say, a high capital gains exaction hurts those who don't already have assets or high incomes. Only a vibrant, growing economy provides opportunities for people to get jobs and to

move into better-paying ones. A stagnant economy means we're all pretty much stuck where we are—a disaster or disappointment for those who want to move ahead, which includes most Americans.

Every time this opportunity-blocking barrier has been reduced, America has benefited. The reductions of 1978 and 1981, for example, set off the high-technology boom, helping us to regain our position as the strongest, most innovative country in the world.

A high capital gains tax rate hurts the overall collection of government revenue because the economy isn't as expansive as it would otherwise be; the high tax rate also hurts direct receipts. Despite a booming stock market, collections from the capital gains tax have yet to reach the levels they did almost a decade ago, before the levy was boosted by 40%. In fact, a critical reason equities have been so ebullient is precisely that the markets anticipate the Senate's following the lead of the House of Representatives, which voted to reduce the rate from 28% to 19.8%.

MEMORIES

of Patriot missiles colliding with the Iraqi Scuds launched against Israel during the Gulf war have led most Americans to believe that we are protected against

such deadly assaults. We aren't, of course. Foes of an adequate defense system have left us vulnerable to such attacks in the future, be they via nuclear, biological or

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chemical weapons (see Commentary, p. 33). It won't be too many years before rogue regimes will have the missile technology to reach our shores, not to mention bases we still have around the world.

Fortunately, we can quickly and cheaply deploy a defensive shield—the Navy's Upper Tier defense system. The Navy has already spent some \$50 billion on the Aegis project designed to protect our fleets. An additional investment of less than \$3 billion over five years will enable the Aegis to be upgraded to defend us from ballistic missile attacks. The Clinton Administration proposed spending only \$30 million on this program next year. The House and Senate wisely upped the outlay to a more credible \$200 million.

An Aegis upgrade is not only timely and cost-effective but also flexible. Our destroyers and cruisers could carry

these antimissile missiles within range of most threatening areas, including North Korea, Libya, Iraq or Iran. Our ships could be stationed off the coast of the United States to help block incoming enemy projectiles as well.

Incredibly, the Clinton Administration may try to block a fully capable Aegis upgrade by claiming it would violate the 1972 Antiballistic Missile Treaty we signed with the Soviet Union. Arms control theologians are split on that question. President Clinton should show his concern for our safety by emphatically giving a green light to this critical program.

The President could also demonstrate that he recognizes the Cold War is over by scrapping that now-obsolete ABM Treaty. But, if he doesn't have the stomach for that, he has no excuse for leaving us vulnerable now that there is an Aegis option.

OPENING UP POLITICS TO REAL PEOPLE

THE TERM-LIMITS MOVEMENT is alive and well despite a double blow earlier this year when the House of Representatives defeated a constitutional amendment and the Supreme Court barred states from imposing limits on their Washington representatives. Public support for term limits remains unwaveringly strong, regardless of race, party, income or gender. People agree with Thomas Jefferson, who said that the Constitution should have mandated the rotation of elected officeholders.

Term-limit advocates are marshaling their resources to have state legislatures call for a constitutional convention, figuring that if they get close to the requisite 34 states necessary to convene such a gathering, Congress will finally bow to public pressure and pass a constitutional amendment.

(This was the strategy used eight decades ago to pass the amendment for the direct election of U.S. senators.)

Term limits would prevent Washington from again developing the kind of inbred political culture that helped bring on the election explosion last November.

Incumbents have an enormous advantage in getting contributions: Special interests want to give to the "ins" to "gain access" and don't want to offend them by financing challengers. Incumbents use taxpayer money to pay for political mailings, which are dubbed "constituent information letters." Taxpayers also foot the bill for incumbents' local campaign facilities, which are labeled "constituent service offices." Campaign finance laws not only make it difficult for a nonrich opponent to get the necessary resources but also force filings of personal information that are a turnoff to normal citizens. To get power in Congress, one must pile up the requisite seniority, which works against citizens who don't wish to spend a lifetime in politics.

Term limits would not stop people from devoting their lives to public service but would prevent them from fortifying themselves in a particular office. The great 19th-century statesman Henry Clay, for example, never served more than 11 consecutive years in a single position, yet he was a dominant figure in American political life for 45 years.



Citizens will continue to confound pols by pushing term limits at the grass roots.

WE'RE DEPLETING THIS CRITICAL CAPITAL

Trust—by Francis Fukuyama (The Free Press, \$25). A bedrock strength of the U.S. was noted by Alexis de Tocqueville some 160 years ago—our extraordinary array of voluntary, nonfamily, non-government organizations and institutions such as churches, charities, schools, hospitals and professional societies, as well as activities that today include Little League, Boy Scouts and an uncountable number of social organizations such as the Kiwanis, Elks, Rotary, etc. We may be a nation of individuals, but we've also been one of a wonderful variety of cooperative efforts.

Fukuyama examines this "social capital" of ours and compares it with that of Germany, Japan, China, Italy, South Korea and France. The U.S., Germany and Japan are "high trust" nations, but Italy, France, South

Korea and China have very little civic activity, and trust rarely extends beyond the family. The ability of nonfamily individuals to work together has enabled the U.S., Germany and Japan to create globe-girdling corporations with worldwide brand names. The lack of those trusting traits is why businesses in China and elsewhere can never get beyond family management without the direct help and intervention of a national government.

Alas, the U.S. has been running down its social capital in the last 30 years, as evidenced by the explosion of crime and litigation and by the frightening disintegration of the traditional family. This fascinating, disturbing, well-researched book is timely reading as America begins the daunting but ultimately successful task of rediscovering and renewing its traditional verve, nerve and cooperative can-do spirit. ■



PHOTO: BOB HOES

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



SADLY, A RIGHT-ON QUESTION

A WELL-KNOWN talk show host frequently puts this question to guests on his program: "Can you think of one issue on which President Clinton hasn't changed his position?" No one has been able to come up with one yet. Can you?

THE GREAT FLAW

in the different telecommunications bills passed by the House and Senate is that neither does away with the major obstacle to realizing our full potential in this dazzling area: regulations preventing telephone and cable companies from jointly providing a single high-capacity line. We'll miss enormous opportunities unless this is changed. Regulators unreasonably fear that allowing the fiber lines of phone companies to be linked to the coaxial lines of cable operators would somehow be anticompetitive, monopolistic.

Right now, computers can process millions of bits of information per second. Regular copper telephone wires can handle only a few thousand bits per second, a major reason the graphics of on-line computer services are so

slow and primitive. Fiber, by contrast, can handle computer-like amounts of information. So can coaxial cable, although not on the scale of fiber. Fiber is too expensive to string directly to homes, but in most households coaxial cable is already in place. Link that cable with a fiber optic line, and your personal computer will have infinitely faster access to infinitely more individuals and services on the Internet. All the promises of interactivity—and then some—would be quickly realized. As long as there is open access to the fiber-cum-cable line, the real competition will come from vendors filling this large pipeline to the computer.

Congress is not addressing this basic issue.

HOW TO CURE, NOT KILL, MEXICO

MEXICO'S SHOCKINGLY MISERABLE second quarter effectively refutes those turnaround stories Washington and Mexico City were peddling a short while ago. Both governments should finally recognize that their policies of last December have been a disaster and need to be promptly changed.

Our Treasury Department urged Mexico to devalue the peso, and the new president who took office in December did just that. The results were absolutely predictable—a shattering of confidence that sent the peso plummeting far beyond what the politicians had desired, which then reignited a debilitating inflation and sent interest rates soaring. This, combined with effectively halving people's incomes, destroyed a rising middle class and sent

the economy into a depression. The crime of devaluation was compounded by ill-advised tax increases.

Mexico should immediately tie the peso to the dollar and have the Bank of Mexico vow that monetary policy will be geared solely to maintaining that level. Income tax rates for middle- and lower-income individuals need to be reduced substantially. The capital gains levy, which, as written, is particularly harsh on small businesses, should be scrapped.

With these measures, Mexico would rapidly resume Pacific Rim-esque growth rates, and the government could concentrate its efforts on what it originally intended to do, such as reforming its corrupt judicial system and battling the growing menace of drug lords.

Mexico's GDP Tumbled 10.5% In 2nd Quarter

Worst Decline Ever Raises Concerns About Ability To Get Past Recession

—Wall Street Journal

MAGNIFICENT MAYOR

NEW YORK MAYOR RUDOLPH GIULIANI is compiling an extraordinarily successful record combating crime.

Under the leadership of Giuliani-appointed Police Commissioner William Bratton, the Big Apple's finest have slashed the murder rate almost 40% over the past 18

months. Few other American cities come remotely close to this achievement. Other categories of crime, such as robbery, have also shown dramatic declines.

Good management is the key. Instead of being reactive, the department is now proactive. Precinct com-

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manders are held directly responsible for what happens in their territories. Each week top police officials meet before war-room-like maps to see what areas are experiencing an upsurge in, say, drug dealing. The police then immediately throw in "resources" to fight the problem.

If a suspected dealer is not found with drugs, he can certainly be frisked for an illegal weapon or some other contraband. There is effective coordination among patrolmen, detectives and the narcotics division.

New York's amazing turnaround dispels several debilitating myths, especially the notion that there isn't much law enforcement can do about crime. Sure, demographics (young people commit a disproportionate number of violent acts), the nature of preferred drugs (heroin use breeds passivity, while crack does the opposite) and other macro-factors play a role. But, as in business and in other

activities, management is the most important factor.

What is remarkable is how little attention the media is paying to Giuliani's phenomenal success.

The Mayor is also making impressive progress fighting welfare fraud. By effectively checking claims, New York is rejecting 60% of those who apply for welfare. Auditors are discovering that claimants have jobs or are collecting benefit checks from Connecticut, New Jersey or even other parts of New York State. The Mayor is convinced that when the same audits are applied to current recipients there will be substantial reductions in those receiving welfare.

Mayor Giuliani is in the Republican doghouse for having endorsed Governor Mario Cuomo against his successful Republican challenger. The GOP should welcome the Mayor back into the fold. His is a powerful demonstration of how effective local government can be.

REAL CARE FOR THE KIDS

REFORMING OUR ANTI-ADOPTION laws must be a top priority. There are almost 2 million couples willing to adopt in this country. There are some 500,000 children in the foster care system. Yet only 50,000 children are actually adopted each year, about half the number of 25 years ago.

Since the 1960s, a combination of perverse laws and bureaucratic decrees have made it exceedingly difficult for couples to adopt children. Today would-be parents must too often use private agencies and spend astronomical amounts of money to succeed. At the same time, state agencies go out of their way to return children to natural parents, even in the face of overwhelming evidence of repeated violent abuse.

The basic reforms are straightforward: A couple should be eligible to adopt a child with a minimum of delay and red tape if they appear to be stable and are financially secure. Government adoption services should be privatized, which would make them more responsive to the needs of the child than to their

own bureaucratic interests. A greater effort should be made to involve churches and other charitable organizations in helping minority parents adopt minority children. Interracial adoptions, however, should no longer

be taboo. Better that a child go into a caring home even if the parents are of a different race or ethnicity. A stable living environment should be the key consideration.

When a mother does decide to give up her baby for adoption, there should be no visitation rights and no second thoughts. It's grossly unfair to adoptive parents to receive a baby and then later lose the child after protracted legal proceedings.

"Open adoption" should also be prohibited. In Oregon, for instance, biological parents may visit adoptive parents whenever the mood suits them. This is not good for the child and is extraordinarily stressful to the adopting couple.

Such changes would help give countless thousands of youngsters a better opportunity and fulfill numerous couples' desire to raise children.



Baby Richard, age four, removed from adoptive parents after a cruel court decision that ignored best interests of the child.

THE MORE THINGS CHANGE . . .

THIS QUOTE from a letter (in The Forbes Magazine Collection) by Representative (later President) James A. Garfield nearly 125 years ago is a timely reminder that this is not the first time the Senate has lagged the House of Representatives in passing essential legislation: "I am pushing on in the old way, working about fifteen hours a day—

Ten of my twelve great appropriation bills have passed the House, and the other two are nearly ready. The Senate have passed but four and are moving slowly—I don't think we shall get through before the middle of June."

In those days Congress, despite the tardy Senate, could pass appropriations before the new financial year began.

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● C.T.—111 East 22nd St. (Tel.: 995-8500). Appetizers, staggeringly delicious. Try "crepaze" (a watercress mousse stuffed with Stilton cheese in a thin, crispy pancake) or jumbo ravioli with white truffle oil and seasonal mushrooms. Entrées maintain this level of quality.

Circus Restaurant—808 Lexington Ave., near 62nd St. (Tel.: 223-2566). What's needed is an expert ringmaster. Brazilian specialties, produced amateurishly; reser-

vations, mishandled; service, poor; attitude, lackadaisical.

● America—9-13 East 18th St. (Tel.: 505-2110). Gargantuan amphitheater ideal for the young and hip (those wearing everything black except the nose ring). Cholesterol reigns supreme in the outstanding macaroni, Philadelphia cheese steak, meatloaf and other American varieties. Service, brusque.

● Morton's of Chicago—551 Fifth Ave., at 45th St. (Tel.: 972-3315). Steak is fine but very expensive. ■

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



FOR ONCE, WILL THE U.S. BE POSITIVELY DECISIVE?

THE U.S. MUST MOVE forcefully to stop the Balkan war. The Croat offensive against the Serbian enclave of Krajina may provide the opportunity. Otherwise, after a lull, both the fighting and the Serbs' mass murder of Muslims will resume. More dangerous, the war will widen with a full-scale conflict between Serbia and Croatia and, eventually, other states.

The West must demonstrate that it will take forceful measures to halt Serbian genocide and aggression. How? Bomb Serbian military staging areas used against Bosnia.

What then? Take the Serbs up on their offer: Let them have the city of Gorazde in eastern Bosnia in exchange for territory in Sarajevo that would connect that part of the city with Muslim-controlled central Bosnia. The essential part of the agreement would be the *safe and peaceful* evacuation of Muslims to central Bosnia from Gorazde and other isolated, indefensible enclaves. The Croats should allow a peaceful population movement from Krajina. (In the annals of the bloody Balkans, the negotiated movements of populations are not unprecedented. It happened in the early 1920s, after ferocious fighting between the Greeks and Turks.) The Serbs should give up

their Croatian conquests. The economic embargo against Serbia would then be lifted.

These steps should end the fighting. The Serbs would have control of eastern Bosnia, which they've long coveted. To avoid the temptation of a return to Serbian aggression, Muslim central Bosnia would have to be made more militarily defensible by the U.S.' showering Bosnian troops with all the tanks, artillery and munitions they would need to construct a credible force. Such a well-armed, well-motivated army, having the support of NATO air power, would make central Bosnia a viable haven. We should similarly bolster the Croats.

After passions cool, push for a Swiss-like, Serbian-Croatian-Bosnian *confederation*. That is, do as Switzerland did for centuries—set up an assembly to promote trade and other forms of mutually beneficial cooperation but have no national standing army, just local ones.

Partitioning Bosnia is a woefully unsatisfactory solution, but it is the only viable one now. Ghastly mistakes have repeatedly been made by the U.S. and by the West over the past four years. This tragedy could easily have been prevented; but what might have been will do us little good now.



WHAT'S TO BE LEARNED

from this debacle?

First: the unappreciated role of economics. In the 1980s Belgrade pursued policies that set off torrid infla-

tion and crippled Yugoslavia's economy. The stagnation and distress cut whatever thin threads had been keeping this polyglot mini-empire together. Incredibly, such a

FUNDAMENTALS

An interview with MSF Jr. by Rush Limbaugh that appeared in the July 1995 issue of the Limbaugh Letter.

Rush Limbaugh: You are profoundly interested in economic growth as an ideal, as a political concept, as something the Republican Party should embody. Does the current Republican Party, from the presidential field to Congress, adequately sponsor this concept as far as you're concerned?

Steve Forbes: In the abstract the GOP does, but I

think it doesn't fully understand what makes economic growth possible. Removing tax and regulatory burdens does. Ronald Reagan had it right, and Governor Whitman of New Jersey has it right. If you want to reduce the tax burden on the economy, you have to make that the center of your strategy, the center of

(continued on p. 300)

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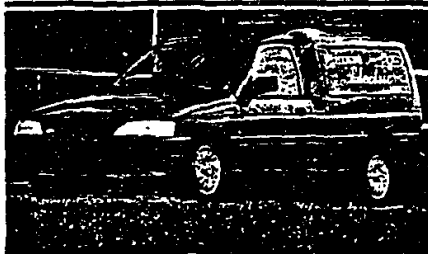
destructive course was unwittingly aided and abetted by the International Monetary Fund, with the approbation of the U.S. The IMF repeatedly prescribed currency devaluations to improve the trade balance, but this had the devastating effect of fueling inflation. High taxes, enacted at IMF urging in order to balance the budget, drove the economy further into the ground.

The 20th century is replete with bloody examples of how virulent inflation breeds murderous extremism: Imperial Russia before the Bolshevik takeover in 1917; Germany in the early 1920s, when inflation destroyed the savings of the middle class—an enormous boost to Hitler's rise; and China in the mid-1940s, when inflation destroyed the urban base of the anticommunist Nationalist government—thereby aiding the communists' civil war victory.

IN A MOVE REMINISCENT OF THE OLD SOVIET UNION

California decreed in 1990 that, starting in 1998, auto manufacturers *have* to offer electric vehicles for sale in the state, totaling 2% of all new cars. That government-ordered share ratchets up to 10% by 2003. Other states, such as New York and Massachusetts, have issued similar decrees, ostensibly to reduce air pollution.

These hubristic, misbegotten measures must be removed. Their flaws are overwhelming. Few people are going to buy these contraptions costing at least twice as much as their gas-powered equivalents. Since electric cars are too expensive, manufacturers will have to raise the prices of their other vehicles to subsidize them. These increased costs will induce people to keep older, more polluting cars longer. The mileage range of electric cars is short, between 50 and 70 miles. And it takes hours to recharge the battery each day, which brings up an even more fundamental flaw.



Electric car: Government wishful thinking can't fix shortcomings of price, convenience and pollution.

Second, a more obvious lesson: the truth of Teddy Roosevelt's maxim, that we should "Speak softly and carry a big stick." In other words, have a policy; let everyone know what it is, and then be prepared to vigorously back it up. A direct warning from the U.S. in 1991 to Serbian gangster-dictator Milosevic not to march on Croatia or Bosnia would have sufficed to prevent the war. Our word was then credible because of the Gulf war. But the word "Don't!" was never spoken. Unfortunately, the Clinton Administration continued and expanded the destructive policy of pious-platitudes-with-no-effective-follow-through.

Third: Unless the U.S. takes the lead, no credible, concerted action—in this part of Europe or elsewhere—is possible.

Finally: Remind ourselves of Bismarck's admonition to his countrymen that the Balkans are not worth the bones of a single soldier.

Electric vehicles may cut certain emissions, but they will increase other forms of pollution. Even if lead is recycled, not mined, to produce batteries, lead emissions will increase five-fold. And when involved in accidents, electrics can leak gallons of toxic battery acid. A massive switch to electric vehicles will also increase pollution from electric utility plants, over half of which use coal as their primary fuel.

There are more practical ways to fight undesirable automotive excretions. The major polluters are aged cars. New autos spew only a fraction of the pollutants of their clunky predecessors. Tailpipe emissions of hydrocarbons, for example, are down 96% from the 1960s. Technology is being developed that will further reduce undesirable emissions. Since 10% of the dirtiest cars produce 50% of the pollution, why not offer big cash incentives nationwide to turn in these belching dinosaurs, and then scrap 'em?

RE DISNEY-ABC

REMEMBER HOW a sensational series of mergers were going to make Sears and American Express global financial supermarkets? Remember how the combinations of Sony with Columbia Pictures and Matsushita with MCA would make each an unstoppable entertainment empire? There's

nothing in the Disney-ABC get-together that couldn't be better achieved by a strategic alliance. Creating product and distributing it are two distinct businesses. The two partners have been superbly managed. They would have been better off if they had stayed single.

THIS POLITICO THINKS FOR HIMSELF

To Renew America—by Newt Gingrich (HarperCollins Publishers, \$24). Refreshing contrast to bombastic bromides usually proffered by book-writing professional pols. Yes, much of this reads like a speech, but House Speaker Gingrich has many intriguing things to say. He has a firm sense of where the country is and of the opportunities provided by the convergence of the end of the Cold War with the advent of the Information Age. He is well-read in history. He understands the importance of ideas and how they shape the world we live in. While he knows how to use political brass knuckles, he has never lost

his childlike curiosity or enthusiasm, which is why he is knowledgeable on many topics, ranging from dinosaurs to zoos to outer space to what makes civilizations tick. His openness to high-tech innovations and public policy reforms is contagious. The best part of the book is his discussion of the Earning by Learning program, a privately financed effort that monetarily rewards poor children for reading.

Gingrich is not yet as well-versed in incentive economics as Jack Kemp and is just beginning to grapple with foreign policy issues. But this is a man who learns quickly.



PHOTO: JEFF HARRIS

your budgeting process. Otherwise, your current leaders will always find excuses for why it can't be done. We saw that happen in the Senate.

Congress also needs to be reminded that balancing the budget is not an end unto itself; it is a means to an end of enabling this country to grow again. When you look around at the opportunities opened by the end of the Cold War and at the opportunities in technology, you see we're on the verge of an extraordinary expansion. But we have to fix the tax code, which means scrapping it and instituting a flat tax. We've got to get sound money, through a sensible monetary system, so that we can achieve low interest rates. If you had low interest rates combined with Dick Armey's flat tax plan, this economy would take off like a rocket.

RL: So what's the impediment? I question whether some Republicans actually believe the truths of the 1980s. Why is there such fundamental, philosophical opposition to the policies that would lead to growth?

SF: It's a matter of losing control—

RL: —and power.

SF: Yes. If you were to put in a flat tax, you'd lose a major source of political contributions. You'd remove a form of political pollution, but you'd also remove a source of gravy for some of these politicians. And I think they have this Depression-era holdover of not believing that, by freeing the economy, the economy will do extremely well. They think they must guide and direct the economy or it won't work. They misread the causes and the lessons of the Depression and believe that if you don't have "wise" people guiding the economy, it will fall flat on its face.

A Boon for All

RL: I'm sure you've heard people say: "Hey, Forbes just wants more for himself. He's a typical rich guy; all he's trying to do is create policies so he can do better." How do you deal with that kind of criticism leveled at a particular class of people in this country?

SF: I think you have to ask instead what kind of economy makes it possible for people of humble circumstances to get the necessary tools and capital to better themselves. The essence of the American dream is to be able to discover and develop your God-given talents and to help your children do the same. How do you get these tools to people? How do you get capital from people who may not need it to those who have the ideas, drive and ambition to put it to good use? Removing obstacles to doing that doesn't enrich rich people; they're already doing very well, and their bank accounts are very nice.

RL: We've just received some bad news about the GDP for the first quarter of this year, and it appears that in the short term things are slowing down. Yet, you're an optimist. How would you square the recent economic news with your theories that we're on the verge of a boom?

SF: That the economy has been sluggish and that we've had the slowest recovery of the postwar period is the result of taxes' being raised in 1993 and the Federal Reserve's mistakenly raising interest rates. If we were to remove the obstacles to growth, which would mean revamping the tax code and putting a monetary system in place that would result in the kind of interest rates our parents and grandparents enjoyed, this economy would expand enormously.

RL: It has been said by some in the press that you have a desire to seek the presidency if the things you believe in are not adequately represented in the Republican field. Are these reports true?

A View to the Future

SF: They are. The current candidates, unfortunately, do not seem to have the vision of what this country can do, and they certainly have not been adequately addressing how to remove the obstacles to realizing this potential.

RL: Is there somebody who's not in but could get in, other than you, who would inspire you?

SF: I think Newt Gingrich understands the importance of ideas and of occupying the high ground morally. And what he doesn't know about economics and foreign policy he could learn very rapidly. So, if he were to enter the race, the dynamic would change in a very positive way.

RL: It would be foolish to assume that he isn't a bit intrigued by the possibility. Let's say the Republican Revolution is embodied in Mr. Gingrich and represented by the type of Republican who swept to victory in the House in 1994. When you look at the current Republican candidates, you don't find represented the kind of Republican who won in November. Regardless of what one thinks of Senator Dole, he's not the revolutionary that the House Republicans are. Gingrich is the agenda leader and the energy driving that agenda, although Bob Dole is the leader in the polls. Let's say Dole gets the nomination. What happens to the Republican Revolution led by Gingrich if the titular head of the Party is a nonrevolutionary?

SF: It's very important that the Republicans have a candidate who understands the true dynamics of economic growth and opportunity. Values and economics are two sides of the same coin; you cannot separate the two. You can't have economic growth without values such as thrift, trust and a willingness to take risks, to impart education, to give a sense of right and wrong. We do have an enormous opportunity here. But if our candidate doesn't realize this, he will not win the election—or, if he somehow were to win, he would not have the intellectual energy or understanding to uncork the potential of this country.

RL: This is not a pretty picture you paint.

SF: Well, if Gingrich is in the House, Gingrich does not make the State of the Union address. You need a dynamic executive, along with a dynamic legislature, to make great things happen. Once the race gets under way, the polls will change dramatically.

RL: Back to the flat tax for a second. You've explained your economic reasons for liking it, but you've also said it has moral components as well.

SF: The flat tax would remove a major source of corruption from our political system. The reason we have so many lawyers, lobbyists and accountants in Washington is so that they can manipulate, curry favors or gouge the competition through a monstrous code that no human being can possibly understand. This goes against the spirit of democracy; a tax system should be simple and understandable.

There are several reasons for the deterioration in the quality of life in this country. One is the heavy burden of

taxation and the fact that the tax code is neither trusted nor respected by the American people. Another reason is the political manipulation of the value of money—an issue nobody is talking about. If there is no integrity in the tax code or in the way government treats money, it's no surprise that other aspects of life are deteriorating.

The place to start is with a tax code people feel good about. No one likes to pay taxes, but people want to believe that the system is fair and not open to behind-the-door manipulation. And they need to be able to understand it. People would like stable money, money that is not a plaything of politicians, central bankers or Treasury secretaries. Imagine if a family of four had the first \$36,000 of income exempt from tax, with a 17% tax on anything earned above that. Combine this with being able to get a 30-year, fixed-rate mortgage at 4.5%—which was possible through the early 1960s, before we started to manipulate money. Imagine how much easier these two changes would make it for families to raise children.

RL: No doubt about it. My next question is designed to help counter the argument that a 17% flat tax is only a tax break for the rich. Because of the endeavors you've undertaken, you know most of America's most successful and, in some cases, wealthiest people. Do most of these people—the so-called evil rich who, it is said, only care about themselves—agree with you? Do they want economic growth, opportunity for everybody and a flat tax because it's going to somehow mean so much more to them or because it's going to mean so much more to America?

What Goes Around Comes Around

SF: There is always a handful of people who think prosperity has stopped with them. But in this country dynamism and change are absolute characteristics—and have been for over 200 years. Because you have prosperity one year doesn't mean you're going to have it the next. People's preferences change, products change, techniques change. People can think a steelmaking process is great; then along comes the microchip, and the relative importance of steel may change, or the process may change, and the value of the asset changes.

Most Americans have to work for a living and, except for a few families we all know about, have to renew their prosperity with each generation. Wealth in this country is not in perpetuity; if you don't have the dynamic intellectual capital, you're going to stagnate and fall behind. If you think you've arrived, you're ready to be shown the door. That's what happened to General Motors; that's originally what happened to IBM. It can happen to any institution—or family. When FORBES magazine was founded in 1917, we listed the 100 largest companies; hardly any of those are around today because they didn't change with the times.

So if you're born into humble circumstances, you want to live in an open economy where you can rise. Bill Gates came from a middle-class family; he certainly wasn't a multimillionaire or billionaire. He became one using his brain. Michael Dell, of Dell Computer, worth several hundred million now, is a college dropout. It doesn't matter what your background is as much as it matters what you do with the tools you have.

RL: Isn't this the case with most people we would con-

sider rich—that they worked very hard for their wealth and have to work very hard every year to maintain it, and that they are interested in more wealth for others? For example, Bill Gates needs affluent Americans so that they can buy his products; otherwise, his products are worthless.

SF: You've hit upon something. Henry Ford recognized that having prosperous workers meant he could sell more cars. That was the philosophy behind what was then a revolutionary \$5-a-day wage, when most workers could not make \$2 a day. Ford realized that if you have a prosperous work force and if you put in techniques that make your company more productive, you will be able to make more products and turn out more services, and you'll also have the people to buy those products and services.

Stumbling Blocks

RL: Why are incomes lagging and is real purchasing power stagnant or dropping? We're told that we've had the single greatest economic recovery over the last 50 years, yet you don't see a corresponding public euphoria. You don't see attitudes like you saw in the 1980s; you don't see a lot of entrepreneurial risk-taking. You see many people whose number-one priority is preservation of principal rather than putting that principal at risk. Why is this?

SF: Three basic reasons. First, the tax code is punitive and interest rates are too high. A high tax rate acts as a barrier to moving ahead, to accumulating savings.

The second reason is health care. Ask yourself this question: Why is demand for health care considered a crisis in this country, whereas demand for automobiles and everything else is considered a good thing? In health care it's considered a disaster that we're living longer and demanding more health care services.

The reason for this skewing of costs is that the tax code allows employers, but not individuals, to buy health insurance with pretax dollars. An individual has to use after-tax dollars to buy a health care policy. Even if you're self-employed, only 25 to 30 cents on the dollar is deductible. Because of that tax-code quirk, which came out of the wage and price controls of World War II, most private health insurance is paid for by employers. The money the employer spends on behalf of an employee for health care counts as part of that employee's compensation. Yet, in most instances, the employee has little or no say in how that money is spent. So the solution is to equalize the tax treatment between the individual and the corporation. A Medical Savings Account would do this; let the individual decide how that money is to be spent.

RL: That'll bring prices down fast because people won't spend more than they have.

SF: Exactly. The one area of medicine that hasn't had wild inflation in the last 30 years is cosmetic surgery. Unless cosmetic surgery is required to correct the disfigurement from a disease or an accident, it's not covered by insurance. The patient has to pay. If you ask a cosmetic surgeon about a procedure, he can tell you precisely what it will cost, what its components are—and the price doesn't roar up.

RL: Because it's based on what the patient, the customer, can pay—what the market will bear and no more. That's the best case I've heard yet, Steve. That alone makes

more sense than anything I heard anybody say about what's wrong with the health care system in this country.

SF: If you have 100 million consumers policing the health care market, you'll still have technological advances, but you'll also have price control. Consumers will do the price controlling, not bureaucrats—and we'll all be better off.

The third thing hindering people from feeling good about the economy is the sheer uncertainty of things today. When you change from one era to the next, people worry—especially when you have poor political leadership. Looking back at the 1890s, you find a lot of people were pessimistic about this country. They saw the rise of big corporations, big cities, corrupt political machines, the closing of the frontier and the influx of massive immigration as indications that the country was going down the tubes. Then along came Teddy Roosevelt and the Progressive era. People soon realized that change is part of progress, and their attitude shifted. We moved ahead.

The Facts Speak for Themselves

RL: You have lamented high interest rates. Yet it is a reputed Republican, Alan Greenspan, who has sought to raise them over and over again—after lowering them over and over again. Why has the Federal Reserve raised rates? The excuse is that inflation is looming over the horizon. Yet nobody sees it. We all know these interest rate increases slow the economy. What's the thinking behind them?

SF: One of the obstacles to a prosperous economy is bogus economic theory. And one such theory is that prosperity causes inflation. The idea is that with prosperity come rising prices, which means rising inflation; therefore, if you want low inflation, you must have more unemployment. Under this bogus theory, central bankers think it's bad to have people going to work with smiles on their faces—you never see a central banker with a smile on his face. When the world is doing well, central bankers have to stamp out that sense of well-being. So last year, when the economy started to pick up some steam, the Federal Reserve said, "Oh, my gosh! A prosperous economy will mean a return to inflation, so we've got to stop it."

RL: Your point is proved by examining the 1980s, when we brought inflation down with some of the most consistent years of unbridled growth we've ever had.

SF: Exactly. Inflation went from 13% to 3% during our longest peacetime expansion. The same thing has happened in other countries. History shows you can have noninflationary prosperity. But, thanks to bad economic theory, we're having a sluggish economy now.

RL: So are we totally dependent on the whims of the central bankers to raise or lower interest rates?

SF: This is where people sense that something is wrong. Why should the value of money or the level of interest rates be dependent upon unelected officials who think they know more than we do? Why should money be in the hands of politicians? It wasn't for 175 years of our history, and we did all right. We had low interest rates. We grew.

RL: Would you be in favor of getting rid of the Fed?

SF: What we need is a monetary system that is out of the hands of politicians and that has an anchor—and I hate to say this, because people think you're kind of crazy—an anchor like G-O-L-D. It worked for 175

years; we need a modern variation of a gold standard.

RL: We at the *Limbaugh Letter* don't think you're crazy. Now what about the looming trade war with Japan? This cannot possibly resonate well with you.

SF: This is where I'm disappointed with the Republicans, who, after looking at focus-group data that show people don't like Japan and its trade practices, have not been willing to tell the truth. In the name of free trade, the Administration wants to give more power to bureaucrats and politicians, to have them tell you how much you should buy and from whom you should buy it. This is called "managed trade" or "socialism lite." It's a power play in the name of free trade that should be blocked. At the very time Japan is going through a crisis and its people are beginning to question the dominance of bureaucrats, we're pursuing trade policies that will give more power to people who are losing credibility.

RL: What about the American consumer?

SF: The consumer gets the short end of the stick. If you earn money, you should have the right to buy what you want, no matter where it's from. Why should politicians be able to tell you what model car you can or cannot buy? It should be your choice.

RL: If a trade war were to happen, how long would it be before the same consumers who identify Japan as an enemy in focus groups say, "Hey, wait a minute! We didn't mean we wanted to pay an additional \$2,000 for an American car we don't really have any interest in. We did not mean we didn't want to be able to buy our Japanese VCRs. Give us our choice back!"? How long would it take?

SF: A fairly short time. Remember that one of the principal triggers of the Great Depression—and the reason it was so deep—was the Smoot-Hawley tariff. It was passed in the name of helping American industry, of helping the American farmer, and it ended up almost destroying Western civilization.

It's Elementary

RL: One final thing. I'm amazed, as I host my program and talk to people, how some of the most fundamental concepts of economics are misunderstood by the majority of the people who make this country work. What do you think needs to be done to provide a basic education in economics?

SF: We must rework the definition of economics. Economics is not numbers. Economics is people doing business with one another—whether it's kids trading cards or adults trading materials to make automobiles. Economics has a moral foundation, especially in a free-enterprise economy, where no one is forced to buy a product or service you offer. If you don't offer something that people want, you fail. You don't succeed unless you're making somebody happy.

RL: Steve, you've said some of the most commonsensical, yet brilliant, things I've ever heard. Best to you, and keep applying the pressure. There are a lot of people who will applaud every action you take in trying to see to it that your vision of this country's future is represented in our political system.

SF: You continue, too. The election last November would not have turned out as it did had you not prepared the ground with your work over the years. ■

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



THE STATE OF THE STOCK MARKET

is now in the hands of Washington. If a tax cut, particularly for capital gains, becomes law, the impressive gain in equity values this year won't be wiped away. The economy will benefit, too. *If the bill fails, get ready for the storm shelters.*

President Clinton may well veto a lowering of the capital gains levy as a way to bash Republicans for being overly friendly to the "rich." He will hurt himself more than he will hurt the GOP. A shaky econo-

my is the last thing he needs before an election.

Republicans and conservative Democrats don't have the strength in this Congress to override a veto, as a similar coalition did in 1948. President Truman had used all of his might to block two earlier Republican-sponsored reductions in income taxes in 1947. But by April of the next year, Congress overrode a third veto. The resulting economic buoyancy was no small factor in Truman's upset victory later that year.

SEND IT TO THE SMITHSONIAN

CONGRESS SHOULD DO to the Federal Communications Commission what it did to the Civil Aeronautics Board 17 years ago: Abolish it.

The FCC has outlived its usefulness. The days when airwaves were thought of as a scarce resource that had to be allocated and regulated by a federal authority and when telephones were thought of as a "natural" monopoly are long gone. In fact, this agency has become an obstacle to our gaining the full fruits of the exciting changes sweeping the communications field. *The FCC delayed competition in long distance tele-*



phony by a decade and did the same with cellular phone service. It hobbled the development of cable television.

Breakneck technology has obliterated natural monopolies and is increasing airwave capacity—the so-called

spectrum—almost exponentially. There is no way the FCC can keep up to speed on the implications of new technological developments such as direct broadcast satellites, which may threaten the very existence of cable companies.

By getting rid of the FCC, we will get a fantastic surge of innovation and competition. Why shouldn't license-holders of spectrum capacity be able to use it for whatever good purpose they wish? Communications companies should be free to compete in any market. Local telephone companies should be open to competition from the likes of TCI, MCI and who knows who else. And telephone companies should be able to compete against cable companies.

Price controls on interstate telephone prices are

THE FLAT, YELLOW BRICK ROAD TO PROSPERITY

Article by Malcolm S. Forbes Jr., published in the Spring 1995 issue of the Durell Journal of Money and Banking.

TWO FORMIDABLE OBSTACLES stand in the way of the U.S.' entering its greatest period of economic growth and opportunity. One is the unstable dollar, which has been without a gold anchor for a quarter of a century; the other is our numbingly complex, convoluted, incomprehensible, antigrowth tax code.

The recent dollar crisis and the frightening collapse of

Mexico's economy underscore the need for a return to a gold-based monetary system in the U.S. and globally.

The volatile dollar is a critical reason that real gains in wages for most Americans have not seen much growth since the late 1960s. With a reliable greenback, interest rates would be sharply lower than they are to-

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PHOTO: FREDERICK S. BROWN

anachronistic. Growing competition will do the job better. Any anticompetitive activities could be handled by the Justice Department.

The FCC and its apologists claim the agency is essen-

tial to preserving the public interest. Instead, the FCC has become an instrument of special interests trying to shackle competitors and would-be competitors.

This dinosaur should be put to sleep.

PRINCIPLES FOR PROSPERITY

THE BALTIC STATES are demonstrating that countries can make a fast recovery from the debacle of communism when they follow proper principles.

Estonia and Lithuania and, to a lesser extent, Latvia have dramatically lowered inflation and are experiencing impressive, real economic growth. These small states avoided the shock therapy that has so hobbled Poland, Russia and other parts of the former Soviet Empire.

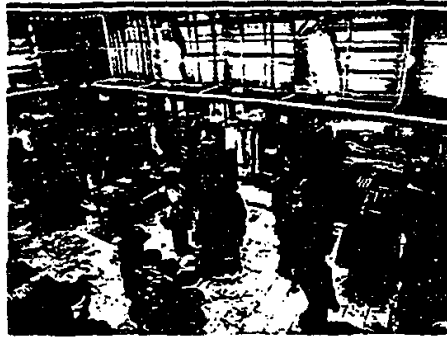
Both Estonia and Lithuania have instituted currency boards. Under this mechanism domestic money is not issued unless backed by hard foreign currency such as the dollar or the deutsche mark or by an asset like gold. While inflation remains high by our standards—around 25%—these rates look *de minimis* compared to Russia's and Ukraine's.

Estonia is particularly impressive. It has instituted a

flat tax. It has put out the welcome mat for foreign investment; companies have few restrictions in bringing in money or in repatriating it. Estonian businesses have made impressive progress in establishing trade relations with Finland and Western European nations. Soon this once pauperized nation will likely exceed Portugal in its standard of living.

The experience of Estonia and the other Baltic states underscores the verity of the basic principles of economic progress: sound money, low taxes, property rights and minimal political interference in the creation and conduct of businesses. Yet our Treasury Department and international agencies such as the IMF continue to prescribe such toxic policies as higher taxes and devaluations to Mexico and scores of other countries.

When will we learn?



Increasingly affluent shoppers in Estonian department store: Free markets when tried, work.

ZONING FOR GROWTH

MICHIGAN GOVERNOR John Engler recently unveiled an exciting proposal that should be emulated by his gubernatorial peers and by Congress. His tax-free zones are designed to rejuvenate economically distressed urban and rural areas in his state. For years Congress has considered Jack Kemp's national version but has never passed an effective variant of it.

Under Engler's plan, a tax-free zone would be relieved of all state and local levies (except for the state sales tax, so as not to penalize businesses bordering the zone). Unlike other zone proposals, the governor's

would have no restrictions on usage, be it residential, industrial or commercial. As Engler put it, "This concept recognizes that jobs, housing and neighborhood commercial services make for a vital community." The big lure, of course, is the waiving of local property taxes. The state would make up lost revenues for local school districts.

Republicans should embrace the idea of Engler-like enterprise zones to counter criticism from advocates of affirmative action that the Party isn't interested in enhancing opportunities for all Americans.

GOOD, BUT ULTIMATELY A DANGEROUSLY INEFFECTUAL MAN

Baldwin—by Roy Jenkins (Papermac, a Macmillan General Books imprint, Cavaye Place, London, SW10 9PG, England, £12.99). Well-written biography of the dominant political figure in Britain between the two World Wars. The author, himself a prominent socialist politician in the 1960s and 1970s, skillfully adds insights gained from his own experience in the public arena. Stanley Baldwin's emphasis on domestic issues and his calming, good-natured willingness to assume the best in others was perfect for Britain in the 1920s but a disaster as the international clouds darkened in the 1930s. His easygoing parochialism and his focus on short-term political advantage made him singularly ill-equipped to deal with the growing menace of Nazism.

Baldwin's best hour was his adroit handling of the 1936 abdication crisis. One shudders to think what

would have happened had Britain had a Nazi sympathizer on the throne when the supreme crisis came in 1940.

The author obviously likes his subject and is not nearly stern enough in his final conclusions about Baldwin's culpability in leaving Britain so unprepared. Few men left office as popular as Baldwin; few suffered such a rapid, abysmal fall.

Excerpt: *At the Accession Council Baldwin told Clement Attlee that he doubted whether the King [Edward VIII] would 'stay the course'. It was not merely Mrs. Wallis Simpson, although ministers were already well-informed about his relationship with her, if not his marital intentions. It was his general attitude of irresponsibility, selfishness, and dislike for any of the functions of kingship other than easy popularity and personal privilege. Nor were these feelings of unease confined to Baldwin*



day. Before abandoning the dollar's link to gold, the U.S. government could routinely borrow long-term money at 4% or less and short-term funds at around 1%. Similar rates today would save the federal government over \$100 billion a year in interest on the national debt. In other words, we could more than halve the budget deficit without cutting one penny from existing federal programs. Americans could once again (as they could until the late 1960s) buy houses with 30-year, fixed-rate mortgages under 5%. Such low, stable rates would be a powerful stimulus to the economy.

Why, then, is gold the unmentionable, four-letter word of economics? Why does serious mention of gold brand the advocate in many circles as an ignoramus, as a crank? The answer is threefold: a misunderstanding of the role of money, a misreading of history, and, finally, a visceral revulsion to the notion that a metal can do a better job of guiding monetary policy than can a gaggle of finance ministers, central bankers and well-degreed economists.

Let's take a look at the misunderstanding of money. Money is a standard of measurement, like a ruler or a clock. Money is meant to convey information about values of products and services and to facilitate trade between willing parties. No one would seriously entertain the notion of a ruler that constantly changed in length, say, from 12 inches to 14 inches to 10 inches. No one would have much faith in timepieces where the number of minutes in an hour fluctuated daily. When money as a measurement becomes unstable, it creates huge inefficiencies, anxieties and diversions of energy from productive tasks to speculative or protective ones. Fluctuating money also undermines people's faith in a moral order. John Maynard Keynes put well the devastating impact of inflation in a 1920s essay: "There is no subtler, no surer means of overturning the existing basis of society than to debase the currency."

To understand the importance of stable money, think of a home buyer. The carpenter agrees to build the buyer a 2,000-square-foot house for a certain price. But instead of a foot's being 12 inches, it turns out to average 14 inches during construction. The home buyer gets a windfall gain of a house 36% bigger than the contract specified. Conversely, the carpenter has suffered an unexpected loss. If the ruler were to average 10 inches, the reverse would happen: The carpenter would gain; the home buyer would lose.

Or take a worker who receives a wage of \$12 per hour. If the number of minutes in an hour fluctuated the way the dollar does now, an hour could be 90 minutes instead of 60 minutes. The employer would come out ahead, having obtained \$18 worth of work for \$12. If the "value" of an hour should drop to 45 minutes, then the worker would receive \$12 for \$9 worth of work.

Changes in the value of money are just as disruptive as changes in the number of inches in a foot or minutes in

an hour would be. Once you understand this, you can readily grasp the need for stable money. The basic questions then are: What is the most reliable compass or guide for central banks, particularly for the Federal Reserve? And how does the Fed know whether it is printing too many, too few or just the right number of dollars?

The best, time-tested compass for stability is that disreputable commodity, gold. Why? It is rare enough to have intrinsic value. It cannot be consumed as wheat can be; virtually all of the gold that has ever been mined is with us today. Annual production is but a small fraction of the outstanding supply; thus, gold is not subject to the supply shocks that afflict other commodities such as oil or corn: A drought can send the price of corn soaring. Apart from a handful of industrial and dental uses, gold has no economic purpose other than being decorative or as a store of value. Therefore, gold's price is unaffected by the normal ebb and flow of economic activity.

Under a modern gold standard, a boost in the price of the yellow metal would tell the Fed to tighten. To do so, our central bank would sell bonds from its portfolio. The sale would remove money from the banking system because the Fed would simply sit on it and not deposit it. In other words, those dollars would disappear, and the supply of dollars in the economy would thereby be reduced. The relative value of the dollar to gold would go up, and, ipso facto, gold's dollar price would go down. Economists too often see money as a "flexible" tool for "guiding" the economy. They don't understand how destructive and pernicious such flexibility is to society.

The second reason serious people pooh-poo what Keynes called the "barbarous relic" is that gold has had bad press for over a century. Many historians have associated gold with favoring flinty-eyed bankers, ruthless industrialists and pitiless men of property, not with favoring struggling farmers and workers. Many historians and economists believe that if gold were not in some way the cause of past economic distress, it at least deepened the contractions. After the Civil War, our return to the gold standard was blamed for the ruin of thousands of farmers by raising the real costs of their debts and by depressing commodity prices. Critics have a point in that, after war-created inflation set in, the U.S. should have pegged the dollar-gold ratio to reflect that rise rather than going through a painful deflation to return to the prewar parity. But there was another cause of the farmers' distress—technology. Advances in shipping and railroads made it possible to cultivate wheat fields in Ukraine, Argentina, Australia and elsewhere for world markets. (The introduction of winter wheat in the U.S. greatly enhanced our own yields, and to this day fewer farmers are needed to produce more and more food.)

Rural America's antigold sentiments reached fever pitch during the depression of the 1890s and were articulated by William Jennings Bryan. Although Bryan was



Today you wouldn't need to hold gold to operate gold standard.

ounced three times in presidential elections, his thesis—that gold was an oppressor of hardworking people—stuck. But the events of the 1920s and 1930s drove the intellectual stake through the heart of the yellow metal.

After World War I, Britain made the same mistake that we had made after the Civil War. London had gone off gold in 1914 at the start of WWI and had experienced serious inflation. In the 1920s Britain deflated credit in order to establish the prewar parity between sterling and gold. The return to gold in 1925 was blamed for the subsequent distress of Britain's large coal industry and the national general strike that followed a year later.

Gold's received its ultimate discrediting with the advent of the Great Depression in 1929. In the wake of the collapse of world commerce and finance, brought on by the horrific Smoot-Hawley tariff, the U.S. and Britain adopted mistaken policies in the name of staying on the gold standard. Britain tightened credit instead of easing it. The U.S. enacted a substantial tax increase, deepening the contraction. Instead of utilizing tax and monetary policies to help alleviate distress, Britain abandoned the gold standard in 1931, and the U.S. sharply devalued the dollar in 1934. Ever since, the gold standard has been portrayed as a principal cause of the Depression instead of as a tum of misguided policy.

In 1944 the U.S. and Britain created what became known as the Bretton Woods international monetary system. The dollar remained fixed to gold at \$35 per ounce. Other currencies were tied to the dollar, with only a small band for fluctuations. Institutions were created to help countries cope with future balance-of-payments problems and to stimulate recovery from the war.

Bretton Woods, GATT, NATO and other measures helped bring on the great boom of the 1950s and 1960s. There were exchange-rate crises, but, by today's standards, devaluations were infrequent. When a country's currency came under attack, authorities took immediate remedial measures. Inflation, when it flared, was quickly brought under control. Nonetheless, sentiment against gold grew. Most antigoldsters advocated letting all exchange rates float against one another, making money simply another commodity. Simultaneously, American policymakers got the notion that the dollar's role as a reserve currency posed intolerable financial burdens. As our trade surplus shrank, cries for devaluation grew.

The U.S. began moving off gold in the late 1960s, formally severing the link when President Nixon imposed price and wage controls in 1971. But the new regime of floats failed miserably. Instead of increased prosperity, we got a debilitating decade of rising inflation, collapsing equity markets and declining standards of living. Even the economic recovery of the 1980s saw abnormally high interest rates by historic standards.

The second major hurdle to a new era of prosperity: our tax code. No human being understands it. The current code, which runs over 8,000 pages, with countless

thousands more IRS rulings and interpretations, is beyond redemption. The answer is to start all over again, which is what the flat-tax movement is all about. With a flat tax, rates would be slashed and all deductions done away with, except for generous personal allowances.

Two Hoover Institution economists, Robert Hall and Alvin Rabushka, have done extensive, definitive work on the flat tax. Their new edition of *The Flat Tax* brilliantly updates their 1985 original. Under their revenue-neutral plan, a family of four would pay no federal income tax on its first \$25,500 of income. Any income above that level would be taxed at the flat rate of 19%. For individuals, there would be no levies on interest, dividends, capital gains or estates. Businesses would also have a flat 19% rate and could write off all capital investments, including land, in the year in which they were made. Any tax losses could be carried forward and applied against future profits.

All variants being discussed take off from the work of

Hall and Rabushka. The most ambitious version is that of House Majority Leader Dick Armey (R-Tex.). He proposes a three-year phase-in from 20% to 17%, coupled with ambitious budget cuts. The exemption for a family of four would be \$36,800. Presidential aspirant Senator Arlen Specter (R-Pa.) advocates a 20% level with modified deductions for interest on home mortgages and for char-

itable contributions. His plan, too, would exempt interest, dividends, capital gains and estates.

The virtues of a flat tax are overwhelming:

Productivity. Enormous resources would be released for productive pursuits. Incalculable amounts of intellectual brainpower are devoted to the dead-end task of coping with the current tax code. Over 500,000 people in the U.S. make their living off it, whether in lobbying, lawyering, tax preparing or accounting. Americans spend 5.5 billion hours a year filling out tax forms.

Fairness. Under a flat tax, the higher your salary, the more you pay in tax, in contrast to our current exemption-riddled system. The rich would pay a higher proportion of revenues collected. This has happened every time high rates have been lowered. The generous personal allowances would lop millions of Americans off federal income tax rolls. And the tax code would be transparent and understandable.

Efficiency. The flat tax would be infinitely easier to collect. Experts estimate Americans spend between \$100 billion and \$300 billion to comply with the current code.

Anticorruption. The flat tax would eliminate a large source of political manipulation at state and federal levels. The current monstrosity remains ripe for abuse and behind-the-scenes deals for powerful special interests. It is no coincidence that members of congressional tax-writing committees receive on average twice the political contributions of their non-tax-writing colleagues.

The flat tax, combined with a new gold standard, would unleash a boom of unprecedented proportions. ■



Depression prime ministers and Treasury pooh-bahs meet on eve of England's abandonment of gold standard.

Reinhardt Aronson

"With all thy getting get und...anding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



WHAT'S STOKING THE STOCK MARKET?

PRINCIPALLY, THE POTENT PROSPECT of a significant cut in the capital gains tax and the possibility that it will be made retroactive to Jan. 1. Thanks to Newt Gingrich's insistence, both the House and Senate are in accord to whack the rate from 28% to 19.6%, the lowest level since the 1930s. Declining interest rates are a significant help, but they are not the most critical one. Each time the capital gains exaction is eased, the nation's job-creating, innovation-inducing stock of capital goes up, as do federal receipts.

The reductions of 1978 and 1981 set off the high-

tech boom. By contrast, the boost in the capital gains tax rate that took effect in 1987 sharply slowed new business formations, helping to bring on the 1990-91 recession and retard the pace of the subsequent recovery.

Taxing capital is the equivalent of taxing trees in an orchard. It is far wiser to tax the fruit, not the means of creating the fruit.

Under a flat tax, the capital gains levy would disappear for individuals, a provision which would double equity values fairly quickly. In the meantime this cut will do nicely.

CONGRESS SHOULD SCRAP

a destructive antiwork tax. Social Security recipients between ages 65 and 69 are punished for working. Any earnings above \$11,280 are hit by what is, in effect, a 33% tax—for each \$3 a person gets over this cap, he loses \$1 in Social Security benefits. A person who makes anything above that \$11,280 limit faces a marginal tax rate of 56% when this penalty is combined with other taxes.

This earnings cap is a relic from the Great Depression, when economists wrongly assumed that there was a fixed number of jobs in the country. They wanted the elderly to retire fully so that work could be freed for younger people. The House of Representatives has at least met this issue partway (the Senate hasn't done anything) by raising the income limit to \$30,000 over five years.

Why can't Congress and the Administration go all the way and abolish this maltreatment? Because of a mistak-

en fear that junking the limit will lose revenue and boost the deficit. This fear is misbegotten and is based on so-called static revenue analysis that assumes people's behavior doesn't change in response to tax code changes.

In reality this penalty prevents people from working, which hurts the economy and reduces tax receipts. Or it forces workers to work "off the books," with the same result.

The Congressional Budget Office, using its flat-earth static analysis approach, estimates that repeal would cost \$26 billion over five years, but a more realistic study done by ex-Treasury economists Aldona and Gary Robbins found that repeal would actually *increase* federal revenue, not to mention boost the overall economy!

The clinching argument is a moral one: It's wrong for the government to arbitrarily discriminate against a particular age group.

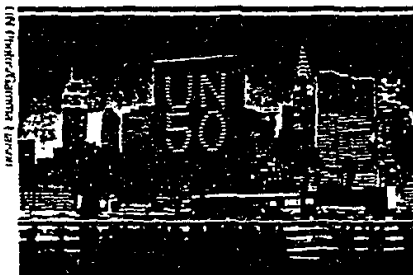
SOBER CELEBRATION

WHAT'S TO BE LEARNED from the United Nations' 50th anniversary this year? Even UN supporters acknowledge the organization's serious shortcomings. For answers we should look to a collective security institution that has worked miraculously well—the North Atlantic Treaty Organization. NATO's lessons are relevant to the future effectiveness of the UN.

NATO was formed as a defense alliance by the U.S. and other nations against the Soviet Union in the late 1940s, as the Cold War got under way. Its core principle: An attack

on one member would be considered an attack on all. Military activities among the member nations were closely coordinated, though national units remained separate.

The alliance worked because of a common fear and the leadership of the U.S. Washington did not stand by passively and wait for a consensus to develop. Passivity is a prescription for inactivity. It was at our initiative that the alliance was put together, and the stationing of American forces in Europe gave it credibility. When NATO's credibility was in



Are these lights brighter than the UN's future?

PHOTO: THE FORBES

doubt, as it was in the late 1970s and early 1980s, it was forceful U.S. leadership in stationing new missiles on the continent that restored the balance.

The alliance has worked brilliantly. The Soviet Union never made an overt military move against Western Europe, although it would occasionally rattle its missiles and apply intense political pressure. The sense of safety that NATO provided was critical in enabling Europe to make a rapid recovery from the rubble of World War II.

The experiences of NATO that are especially applicable to the UN: U.S. leadership is an absolute necessity for decisive action, as is a strongly defined sense of purpose. The organization's military floundering is a direct result of ill-defined missions and uncertain, wavering, dilatory directions from America.

The UN's own obvious flaws, particularly its bloated bureaucracy and its ongoing hypocrisies, shouldn't blind us to the U.S.' shortcomings in shaping the post-Cold War world.

REDUCTIO AD ABSURDUM

ONE SMALL EXAMPLE of why quotas are under heavy attack in this country is seen in the recent court case against Brown University.

A federal judge has ruled that Brown is guilty of sex discrimination in its athletic programs. The accusation is preposterous. Few universities have done more than Brown in providing women with opportunities to play a variety of varsity and intramural sports. In fact, Brown's offerings are so extensive that several of its women's teams have a hard time attracting sufficient numbers of players.

But all this made no impression on that quota-minded judge. His sole criterion in making his decision was that

there were proportionally more men than women playing on Brown's teams. That women at Brown are not as interested in sports as are their male counterparts was deemed to be irrelevant. If the percentage of women and men involved in athletics is not proportionate to enrollment, then the whole athletics program will have to be scrubbed.

Fortunately, Brown is appealing this absurd decision. But the case underscores why so many Americans have turned so emotionally against quotas. They firmly support equality of opportunity, but they recognize that we are all too varied in our interests and in our abilities to guarantee equality of results.

WE BENEFIT FROM DIVERSITY

THE DEATH LAST MONTH of Dr. Jonas Salk should remind us of the importance of diverse approaches to fighting diseases and to tackling other medical problems.

Until Salk's vaccine, parents dreaded the summer outbreaks of polio, mostly a childhood disease. While kids liked to swim, parents associated the activity with contracting this crippling, sometimes fatal, affliction.

Salk's vaccine just about eradicated polio and made him an international hero. Yet the hosannas from the medical community were rather muted. He was never awarded the Nobel Prize and was never elected to the National Academy of Sciences in the U.S. The

reason: Salk's approach was not the favored one of the medical establishment. Most were partial to the type of vaccine that was eventually developed by Dr. Albert Sabin and has largely replaced the Salk version. (Sabin's method is taken orally.)

But the establishment's arcane preferences hardly justified the underlying hostility. Salk perfected his inoculation some six years before Sabin did. Literally millions of children worldwide thus escaped the horrors of polio.

With so much medical research now being funded by the federal government, there is the constant danger that maverick, Salk-like approaches will never see the light of day.



Polio victim in iron lung: Salk saved countless kids from this fate.

RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Gloucester**—37 East 50th St. (Tel.: 750-2233). Sumptuous postmodern interior with magnificent cobalt glass and copper chandeliers, art deco-inspired frescoes, wicker lawn chairs, and with marble tile and dark wood paneling covering every conceivable surface. Food, primarily fish; also offers California/Nouvelle. Desserts, particularly fun—especially banana cream pie.

● **Sfuzzi**—58 West 65th St. (Tel.: 873-3700). Once one of the hottest spots in town, with surly waiters and second-rate food. Now they serve you with a smile. Food has changed from bad/pretentious to bad/pedestrian.

● **Silk Restaurant**—378 Third Ave. near 27th St. (Tel.: 532-4500). Meld of French and Pacific Rim works beautifully. Particularly noteworthy are grilled filet mignon with baby vegetables in Oriental peppercorn

sauce and grilled tuna steak in balsamic teriyaki sauce served with horseradish mashed potatoes and steamed baby vegetables. Desserts, magnificent.

● **Chelsea Bistro & Bar**—358 West 23rd St. (Tel.: 727-2026). Presentations are a little fussy, but the food is superb—from the tuna to the rack of lamb to the French fries. Best of all is the crème brûlée.

● **Mi Cocina**—57 Jane St. (Tel.: 627-8273). Sensational Mexican food: fried calamari (here in a Mexican beer batter with salsa and lime); asparagus (grilled in a lime-garlic sauce); empanaditas de picadillo (baked turnovers filled with beef, raisins and olives); camarone enchipotlados (shrimp cooked in a sauce of roasted tomato, chipotle and white wine with spinach); and more. Great desserts, too.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



STUCK IN THE MUD

WESTERN EUROPE'S anemic recovery from its 1990-93 recession is running out of gas. Growth is slowing. Unemployment remains stubbornly high. Policymakers are bewildered.

They shouldn't be. Europe's woes are not cyclical but structural. There's no secret as to what's blocking Europe's economic arteries: excessive taxes, job-killing labor laws, restrictive regulations, tight money and lavish entitlements that often undermine recipients' work ethics.

Payroll taxes, a direct burden on hiring people, are 50% to 100% higher than our own. Every member of the European Union must impose a value-added tax of 15%, which makes the area exceedingly expensive. Income taxes are oppressive. Germany, supposedly the region's locomotive, now has the highest personal income tax rates in the industrial world, approaching 60%.

European states make it exceedingly difficult to lay off workers. Not surprisingly, employers are reluctant to bring on new people. Other labor restrictions put Europe at a competitive disadvantage. France, for example, forbids most manufacturers from operating on weekends. Germany mandates that workers receive a minimum of four weeks' vacation, plus an array of holidays.

Germany's deflationary monetary policy adds to the problems. The EU wants to create a single currency before the end of the decade. To achieve this, most EU countries tie their money to the deutsche mark. But the Bundesbank has been overly tight, making Europe suffer very stiff real rates of interest, which hurt economic activity.

Single-currency advocates have yet to answer the most basic question: What is the compass for monetary policy? In other words, how does a central bank know in a timely manner whether it is printing too

much, too little or the right amount of money? Until that question is effectively answered, Western Europe will lurch from one monetary crisis to another.

Hurting the region further is the EU rule that governments must reduce their deficits to 3% of their GDPs. Politicians are responding by raising taxes, continuing the vicious cycle of less growth, less revenue—and more red ink.

Britain, France, Germany and others must break these shackles. They could start by enacting Reaganesque income tax cuts, which would get their economies moving again, thereby providing an atmosphere where other, more difficult reforms could be realistically considered.

Economic Recovery Is Stalling in Europe

Strong Currencies and High Rates Throw Wrench Into Expansion Plans

—International Herald Tribune

SAVING OUR SCHOOLS

THE ANTI-EDUCATION, to-heck-with-the-kids National Education Association is blocking meaningful school choice proposals. It recently derailed, in Pennsylvania's lower house, Governor Tom Ridge's substantive school reform program for fear that the plan would undercut the union's monopolistic, bureaucratic stranglehold on the Keystone State's public school system. Mercifully, however, the tide is turning.

Michigan's reforming governor, John Engler, is already demonstrating the positive impact of charter schools, where parents and community leaders are allowed to design and operate schools free of most state education rules and regulations. Over 30 have been created; hundreds more are on the drawing boards. These new schools will turn in vastly better per-

formances than their bureaucracy-bound brethren.

Governor Ridge is pledging to fight the school-choice battle again. He needs to change only a handful of votes to win. His plan, in fact, is a model for other pro-education governors. It will start giving families the means to place their children in schools of their own choice, be they public, private or parochial.

When the plan is fully implemented (over six years), parents who wish to send a child to a school outside their district will receive an "educational opportunity grant" of up to \$1,000, as well as the greater amount of the per pupil state aid of their district or of the new district. Parents will be liable for only one-third of any remaining tuition. Parents who make more than the taxable income limit (ulti-



Governors John Engler and Tom Ridge: Dynamic doers who are trying to better schools.

0503 165 40 56

mately, \$70,000 a year) won't receive the grant but will get the per pupil state subsidy. Students going to nonpublic schools will still be eligible for the grant. (The Governor is also pushing for the creation of charter schools.)

The Ridge plan could truly bust the public education monopoly and make schools again what they once were—vibrant, effective institutions responsive to the values and concerns of local parents.

RIGHT PRICING Rx

GROWING NUMBERS of both independent and chain pharmacies are complaining that they are suffering pricing malpractice when it comes to wholesale purchases from drugmakers. Even though drugstores buy comparable or larger volumes, they must pay significantly more for their wares than many major HMOs do.

Pharmacists have a point. HMOs can extract significant discounts by promising manufacturers exclusivity on their lists of permitted prescriptions, thereby keeping out like drugs of competitors, but drugstores are obliged to carry virtually all the medicines that local doctors might prescribe.

Pharmacies, which are already reeling from the growing clout of mail-order houses, face another hurdle—a 1938 amendment to a federal law requiring manufacturers to set uniform prices that allows exemptions, ostensibly for charitable organizations such as hospitals. The exemptions, however, have been interpreted to include

HMOs, mail-order companies and nursing homes.

The solution is twofold: Scrap that ancient law and allow drugmakers to provide discounts to any large buyer, including pharmacy chains and cooperatives. In addition, Congress should pass legislation establishing medical savings accounts, which would empower 100 million consumers in the health care marketplace. Currently, companies get to buy health insurance with pretax dollars; individuals must pay with aftertax dollars. Medical savings accounts could receive tax-free contributions from employers, employees or both. Money not used for health insurance premiums or for routine medical expenses would remain the property of the individual and grow tax-free. Individuals could thus buy insurance fitting their particular needs, instead of having to accept the one-size-fits-all policies most employers offer.

People would have genuine choice instead of being effectively forced into some sort of managed care system.

HERO OF WESTERN CIVILIZATION

OUTGOING AFL-CIO PRESIDENT Lane Kirkland will have a major place in history for his extraordinary role in undermining Soviet communism.

The peaceable collapse of communism in Poland during the 1980s set off the dominoes that ultimately brought down the Berlin Wall. Two years later the Soviet Union fell apart. The Cold War was won.

Moscow had long recognized that Poland was the core of its Eastern European Empire. The 1980 rise of Solidarity, a genuine mass movement, thus posed a mortal threat. The Soviets and their Polish collaborators cracked down in 1981. Solidarity survived the bleak, martial law years that followed because of significant underground assistance from the AFL-CIO, which smuggled in personnel, money, printing presses, radio equipment and computers. If not for this aid, Lech

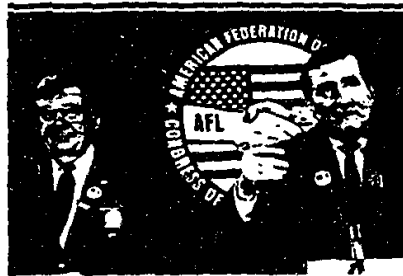
Walesa and his movement would not have survived.

Kirkland knew the importance of Poland and never wavered in his conviction that Solidarity had to be helped in every possible way. Unlike many overseas unionists, Kirkland and most of his American peers were hard-core anticommunists, never forgetting that communism was a deadly threat to freedom. Even when being overtly anticommunist was unfashionable in the aftermath of the Vietnam War, Kirkland and his colleagues kept the faith.

Communism and its malignant offspring, Nazism and Fascism, brought in their wake the destruction of count-

less millions of lives and nearly destroyed Western civilization with what Winston Churchill called "a new Dark Age."

Kirkland is one of those giants who helped destroy this epochal peril.



Lane Kirkland and Lech Walesa: Historically effective freedom fighters.

less millions of lives and nearly destroyed Western civilization with what Winston Churchill called "a new Dark Age."

VALUABLE BOOK ON VALUES

Beyond Blame—by Armstrong Williams (The Free Press, \$18). Remarkable series of letters written by the influential newspaper-radio pundit Armstrong Williams to a onetime street hustler who had asked him for help. Williams' down-to-earth advice and reflections are startling at first, because rarely are such topics as inner-city crime, out-of-wedlock births, absent fathers and other facets of personal responsibility treated so straightforwardly and convincingly. As I wrote in a wee foreword, "Much has been and will be made of the fact that Williams is a 'Black conservative,' as if he were some kind of rare, exotic species, wondrous to behold. Actually, as this book confirms, Williams is part and parcel of the unique-

ly American tradition of self-improvement and renewal."

Excerpt: *I was disheartened by the way you defined what it means to be a good father. You proudly boasted that you were able to "provide" for your children when you were dealing drugs. If money were all they needed, the welfare office would be a far better and much more reliable father than you have ever been. It is time you recognized that your daughters need a father, not a checkbook. Your views about fatherhood are nothing more than an exaggerated version of the popular culture mythology. We live in a culture that condemns men who do not pay child support but says nothing to men who divorce their wives and abandon their children.*



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By Malcolm S. Forbes Jr., *Editor-in-Chief*



CONGRESS, TAKE NOTE

THOSE WHO DOUBT that properly structured tax cuts can stimulate economic activity should take a look at New Jersey. For the first time in years the Garden State's economy is creating more jobs than its neighbors' or the nation's. Since Governor Christine Whitman took office, job creation is at a record level. In fact, in a reversal of recent trends people are moving to the state because of this robustness (which, ironically, keeps the unemployment rate high, since so many new people are seeking work).

Traditionally, New Jersey's economy has led the nation. But when the previous governor nearly doubled the state's income tax and increased other levies five years ago, the economy dropped like a stone, becoming

one of the country's weakest overnight.

Whitman won an upset victory advocating slashing state personal income tax rates by 30% over three years.

Job losses point to a stalling national economy but Jersey fares better

-The Star-Leader

Those cuts are being enacted one year ahead of schedule and are the core of Governor Whitman's pro-growth policies. Yet many still don't see the connection between what the Governor has done and how the

state is performing, as this quote from New Jersey's largest newspaper underscores: "Rutgers economics professor James Hughes said the continued job growth is 'hard to explain' in the face of the national downturn."

When will congressional Republicans wake up to the critical importance of enacting pro-growth tax reductions?

PREMATURE OPTIMISM

THE CLINTON ADMINISTRATION and others are starting to trumpet a turnaround in battered Mexico. They cite the recent relative stability of the dollar vis-à-vis the peso and the fact that Mexico went from having a substantial trade deficit to a surplus.

Sadly, they are wrong. The Mexican economy continues to unravel. Countless small businesses are shuttering their windows. Unemployment is rising. More disheartening, the government still won't stabilize the peso against the dollar at a fixed rate or within a narrow band, almost guaranteeing more deterioration, which, in turn, will keep real interest rates high and retard future recovery.

Trade balances are no indication at all of a nation's eco-

nomic health. We had deficits for 100 years as we boomed our way to becoming the world's leading industrial power. We did have a trade surplus in the pits of the Great Depression, when unemployment was rampant. Mexico has a surplus now because people can't afford to buy from abroad or at home. That's weakness, not strength.

The Mexican debacle underscores a glaring omission in our political discourse—the destructive prescriptions the IMF and our own economic experts continue to foist on other nations. This poisonous brew of shock therapy, higher taxes and inflation-igniting devaluations is a major block to both a more prosperous U.S. (we're the world's largest exporting nation) and world.

SCAPEGOATING FOREIGNERS

THE U.S. COMMISSION on Immigration Reform recently released recommendations that are truly bizarre.

One preposterous proposal would have us impose a special fee on employers for each highly skilled, legal immigrant they hired, as well as requiring employers to pay these workers 5% above the prevailing wage. Supposedly, this would free jobs for native-born Americans. It would actually deal a crippling blow to our future. A critical reason we're far ahead of the rest of the world in numerous high-tech arenas is because of immigrant brain

power. Up to half of our Ph.D.s in several critical disciplines are foreign-born. Would these commissioners have wanted us to impose a levy on Albert Einstein when he fled the Nazis?

In an age when people's skepticism about big government has never been higher, the Commission wants to set up a national computer database, a project more in character of the former Soviet Union. Ostensibly, the purpose is to have employers make sure they're not hiring illegal aliens. In reality, forgeries, including the computerized kind, will



Einstein: Fodder for tax collectors?

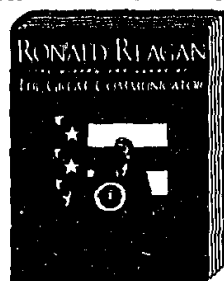
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proliferate. Employers who knowingly hire these illegals and who are the principal culprits will continue to do so.

More to the point, do we really want the government pooling extensively detailed data in one place about every American? Talk about invasion of privacy! You can bet that numerous government agencies, all with plausible rationales, would seek access to this treasure trove of intimate information. And do you really believe that all this information would be accurate or that it wouldn't be vulnerable to being accessed by computer hackers? This Orwellian idea deserves a quick trip to the memory hole.

UNLIKE MOST POLITICOS, HE KNEW WHERE TO GO AND HOW TO GET THERE

Ronald Reagan: The Wisdom and Humor of the Great Communicator—edited by Frederick J. Ryan Jr. (Collins Publishers, \$17.95). Remarkable compilation of quotations and photographs of America's most important post-World War II president. His speeches and messages have always been suffused with his principles, his unswerving faith in America and its people. Reagan's sunny temperament is extraordinary, given his less-than-easy upbringing,



ing, his more-than-full share of professional and physical setbacks and the cynicism-generating vicissitudes of political life. A man with a strong core and an uncanny knack for getting things done politically, Reagan made the presidency, which always gets the measure of its occupant, almost look easy. One section that will resonate more and more in the years ahead is "We Kept Faith," which is filled with references to the still sensitive subject of prayer.

WHO WILL BE THE SAVVIEST SEER OF ALL?

FIVE YEARS AGO we asked readers to predict where a number of categories would be at the end of the 1990s. Whoever comes closest will win \$100,000. We thought you would be interested in a halfway update. The first column is where we were when the contest began; the second, where these markers were at the end of 1994; the third, the predictions of front-runner Mark E. Wittnebel.

Although there's a half decade to go, several numbers stand out. Hordes of credit cards, fax machines and cellular phones already exceed what most contestants foresaw

for five years from now. Technology has yet to lay waste to the ranks of stockbrokers. The average daily NYSE volume has almost doubled, something few FORBES readers foresaw. The volatility, fluidity of the American economy is demonstrated by the number of FORBES Sales 500 companies that are no longer on the list.

Let us hope the last category does not change. A resurgence of Russian imperialism would not bode well for international stability.

The only safe prediction: more surprises.

Category	1989	1994	1999†	Category	1989	1994	1999†
Value of \$1	\$1	\$0.84	\$0.75	Employed workers	119 mil	123 mil	136 mil
Dow Jones industrials	2753	3834	3125	Unemployed workers	6.5 mil	8.0 mil	7.2 mil
Average daily NYSE volume	165 mil	291 mil	180 mil	Yen per dollar	143.45	99.60	105.00
No. of FORBES Sales 500 cos				Deutsche marks per dollar	1.70	1.55	1.40
of 1989 still on Forbes list	500	399	385	Rubles per dollar (black market)	30	5.111	10.000
Gold	\$399/oz	\$385/oz	\$350/oz	Computers	52.4 mil	59.9 mil	62.0 mil
Oil—price of Saudi light crude	\$18.40/bbl	\$15.01/bbl	\$24.00/bbl	First-class stamp	\$0.25	\$0.29	\$0.35
Oil—daily U.S. imports	7.9 mil bbl	8.9 mil bbl	8.0 mil bbl	Credit cards	908 mil	1,339 mil‡	1,055 mil
Hamburger—Big Mac	\$1.79*	\$1.95*	\$2.75	Fax machines	2.8 mil	49.6 mil	17.0 mil
Microwave ovens	70 mil*	80 mil*	95 mil	Homes with high-definition TV	—	—	900,000
New home, single family	\$148,800	\$154,400	\$145,500	Cellular telephones	3.5 mil	24.0 mil	22.0 mil
Home mortgage rate—new home	9.76%	7.95%	8.00%	Wristwatch telephones	—	2	400
Prime rate	10.5%	8.5%	7.5%	Registered motor vehicles	189 mil*	195 mil*	206 mil
30-year Treasuries	8.45%	7.37%	6.50%	Lawyers	725,574	865,615	925,000
GNP (actual)	\$5.2 tril	\$6.7 tril	\$8.0 tril	Stockbrokers	438,701	485,548	300,000
GNP (in 1989 dollars)	\$5.2 tril	\$5.6 tril	\$6.2 tril	Pro baseball teams	26	28	28
National debt	\$3.0 tril	\$4.9 tril	\$4.5 tril	U.S. population	249 mil*	261 mil*	274 mil
Federal budget surplus (or deficit)	(\$152 bil)	(\$203 bil)	(\$45 bil)	World population	5.2 bil*	5.7 bil*	5.8 bil
U.S. trade surplus (or deficit)	(\$109 bil)	(\$167 bil)	\$10.5 bil	Party in the White House	Republican	Democrat	Democrat
Consumer debt (excl mortgages)	\$71 bil	\$91 bil	\$80 bil	Party in the Kremlin	Communists	none	Military
Per capita income	\$15,186*	\$19,003*	\$20,400	Number of countries to emerge from present U.S.S.R.	—	15	6
Top fed personal income tax rate	28%	40%	38%				

Figures for the U.S. except where noted. FORBES to be the final judge; no FORBES employees or their relatives are eligible.

*Estimate. †Front-runner Mark E. Wittnebel. ‡The Nilson Report's estimate for the year 2000.

"With all thy getting ge... understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



THE ECONOMY IS FALTERING

and it's no secret why: increased interest rates and increased taxes. The tax boost of 1993 has helped make this expansion the slowest of the post-World War II period. The Federal Reserve's raising of the cost of money during the past year, in the name of fighting inflation, is visibly retarding the sales of cars, houses and other products and services. The Fed has also inadvertently hurt the economy by fueling inflationary pressures with its untimely additions of credit to the banking system.

What's to be done? Pass a progrowth tax cut. The House of Representatives has put forward a measure that would slash the capital gains levy. This reduction would powerfully stimulate the financial markets and, combined with a more sensible Federal Reserve policy, send interest rates lower. Within a few months the economy would be humming. Alas. Senate Republicans have irresponsibly reduced the chances of a timely tax cut. What do these "deficit hawks" think a sluggish economy will do to revenues and, thus, the deficit?

EVEN IF WE WIN, WE LOSE

THE CLINTON ADMINISTRATION is going to the brink of a trade war with Japan. Alas, politics—the notion that this "stand up to those unfair Japanese" is a good vote-getter—seems to matter here more than free-enterprise economics.

In the name of opening markets, the White House is pushing what is called "managed trade," or socialism lite. Under managed trade, bureaucrats and politicians determine patterns of trade, telling us what we can or cannot buy. In this case, Washington wants to force private Japanese companies to purchase a certain amount of our auto parts, whether they're wanted or not.

The real issue is not free trade, as the Administration alleges. It is who gets to make buying decisions—politicians or private businesspeople. The White House loves the idea of managed trade because it gives more power to the government, less to private enterprise.

Think of the reaction in the U.S. if Tokyo made similar demands upon us. This magazine would find it an outrage if Mickey Kantor's Japanese counterpart told us that we had

to buy a certain amount of paper from a particular Japanese company. So would virtually all American companies if a foreign government demanded that their purchasing decisions be governed by bureaucratically imposed quotas.

If Washington were truly interested in opening up markets, it would drag Tokyo before the new World Trade Organization, which exists to arbitrate such disputes. Assuming a favorable ruling for us, we would then be in the moral, legal and economic position to get a fair settlement. But with this Administration, headlines matter more than the rule of law or setting constructive, long-term precedents.

Other nations will now use our bad example as an excuse to ignore international trade rules when it's politically convenient. We and the world

will suffer grievously in this kind of anarchic environment, where international trade and capital flows are disrupted.

Our shortsighted truculence is reminiscent of the beggar-thy-neighbor policies that destroyed world trade and prosperity in the 1930s.



Kantor to Hashimoto: "I have a trade negotiation offer you can't refuse."

TIME TO REMEMBER

SIXTY-FIVE YEARS AGO, Herbert Hoover signed into law one of the most destructive pieces of legislation in American history, the Smoot-Hawley Tariff. The bill substantially increased import exactions on thousands of items. Our trading partners angrily retaliated. Trade shriveled, as did the flow of capital. The resulting decline in activity forced countless businesses to repudiate their debts, which,

in turn, nearly destroyed the American banking system.

Hoover compounded the catastrophe with a massive income tax increase two years later. Before it was all over, 25% of the American work force was unemployed, and democracies were collapsing all over Europe, including Germany's.

The Great Depression undermined people's faith in free-market economics, a legacy we are still grappling

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with today as economists and policymakers justify their meddling by the need to "stabilize" the economy.

The larger lesson of Smoot-Hawley is what happens when the leading nation of the world backs away from

its obligation to maintain an environment where democracy, trade and investment can flourish: If we don't act as the catalyst and the enforcer, no one else can or will.

LEGAL LUDDITES

THE JUSTICE DEPARTMENT has successfully smashed the merger between Microsoft and Intuit. The justification—that Microsoft would thereby limit competition in personal finance software or electronic banking—is preposterous.

Microsoft had agreed to divest its own personal finance software product. Even if it hadn't, competition is so fierce that any attempt to monopolize this market would be quickly undercut by opportunity-hungry entrepreneurs. Microsoft wanted to buy Intuit to compete in the nascent electronic banking market, going up against such timid souls as AT&T, IBM, Citibank and Bank of America.

Rapidly changing technology makes it impossible for

any company to long achieve the kind of dominance that so worries Jurassic Period-minded antitrusters. Cable television, for example, was reregulated three years ago because of its supposedly monopolistic position. Now, the rocketing technology of direct broadcast satellites threatens the very existence of cable's original purpose of providing home entertainment. The advance of on-line network technology may well undermine Microsoft's dominance of personal computer operating systems.

Competition and technological innovation will police these markets far more effectively than bureaucrats encumbered by moribund ideas.

ISRAEL'S INNOVATIVE, IMAGINATIVE, ENTREPRENEURIAL INSTINCTS

ISRAEL IS ON THE VERGE of becoming one of the leading lights in the high-tech age. No other country has a more highly educated, harder-working population than this one. Intel, Motorola and other companies have set up facilities in Israel in recent years and have been uniformly impressed with the caliber of the work force there.

I recently visited Israel and was struck by the entrepreneurial spirit of the younger people we encountered.

The Technion-Israel Institute of Technology, Israel's equivalent of MIT or Caltech, gave us a preview of several projects that faculty and students are working on, including a hypodermic needle that can be administered painlessly through the bone, a gizmo that stretches the skin so as to avoid painful skin transplant operations, and a hot-air wind tower that will generate electricity and desalinate (at half the current costs) salt water.

Benny Landa, founder-CEO of Indigo, a company (with a \$2-billion-plus capitalization) that is revolutionizing the world of printing, notes that Israelis combine the best of American and Japanese attributes.

These people have an American-like sense of innovation combined with a Japanese-like sense of loyalty. Landa and others observe that even secular Israelis seem to recognize that there is a higher purpose in life. Says Landa, "It may come from having to serve in the

army [compulsory for men and women] for several years between high school and college, but by the time Israelis reach college, they have a maturity and

drive that one rarely sees in other students."

What prevents Israel from becoming a Hong Kong-cum-Switzerland overnight is one of the most ferocious tax and regulatory systems in the world (although big breaks are given to foreign and other "approved" investors). Income taxes rapidly reach 50%, and there is a bewildering array of indirect taxes. It costs an employer \$3.40 to give a worker an aftertax salary increase of \$1.

A small group of Israeli politicians is proposing a 20% flat tax, which, combined with serious deregulation, would instantly have Israel's economy performing the way its legendary army and air force have done since independence.

Wind Tower May Yield Cheap Power

—WALL STREET JOURNAL

"WE WANT WILLKIE!"

Dark Horse—by Steve Neal (University Press of Kansas, \$14.95). Fascinating story of one of the most improbable figures in American presidential history: Wendell Willkie was an electric utility CEO at a time when the industry was in ill repute, a Democrat who didn't become a Republican until he decided to seek the GOP presidential nod, and an advocate of an activist foreign policy when most Americans were isolationists. He had no political base. He was distrusted by party regulars, and he entered no primaries. Yet, with the support of a handful of publishers and the fervent backing of hundreds of thousands of amateurs, Willkie won the nomination in one of the liveliest, most raucous conventions ever. Although he lost the election to Franklin Roosevelt, Willkie pulled more votes than any previous

GOP candidate, a record which wasn't broken until Ike ran 12 years later. After the election Willkie deeply angered his new party by helping FDR get critical defense legislation through a reluctant Congress. If it hadn't been for Willkie, the U.S. would have been even more unprepared (and suffered more casualties) when it entered WWII.

Willkie's foreign policy views, his growing liberalism (particularly regarding civil rights), and his blunt outspokenness helped sink his chances for renomination in 1944. Had he not died of a heart attack later that year, he probably would have run to succeed Fiorello LaGuardia as mayor of New York in 1945, and won. He, like FDR before his death, was intrigued with the idea of starting a new party that would attract "progressive" Democrats and Republicans. ■



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"With all thy getting get un...standing"

Fact and Comment

By Malcolm S. Forbes Jr., Editor-in-Chief



MEMO TO THE GOP: THE '80s WORKED

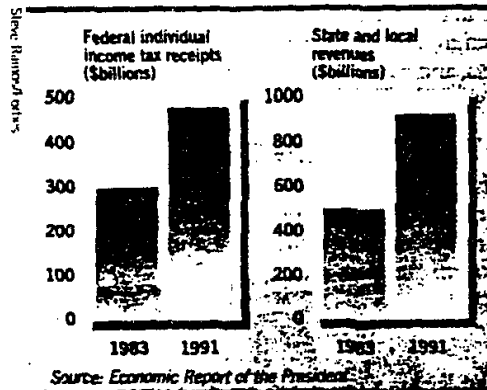
REPUBLICANS HAVE ACCEPTED the notion that the 1980s were a big fiscal mistake, that Ronald Reagan was wrong to insist on tax cuts even in the face of congressional resistance to reducing spending.

Republicans are now in effect saying that no budget cuts mean no tax cuts. The GOP has it backwards. Properly structured tax reductions would trigger a robust economic expansion, as they did in the 1980s. They should be the center on which budget cuts are structured. Voters would thus see the GOP as the party of opportunity and growth, not as the party of austerity. Growth would also expand government revenues.

Reagan's much-criticized tax cuts were the principal catalyst of

our longest peacetime expansion. Federal income tax receipts grew mightily. Even more impressive was the extraordinary surge in revenues of state and local governments. The federal deficits of the 1980s resulted from our unprecedented peacetime military buildup—which finally won the 40-year Cold War for us—and, more important, from Congress' inability to say no to domestic spending constituencies. If Republicans combine Reagan's pro-growth tax approach with their antispending proclivities, they will get credit for reviving the economy and curbing government.

Why should Republicans buy their opponents' bum raps about what actually happened when Reagan ruled?



WITHOUT HIM, THERE WOULD HAVE BEEN NO V-E DAY

AS WE CELEBRATE the 50th anniversary of World War II's end, we should give due honor to the man who, more than anyone else, made possible our victory over Nazi totalitarianism.

In the spring of 1940, Hitler and Stalin were active collaborators, and France was quickly shattered by the Nazis' initial offensive. The parliamentary political base of Britain's new prime minister, Winston Churchill, was weak. During the last week of May, as historians have discovered in recent years, Churchill came under intense War Cabinet pressure to begin negotiations with the seemingly invincible Germans. The chief advocate for a separate peace was Churchill's foreign secretary, Lord Halifax. It took all of Churchill's formidable energy and rhetoric, as well as a timely report from his military chiefs concluding

that Britain could survive on its own, to turn back Halifax's challenge.

No other British leader could have successfully resisted the immense pressures to call it quits during that grim month. If Britain had negotiated an ignominious armistice, as France did, Hitler would have won his war.

This extraordinary behind-the-scenes drama is grippingly told in John Lukacs' *The Duel* (see Fact and Comment, Sept. 2, 1991): "The greatest crisis in nine centuries of English history was at hand—distrust of Churchill's leadership had appeared at the highest levels, within his own, recently formed government, voiced by his foreign secretary, who had come to believe that, for the sake of England's survival, the attempt to inquire about peace terms from Hitler should not be avoided."



Churchill amidst rubble of bombed-out Parliament. Colleagues initially distrusted his unshakable, fight-alone attitude.

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HOW TO HELP RUSSIA'S ANTI-SEMITES

and other xenophobic, ultranationalist, extremist forces: Kill Radio Free Europe/Radio Liberty and the Voice of America, which are the only reliable sources of news within the former Soviet Union. (Radio Liberty has an unrivaled network of stringers and reporters in that part of the world.) Beleaguered democrats testify that they need our international radio services more than ever. Yet Congress, in its zeal to cut spending, is ready to kill them off; an act that would truly be fraction-of-a-penny-wise, pound-bloody-foolish.

Wise observers have long recognized that RFE/RL and VOA are extraordinarily cheap, effective defense instruments that enable us to interact directly on a daily basis with tens of millions of people in critical areas. RFE/RL's budget is only \$75 million a year.

Extremists hate these services because they can't intimidate or control them. In Russia and its nominally independent neighbors, there are no national independent media, and almost all radio and TV broadcasters are under the thumb of government. Pockets of genuinely independent newspapers and magazines are increasingly rare. Governments control most distribution channels, and many are the principal suppliers of newsprint. Then there is the not-so-

COUNTER VOICES: House Budget Chairman Kasich's plan to silence Voice of America and Radio Liberty-Radio Free Europe draws protest from conservatives Jack Kemp, Jeane Kirkpatrick, Vin Weber and Malcolm Forbes Jr. Those who call the

—WALL STREET JOURNAL

subtle pressure of Russia's mafias. A well-known Russian TV personality's murder is only the tip of a grim iceberg.

CNN? How many Russians speak English and go to well-heeled, big city hotels to watch these broadcasts each day?

One only has to look at the former Yugoslavia to see the consequences of these radios' *not* broadcasting. Until recently RFE/RL was barred from beaming programs to that area. Many Serbs actually believed the government propaganda that they were victims of Croatian and Bosnian aggression. Antigovernment, antigenocide democrats were voiceless. In 1992, when I was Chairman of RFE/RL, a group of Serbian journalists pleaded with us to initiate an around-the-clock service to the region. "Why do

you let these lies go unchallenged?" they kept asking us, not comprehending our State Department's objections.

A congressional aide gave me the brush-off on the subject of RFE/RL: "They're dead. Except for Jews on Israel and maybe some anti-Castro Cubans, no one cares about this foreign stuff."

Can't Congress grasp that this shortsighted, isolationist attitude helped bring on the war whose ending 50 years ago we are now celebrating?

DON'T SLUG THE DOLLAR

CONGRESS IS considering replacing the paper dollar bill with a coin. Proponents point out that other nations are coining their higher denomination money and that, although coins initially cost more to strike, they last longer than paper and will therefore cut down on long-term outlays.

That saving, however, does not take into account the aggravation of carrying around such bulky, heavy change and the wear and tear this imposes on your patience and on the lining of your pockets and purses.

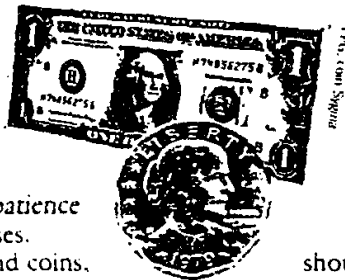
The United Kingdom now has one-pound coins, and this occasional visitor can testify that they are a pain to deal with. Paper is lighter, more convenient.

There's no real need for coining dollars. For several years, vending machines have been programmed to take paper money. Buses and subways could install (and would,

if private enterprise were allowed to run them) machines that either take light tokens or can deal with dollar bills.

Laundromats? A coined dollar would be a perfect excuse to raise prices. Tolls? The wave of the future is microchips on car windows and debit cards. Long distance calls? Phone credit cards are the answer there, not bags full of change.

If Federal minters feel they print too many dollar bills, why don't they do what the Canadians did years ago and run off more \$2 bills? The nation's governors should leave our paper money alone and recognize that they are supposed to work for the taxpayers' convenience, not theirs. Moreover, management experts could probably find ways of saving a mint in mint operating costs without foisting unwanted, unneeded coins upon us.



RESTAURANTS—GO, , STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **I Trulli**—122 East 27th St. (Tel.: 481-7372). A real find. Two airy rooms, a double-sided, working fireplace and glass doors that open onto a courtyard garden. Mood, authentic Italian countryside. Food, consistently superb: homemade pasta, hearty and delicious soups, perfect rack of lamb, exquisite grilled swordfish, memorable desserts.

● **Patria**—250 Park Ave. South, at 20th St. (Tel.: 777-6211). Spectacular presentations, but the dishes are ordinary. Desserts, wonderful to look at, disappointing to taste.

● **Chez Josephine**—414 West 42nd St. (Tel.: 594-1925). This little restaurant, dedicated to the memory of Josephine

Baker, is a party: live music, turquoise and red color scheme, agreeable service and wonderfully eclectic clientele. Food? Not bad: when you're put in such a good mood, who cares?

● **Erminia**—250 East 83rd St. (Tel.: 879-4284). One place in New York you can have a wonderful dinner and not be restricted by the no-smoking law. Perfect for European guests who don't understand this legislation. Particularly noteworthy main courses: swordfish steak with onions, raisins and pine nuts, and spiedino di carne.

● **L'Auberge du Midi**—310 West 4th St. (Tel.: 242-4705). Charming, atmospheric Village eatery. Menu, classic French with a few Moroccan highlights, including

"With all my getting get understanding"

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THE WINDS OF CHANGE

are being felt even in reluctant-to-change Japan. While the near unanimity one hears for deregulation may be more verbal than heartfelt, this fiercely protective economy is increasingly opening up. Last year government mandarins permitted the building of small stores without the owners' having to go through the usual red-tape strangling "approval" process. The result is a plethora (by Japanese standards) of discount stores that are doing brisk business. Land regulations have also been eased. Tens of thousands of Japanese are now able to buy homes at almost half the price of a few years ago. Entrepreneurs, while still facing severe cultural, regulatory and tax obstacles, are nonetheless blossoming (*see FORBES, July 4, 1994*).

Business leaders are becoming bluntly outspoken in their

criticism of the once all-powerful Ministry of International Trade and Industry as well as of the Ministry of Finance.

Japan's two largest prefectures elected anti-existing-party candidates in last month's gubernatorial elections. Politicians disdainfully dismissed the two as former comedians (largely true), but voters wanted a break from the past. The newly installed governor in Tokyo stunned the establishment by not backing off on his promise to cancel a multibillion-dollar, pork-laden construction project beloved of the old guard.

True, Japan is not about to become an American-style economy. But people there are gradually recognizing that genuine change is necessary if their island nation is to compete effectively in the 21st century.

THEY DON'T KNOW WHAT TO DO

THE RECENT DOLLAR-YEN crisis underscores the dangerous near-anarchy that now reigns in our international monetary relationships. If not corrected, our economy and those of other countries will continue to be needlessly harmed. No central bank today truly knows what it is doing. None has a reliable compass. All are flying in the dark.

The Japanese economy is again on the brink of a recession because the Bank of Japan was inadvertently deflating the economy at the same time that it thought it was easing. The central bank was indeed lowering interest rates, but it was simultaneously sucking the equivalent of tens of billions of dollars out of the banking system. Japan was doing what the Federal Reserve did to a far greater degree in the early 1930s, when U.S. credit was lethally tight and

U.S. Treasury bills were yielding little more than 0%.

The Federal Reserve has been making the opposite mistake for over a year. While raising interest rates in the name of fighting inflation, Greenspan & Co. have been pumping money into America's banks. In other words, for the first time since the inflationary 1970s, the Fed has been easing credit while raising the nominal cost of it.

The only reliable compass for central bankers is gold. Because its real, intrinsic value remains virtually changeless, gold is the best guide to determining the right monetary direction. If the price of gold is going up, the authorities are printing too much money; if it is going down, too little; and, if the cost of the barbarous relic is largely unchanged, then the central bankers are on target.

SERVE THE TIME THE FIRST TIME

CRITICISM IS GROWING of the three-strikes-and-you're-out concept applied to habitual violent criminals. Frustrated Americans gave their hearty approval to the idea of meting out life sentences to three-time, violent felons. Critics charge that these laws are inflexible and arbitrary, the favorite example being the absurd case of the 27-year-old California man

who got a 25-year-to-life sentence for stealing a slice of pizza.

Why not try a different approach? Why give early release from prison to such criminals in the first place? States should simply require these offenders to serve their entire sentences, instead of routinely letting them out when only a third of their time has been served.



BoJ Governor Mieno, Fed Chairman Greenspan: Lack of a reliable monetary map has both countries repeatedly careening off the road of stability.



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DYNAMIC DOER

BILLY PAYNE, President and CEO of the Atlanta Committee for the Olympic Games, is a wonderful example of American can-do-it-iveness. More than any other person, this real estate lawyer is responsible for Atlanta's hosting next year's Centennial Olympic Games.

When the 1996 Games came up for bids in the late 1980s, almost everyone assumed the hosting honor would go to Athens, where the modern Olympic Games began in 1896. But Payne was seized by the improbable notion that Atlanta could best Athens and other would-be sites, even though Los Angeles had hosted the Summer Games in 1984. No one thought a U.S. city could compete until the next century.

Payne had never before organized anything to do with sports. But in a civic version of a Horatio Alger story, Atlanta's business and political communities, thanks to Payne's promptings, came together to wage a tireless, intensely detailed, individual-oriented campaign. (In 1990, former mayor Andrew Young asked FORBES to host a delegation of committee members for an evening when our boat, *The Highlander*, was in nearby Savannah. We happily said yes.)

Billy Payne gives new meaning to the word workaholic.

He routinely arrives at his office before 6:00 a.m. and works nonstop into the night. Though only 47, this hard-charger has already had two rounds of coronary bypass surgery.

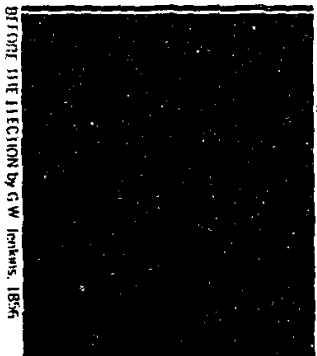
Despite Payne's relentless physical pace, his fertile mind never seems to tire or stop churning out ideas. While in New York 19 months ago, he heard about a housing renewal program that Washington had just approved for a section of Atlanta. But between this project and a cluster of Olympic facilities lay an array of rundown buildings, garbage-ridden vacant land and barren-looking parking lots. On the plane trip back from New York, Payne sketched out ideas for a Centennial Olympic Park that would have an amphitheater, an Olympic museum, bike paths, a plaza, etc. The park is fast becoming a reality. To help finance the project, he came up with the notion of selling more than 1 million personalized bricks for the park.

After a shaky start, Payne has the Games' preparations, physical and fiscal, on schedule. A visitor to Atlanta quickly feels the growing Olympic fever. Payne could very well give Peter Ueberroth, responsible for Los Angeles' Summer Games, a run for the Olympic-organizing gold medal, though both men epitomize a uniquely American brand of entrepreneurship.



Payne's Olympian inspiration-cum-perspiration has Atlanta on a high.

John Atherton/Time Life Sales



BEFORE THE ELECTION by G.W. Jenkins, 1896

The Forbes Magazine Collection

AS THESE TWO PAINTINGS

illustrate, in politics, as in love, affections can be fickle.

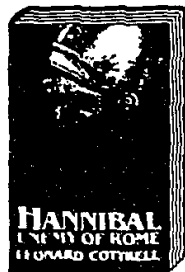


AFTER THE ELECTION by G.W. Jenkins, 1896

The Forbes Magazine Collection

ELEPHANTINE FIGHTER

Hannibal: Enemy of Rome—by Leonard Cottrell (Da Capo Press, \$13.95). Extraordinary story of a man who probably ranks with Alexander the Great, Julius Caesar, Napoleon and a handful of others as one of history's great captains. Hannibal's epic trek with elephants across the Alps is still gripping reading today. Hannibal put together a mostly mercenary army, which spoke numerous languages, and with it nearly destroyed the more cohesive and powerful Roman Empire. His tactics and strategies, still studied today, found echo in this century's two World Wars. The battle of Cannae remains history's bloodiest one-day clash—70,000 Roman soldiers perished in one afternoon's fighting. What subsequently saved Rome was not the brilliance of its commanders but the strength of its republican institutions. The author, a WWII correspondent who covered



the Allies' rugged, frustrating Italian campaign, not only read all available material on Hannibal but also retraced, as far as practicable (his precise route remains unknown), Hannibal's march up the Iberian Peninsula, through the Pyrenees, across the Rhône and over the Alps into Italy.

Excerpt: *The Senate voted that the delegates should be sent back to Hannibal with the message that the Roman prisoners would not be ransomed. Thus the Romans lost more than 10,000 fit men; nor did the fact that these men included members of the Senators' families have any effect on the issue. Such a gesture was cruel, unrealistic, and not even logical, since later the Romans had to employ slaves in the place of their lost thousands. Yet there is also a splendor in it, since this pitiless insistence on the duty of a citizen to die for his country was one of the pillars of Rome's greatness.*

FORBES "MAY 22, 1995" P. 24

"With all thy getting get un...standing"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



VIETNAM

IN HIS NEW memoir, former defense chief Robert McNamara calls the Vietnam War a tragic mistake. It is vitally important for our understanding and for the guidance of future policymakers to put this war in its proper context.

Vietnam was part of the Cold War, as was the Korean conflict of 1950-53. Vietnam was the equivalent of a major battlefield defeat, which did not prevent us from achieving ultimate victory. The Americans who died in Vietnam no more died in vain than those who fell in previous unsuccessful battles during such great conflicts as the Revolutionary War, the Civil War and World War II. In any lengthy, hard-fought struggle, no one side wins all battles. George Washington had his share of disheartening setbacks. Lincoln's Union armies suffered numerous, catastrophic defeats.

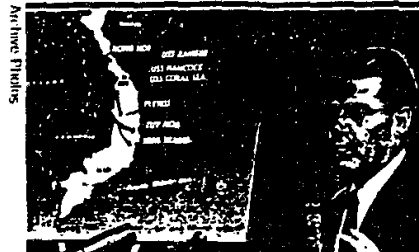
The early days of our participation in World War II were an almost unrelieved catalog of disappointment.

The architects of Vietnam, including, of course, Robert McNamara, are rightly criticized for their grievous errors, just as historians routinely scorch those responsible for such Civil War debacles as Fredericksburg, Chancellorsville and the two battles of Bull Run, or such WWII disasters as Anzio and the bulk of the Italian campaign (where Senator Bob Dole almost lost his life).

When looking back, it's easy to find fault with many aspects and episodes of the Cold War. But we should temper our finger-wagging with the realization that we had never before been in a conflict of this kind. What may be clear now was often confusion and fog then.

Our victory over the Soviet Union is a remarkable testament to our underlying strength. Many analysts, historians and foreign leaders have long believed that a democracy is at an inherent disadvantage with a militaristic foe. They question whether a consumer-oriented society can have the steadfastness and patience for a long, seemingly inconclusive fight. The U.S.' political and economic life strikes many as chaotic, messy, noisy, inefficient—especially when set beside a Prussianesque enemy. Hitler wasn't the first nor will he be the last to mistake our individual-oriented society as hedonistic, soft, corrupt.

Vietnam did indeed severely shake American resolve and morale. Our adversaries seemed to triumph everywhere in the late 1970s. But Ronald Reagan's 1980 election victory dramatically ended our malaise. After years of permitting our military might to wane while Soviet strength waxed, the U.S. began its greatest peacetime rearmament. Thanks to Reagan's tax cuts, the U.S. experienced its longest peacetime economic expansion, which enabled us to smoothly finance this impressive military buildup. Despite massive military expenditures, defense never absorbed more than 6.5% of GDP, a contrast to the 1950s' buildup, in which defense outlays soaked up 9% to 10% of our economic output. The national debt went up, which is no surprise in wartime, hot or cold. What finally counts is that we won the Cold War against an enemy that had murdered tens of millions of people and shattered the lives of hundreds of millions of others.



McNamara thought he had the map for Vietnam victory, not debilitating defeat.

ADDING TORQUE TO TAX CUTS

GIVE THE HOUSE OF REPRESENTATIVES credit for passing a tax cut in the face of withering criticism from Democrats and much of the media. Now it is up to the Senate to remold this package in a way that will kick-start a slowing economy.

The most controversial feature in the bill passed by Gingrich's troops is the \$500 tax credit for each child. This is the equivalent of sending rebate checks



Newt savors saving Contract's tax cuts.

to parents. It does not stimulate people to take risks or to try to earn more because of lower tax rates. A far better approach would be to double the current \$2,450 exemption for dependents and to cut individual tax rates across the board. That would both provide relief for families and incentives for growth by lowering the price on work, savings and risk-taking.

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TIME TO TORPEDO "STATIC ANALYSIS"

HOUSE REPUBLICANS got themselves into the expensive cul-de-sac of not-very-stimulative tax credits because of a grievous error made months ago: not tending to the seemingly arcane issue of how changes in the tax code are "scored," that is, how they affect government revenues.

Under the current approach, dubbed "static analysis," tax changes are assumed to have no impact on our behavior. Thus, doubling income tax rates will double tax receipts! The whole concept of incentives and disincentives is utterly ignored.

This is why Democrats, with a straight face, can claim that a reduction in the capital gains tax would cost the government money, even though every previous reduc-

tion has substantially boosted collections.

Certain budget deficit "hawks" resisted a more realistic, "dynamic" scoring approach on the grounds that under static analysis any proposed tax cut would force even bigger budget cuts. Alas, politics has a different dynamic: The supposed revenue losses from reducing taxes have lawmakers shying away from wielding any tax-ax for fear of further unbalancing the budget.

Not all tax cuts are the same. Some, such as rebates or certain tax credits, are almost pure revenue drains. Others, such as lowering tax rates, stimulate economic growth.

It's difficult to construct good fiscal legislation if the measuring tools are as flaky, as faulty, as those we have now.

SAVE THE SIZZLE OF SAVINGS BONDS

THE U.S. GOVERNMENT is removing the 4% minimum interest rate on new U.S. savings bonds. The Treasury Department should restore this safety net.

Previously, faithful bondholders received either 85% of the average yield of five-year Treasury securities or that 4% minimum, whichever was higher. While rates are currently above the old floor, they can readily come down again, particularly if the Federal Reserve gets back on the sound money track it was on between late 1991 and the spring of 1993.

Small investors deserve a break on these instruments since they don't yield what equivalent marketable securities do.



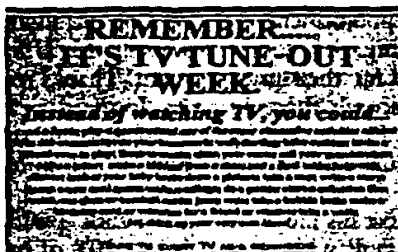
Washington has made another seemingly technical change that hurts holders. For five years after a bond was bought, interest was credited monthly. Now it is credited semiannually. If a bond is redeemed before the six-month crediting date, up to a half-year's worth of interest can be lost—small investors will again be the big losers here.

One other sometimes-talked-about change that should never see the light of day is removing the bonds' tax-deferred status. Currently, no tax is due on accumulated interest until the bonds are cashed in, which makes them great for saving for kids' college.

TV TURNOFF

PARENTS WHO COMPLAIN about the inordinate amount of time their kids spend watching television should take heart and a cue from what a group of Illinois parents did earlier this year. A community organization called the Winnetka Alliance for Early Childhood spearheaded an experiment with two Chicago suburban communities. It persuaded over 3,000 families to tune in to a TV Tune-Out Week. That's right—no television at all for seven straight days.

The promoters made clear that the purpose was not to ban TV but simply to remind families that there are numerous alternative activities. As the Alliance's Executive Director Blakely Bundy put it, "Watching TV is a passive activity. The time invested in TV, even public TV,



means kids not outside playing, socializing, enjoying their hobbies or spending time with family."

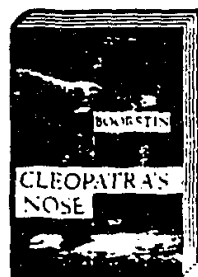
Local merchants enthusiastically participated, offering activities, contests, exhibitions, freebies and discounts. Citibank, for example, gave each child who came in with a parent a free money activity book and a box of crayons. The library had numerous story hours for children.

The move was remarkably successful. Most kids adjusted easily. Parents realized that they had counted on TV as a tranquilizer, a babysitter, and that family life thereby had suffered.

Those who would like to try such a program in their communities should contact Ms. Bundy at 1235 Oak St., Winnetka, Ill. 60093; Tel.: (708) 441-9001.

MUSINGS FROM A MASTER HISTORIÁN

Cleopatra's Nose—by Daniel J. Boorstin (Random House, \$23). Essays rounded up in book form are usually snoozers. This collection, though, written by a multiprized historian who served 12 years as the Librarian of Congress, has several wonderful gems. The best is the last, "Land of the Unexpected," which superbly summarizes in a personal way "the idea of American Exceptionalism." Boorstin learnedly summarizes a "short list of American surprises"



in religion, languages, law and wealth. He underscores the dynamism of America, pointing out that in Europe, wealth was a static notion, a zero-sum game, while in the U.S. this gave way to the idea of a better way of life for all.

Other essays worth noting are "Our Conscience-Wracked Nation," "Toqueville's America," "Darwinian Expectations," "My Father, Lawyer Sam Boorstin," and "Roles of the President's House."

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"With all thy getting gett'g standing"

Fact and Comment

By Malcolm S. Forbes Jr., Editor-in-Chief



HOW TO GIVE PEACE A CHANCE

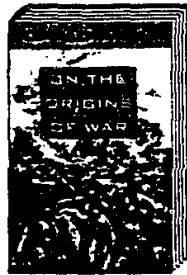
On the Origins of War (by Donald Kagan, Doubleday, \$30) is a particularly timely masterpiece for American policymakers in the post-Cold War world. Author Kagan, renowned historian of classical Greece and Rome, brilliantly examines the origins of four major, devastating conflicts—this century's two World Wars; the Peloponnesian War, which destroyed democratic Athens along with Greece's "Golden Age"; and the Second Punic War, which nearly extinguished the Roman Empire—as well as the near-nuclear war that was the Cuban Missile Crisis.

However much we may wish it were not so, Kagan's central thesis is irrefutable: Peace is not the natural state of mankind, and great powers must work hard diplomatically and militarily to preserve it. In each of these epochal collisions, a great power, whose prime interest was in avoiding war, failed to take the necessary measures to do so. Athens acted in ways that it thought were not particularly bellicose but that Sparta interpreted as trying to upset the balance of power. When the confrontation came, the Athenians arrogantly refused to make a minor concession, mistakenly believing that skillful use of their powerful navy would humble Sparta and its allies.

After a long, intensely difficult struggle to defeat Carthage, Rome imposed a peace and then practiced a diplomacy that was harsh enough to fan Carthaginian desires for revenge but not strong or resolute enough to prevent

these foes from taking it. The result was Hannibal's legendary elephant campaign across the Alps and a long war that Rome barely survived.

In both World Wars, the major onus for not preserving the peace falls on Great Britain. At the turn of the century, London recognized the growing menace of Germany and reluctantly shed its isolationist posture. But it was unable to face the necessity of building a large, conscript army because that would have violated the core of British values. Thus, when the fatal crisis arose, in 1914, Germany wasn't deterred from waging war against France and Russia by the prospect of Britain's entering the conflict against it. Less easy to understand were Britain's actions after WWI. Like the Romans, the British helped impose a peace that the Germans felt was dishonorable, but Britain did not institute a system that would keep Germany from waging war again.



In the early 1960s John Kennedy's signals of irresolution led an adventurous Nikita Khrushchev to try to alter the strategic balance by recklessly placing nuclear missiles in Cuba.

Washington must break its present pattern of drift and take to heart Kagan's concluding words: "A persistent and repeated error through the ages has been the failure to understand that the preservation of peace requires active effort, planning, the expenditure of resources, and sacrifice, just as war does."

STARTING TO GET IT RIGHT

CAN BRAZIL FINALLY SHAKE the old lament—"Brazil has a great future and always will"?

This U.S.-size nation displayed its fabulous potential last summer when it stabilized its new currency, the real, by linking it to the dollar. Almost overnight inflation went from an eye-popping 50% a month to around 1.5%. The results were quick and astonishing. Millions of Brazilian laborers, their salaries no longer confiscated by inflation, kicked off a major consumer boom. Tourism by Brazilians in Brazil exploded.

Brazilian companies are quickly shaping themselves into world-class

competitors as the government eases restrictions on foreign investments, sharply reduces tariffs and removes other trade-inhibiting obstacles. Exports are booming, expanding 30% last year. Sensing the emergence of an enormous consumer market, foreign automakers, including Ford and General Motors, have announced new plans to invest billions of dollars there. Other multinationals are doing the same.

All this, despite sky-high real interest rates, which last fall sent the real rising against the dollar. (The real has since fallen a bit because of the Mexican crisis.)



MSF Jr., CWW, President Cardoso: Bringing Brazil's future into the present.

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Immense problems do remain. President Fernando Henrique Cardoso is trying to amend Brazil's wordy, ramshackle constitution, which imposes barriers to growth. (For example, the document spells out the percentage of government revenues that must be shared with the states.) State-owned companies, which control the nation's infrastructure, including ports and utilities, pose an enormous burden, with prices at least four times what they would be in private hands. Privatization is progressing slowly, despite the government's sensational success shedding state-owned steel companies two years ago. Too bad: Brazil's external and internal debts could virtually be paid off by the government's selling off assets. Its hydroelectric facilities alone are worth more than \$40 billion.

The ultimate obstacle, though, is similar to that facing too many other nations today—obsolete economic thinking. Many officials still believe that prosperity can

create "excess demand," which, in turn, can re-ignite inflation. Hence, Brazil's rising interest rates. Officials don't grasp that preserving the real's ties to the dollar would virtually kill inflation, whatever the country's "demand." The economy could then grow at twice the pace that it is now (5+%).

Policymakers also mistakenly fret over the surge of Brazilian imports, fearing a trade deficit would create a Mexico-like crisis. With a stable monetary policy, of course, that would never happen. After all, the U.S. ran chronic trade deficits for 100 years, and the dollar stayed as good as gold.

Despite these problems, though, Brazil, like India, could quickly become a model for other nations by demonstrating that democracy, which Brazil reestablished in the mid-1980s after 20 years of military rule, can go hand in hand with economic reform and expanding individual opportunity.

RELEARNING TO "JUST SAY NO"

"WHY IS IT," asked Nancy Reagan recently at a congressional hearing, "we no longer hear the drumbeat of condemnation against drugs coming from our leaders and our culture? Is it any wonder drug use has started climbing again and dramatically so?"

Good questions. By the early 1990s casual drug use in the U.S. had declined over 50% from 1979. Monthly cocaine use had dropped by almost 80% from its mid-1980s peak. Now this direction has dramatically reversed. The percentage of eighth graders who admit to smoking marijuana in the last year, for example, is double 1991's rate. Cocaine and heroin use are also increasing.

White House signals have all been wrong: gutting the staff of the Office of National Drug Control Policy, wanting to reduce mandatory minimum drug sentences for drug trafficking, pro-

posing to scale back the number of Federal drug prosecutors and trying to stop the U.S. military from providing Colombia and Peru with intelligence gained from radar tracking of cocaine-carrying aircraft. An angry Bill Bennett, former drug czar for President Bush, correctly concluded at the hearing, "It's a disgrace. If present trends continue, by 1996 the Clinton Administration will have presided over the greatest increase in drug use in modern American history."

The President should revive Mrs. Reagan's "Just Say 'No'" campaign. Sure, there will be snide remarks about his "I didn't inhale" use of marijuana decades ago. But he must reverse the impression that he and his Administration don't put much stock in drug prevention. Otherwise, Republicans will—rightly—hammer him on this issue next year.



Nancy Reagan and Bill Bennett: Whatever happened to the war against drugs?



Richard A. Bourns

THE DEMOCRATS' DAZZLING DIPLOMAT



Mrs. Pamela Harriman

ONE OASIS IN the Clinton Administration's foreign policy and personnel desert is our ambassador to France, Pamela Harriman. She possesses an energy and a sense of direction that are all too rare in U.S. diplomacy today. She has been tireless in Paris, networking American poobahs from Congress, business, academia and the Fourth Estate with various French leaders. She has been an indefatigable promoter of American commercial interests. She was instrumental in facilitating the successful U.S.-French negotiations on GATT. She played a pivotal role in organizing President Clinton's moving visit last summer to commemorate the D-Day landings. If the White House ever decides to fill the post of Secretary of State, Ambassador Harriman is an A-list natural.

THE BRITISH ARE COMING

THE *FINANCIAL TIMES* was unmatched in covering (and uncovering) the astonishing story of the Barings collapse. This is not surprising. Global-minded investors and executives have long looked to the *FT* for the detailed international business news they need.

The *FT*'s weekend edition, with its short, readable

features on a bevy of topics, as well as its book reviews, is already gaining an American following. With the purchase of the *Journal of Commerce* by the Economist Newspaper Group (partially owned by Pearson PLC, the owner of the *FT*), the *Wall Street Journal* and other dailies may face greater competition here in the U.S. ■

"With all thy getting get unders...ing"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



HOW TO END THAT APRIL 15 AGONY

WITH THE INCOME TAX DEADLINE approaching, feast your eyes on this postcard. This is what your income tax return would look like if we had a flat tax. Two Hoover Institution economists, Robert Hall and Alvin Rabushka, have brilliantly updated *The Flat Tax* (Hoover Press, \$14.95), which they originally issued in 1985. This short book succinctly details their plan and effectively deals with the objections and criticisms raised about it.

Hall and Rabushka would do away with all individual deductions but would set up generous personal allowances. For example, a family of four would pay no income tax

on its first \$25,500 of income and would pay only 19% on income above that level. There would be no levies on capital gains, interest, dividends and estates.

The business tax rate would also be 19%, and the plan would allow immediate writeoffs of all capital investments,

including land. Any tax loss could be carried forward.

The Hall-Rabushka plan would be revenue neutral.

The most ambitious variant of their approach is that of House Majority Leader Dick Armey (R-Tex.), whose postcard version is pictured here. Armey's proposal includes significant (by Washington standards only) budget restraints to get exemptions of up to \$36,800 for four-member families. Armey would cut down, over three years, his tax rate from 20% to 17%.

The plan of presidential aspirant Senator Arlen Specter (R-Pa.) is less sweeping than those of Armey and

Hall-Rabushka—a 20% rate with limited deductions for home mortgage interest and for charitable contributions.

Dick Armey will formally introduce his flat tax bill soon. Contact your U.S. Representative and Senators, asking them to support the Armey plan and "If not, why not?"

Form 1040 Individual Wage Tax 1997	
1. Gross Salary and Pensions	
2. Personal exemptions	216
a. \$26,200 for married filing jointly	216
b. \$13,100 for single	216
3. \$1,700 for credit refund of withheld tax	216
4. Number of dependents (not including spouse)	2
5. Total dependent exemptions (see 2 plus one 4)	4
6. Taxable wages (see 1 less one 2 plus one 4)	
7. Tax (17% of one 6)	
8. Tax credits (see 3)	
9. Tax due (see 7 less one 8 plus one 4)	
10. Refund due (see 8 less one 9)	

AWAKENING GIANT

THANKS TO MEXICO, global investors are casting a skeptical eye at the promising economy of India. But India's emergence is for real. A financial crisis in 1991 spurred the government to fundamentally alter the economic isolation-cum-socialism that the country had practiced, with rare exception, since achieving independence. Foreign investment is now welcomed. Bureaucratic obstacles to both domestic and foreign entrepreneurs are being cut. Tax and tariff rates have been slashed. India's economy has been blossoming, with growth rates now approaching 6%.

These policies will very likely survive the politicians who initially implemented them. Most Indians recognize that rapid economic expansion is essential and that socialist-minded governments cannot engineer this. Even the communist-controlled state of West Bengal now embraces investment-minded executives.

With the bloom off the China boom, India's assets are becoming more apparent. The country's ramshackle democracy, once seen as impeding economic efficiency, is now regarded as a virtue. There is no post-Deng-like uncertainty about political successions. India has a functioning parliament and, unlike China, an independent judiciary and a military

firmly under civilian control. It has a strong private sector that survived over 40 years of state socialism. These "houses" know that liberalization means not only major restructurings and consolidations but also enormous growth opportunities.

The government has wisely pursued a policy of privatization that minimizes political dislocations. Instead of shock therapy, New Delhi permits private companies to compete with state-owned ones. At the same time, the government will sell off, say, 10% of a nationalized company. That way, management will become accustomed to public shareholders and to having its performance compared with competitors. And company executives, not political ministers, will undertake the downsizings necessary to become competitive, which, in turn, will make further equity sales more feasible and more profitable.

The Subcontinent's problems are obvious. India has more poor people than does all of Africa. The country has more ethnic diversity than the former Yugoslavia. Education is still not compulsory because state governments can't afford to pay for it. India's infrastructure—roads, ports, utilities—is utterly inadequate, particularly now that the economy is expanding (both the central government

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and states are considering innovative ways for private investors to own and build new roads and electrical plants).

But the country's assets are enormous. Despite the poverty, the personal savings rate is over 20%, several times our own. People's holdings of precious metals are estimated to be worth more than \$130 billion. Indians have in overseas bank accounts at least another \$120 billion. If India's economic progress continues, the country will not lack development capital even if foreign investors stay cautious.

India should be able to achieve Pacific Rim-like, double-digit growth rates. Indians are talented. Witness how well they have done in the past when they've left their once-suffocating country. Their individualism and disdain for formal procedures are

strengths in our high-tech era. Today India ranks second only to the U.S. in creating computer software.

The real danger to India's emergence as an economic colossus what it has always been—government policy. While income taxes have been cut, the maximum 40% rate kicks in at the absurdly low level of under \$4,000. India's central bank is still infested with economists too attracted to nostrums like devaluation and to bogus theories such as "rapid growth breeds inflation." Last year, the Reserve Bank failed to adequately sterilize an unaccustomed flow of foreign investment capital—that is, to buy up the rupees created by the foreign money through the sale of government bonds. Result: Inflation temporarily popped to double digits.



Prime Minister Rao, Finance Minister Singh: Architects of openness whose work will survive coming elections.



Photos by Eddy M. H. ...

COURTS AND BUREAUCRATS, NO MATCH FOR THE FREE MARKET

A FEDERAL JUDGE is trying to put the kibosh on the anti-trust settlement between Microsoft and the Justice Department. The jurist is way off base. The evidence simply isn't there for a successful Standard Oil-like suit. Experience shows that customers won't go through the pain of converting to new standards unless there is a several-fold increase in efficiency. If the Clinton Administration's chief antitrust lawyer, Anne Bingaman, thought she could put Microsoft through the legal wringer, she wouldn't have hesitated to do so. She is immensely ambitious to make her mark. Her hero is Thurman Arnold, who, in the late 1930s, embarked on an antitrust crusade in a vain attempt

to revive Franklin Roosevelt's then-moribund New Deal. The judge displayed his own economic ignorance when he pompously declared that Microsoft possesses such power as to be immune from marketplace forces. Is he a Rip Van Winkle who has woken up after a 20-year hibernation? IBM, GM and others have all been humbled in recent years, not by the Justice Department or by an imperial-minded judiciary but rather by those very marketplace forces that this judge so contemptuously denies.

Washington should abolish or reduce the capital gains tax. That would unleash a flood of innovative entrepreneurial forces, giving Microsoft a true run for its money.

WE CAN'T WAIT

until Maureen Dowd begins her twice weekly column on the *New York Times* Op-Ed page this summer. Her "On Washington" pieces in the Sunday *New York Times Magazine* were always witty, on-target observations about the Beltway scene. If you haven't read it, get a copy of her hilarious Feb. 26 piece, "Silence Is Golden." Writes the decidedly undowdy Dowd, "When he left office, [Calvin Coolidge] advised Herbert



Photo by ...

Hoover about how to get rid of long-winded visitors: 'If you keep dead still, they will run down in three or four minutes.' Of course, Coolidge never met Bill Clinton and Newt Gingrich, who don't seem to ever wind down, no matter how dead still you keep."

Undoubtedly, Dowd will quickly join that rarefied firmament of such must-read columnists as William Safire, Robert Novak and Paul Gigot.

RESTAURANTS—GO,

STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Bolo**—23 East 22nd St. (Tel.: 228-2200). Food prepared with a Spanish flair, full of spices. Try gazpacho with large shrimp, and the soft-shell crab with pappardelle.

● **Iridium**—44 West 63rd St. (Tel.: 582-2121). Funky decor, like Dr. Caligari's cabinet. Sirloin surprisingly good.

● **Monkey Bar**—60 East 54th St. (Tel.: 838-2600). A new "in" spot. May or may not be up to expectations as far as chic is concerned, but the food and service are fine.

● **Fantino**—112 Central Park South (Tel.: 664-7700). An expensive place that can be recommended only to guests of the Ritz-Carlton hotel on a very rainy night.

● **Fiorello's**—1900 Broadway, near 63rd St. (Tel.: 595-5330). The osso buco, both lamb and veal, is

prime if you are hankering for something special.

● **Caffè Rosso**—284 West 12th St. (Tel.: 633-9277). Very gemütlich ambience, and very good food. Chocolate mousse and mascarpone, delightful. Do not go here if you are in a hurry.

● **Christer's**—145 West 55th St. (Tel.: 974-7224). Excellent for visitors who want something not in their home town. Fresh, airy, light-hearted Scandinavian restaurant offers many varieties of fish, venison stew and beef tenderloin.

● **Park Avalon**—225 Park Avenue South, near 18th St. (Tel.: 533-2500). Cheerful service, moderate prices, good food, big portions and congenial atmosphere. Grilled lamb with lemon orzo salad and eggplant caponata, excellent. ■

PHOTOS BY EDDY M. H. ...

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



SPECTER OF THE FLAT TAX

REPUBLICAN PRESIDENTIAL CANDIDATES would do themselves and the nation well by taking a cue from long-shot Arlen Specter. The Pennsylvania senator, noted thus far only as the most outspoken pro-choice GOP White House aspirant, has a chance to leap into the first tier now that he has proposed a variant of House Majority Leader Dick Arney's flat tax proposal.

Republicans have badly underestimated the potency of this issue. I chair Empower America, a citizens' reform organization whose co-founders include Jack Kemp and Bill Bennett. We have done national mailings and run radio spots in Iowa, New Hampshire, Florida and Arizona advocating the Arney flat tax. The

results have been phenomenal. Responses have far exceeded those to any other issue we have been involved with, including health care, welfare and tort reform.

Specter's proposal differs from Arney's plan in that it allows modified deductions for mortgage interest and charitable contributions. Specter also assumes no future budget cuts. Thus, his flat tax rate is 20% instead of Arney's 17%. But, like Arney, Specter would not impose a levy on dividends, interest, capital gains and estates.

If Phil Gramm, Bob Dole, Lamar Alexander and Pete Wilson want to leap ahead of the GOP presidential pack, they should warmly embrace an undiluted flat tax.



Specter: Flat tax raises presidential profile.

THIS SPEAKER IS MORE THAN A TALKER

NEVER IN AMERICAN HISTORY has a Speaker of the House of Representatives pushed through so much sweeping, substantive legislation as Newt Gingrich is doing. This extraordinary achievement is being obscured by the Speaker's incurable, off-the-cuff volubility and by Democrats' incessant, ever more spurious attacks on both his integrity and the substance of his program.

Regulatory reform underscores Gingrich's strategic legislative genius. Rather than engaging in drawn-out, emotional battles rewriting environmental and other social engineering laws, House Republicans are simply requiring that the resulting regulations go through rigorous cost-benefit analyses and respect and protect constitutional property rights.

The Republican drive to reform our unjust, enrich-the-lawyers-and-impoverish-everyone-else civil justice system has aroused the trial bar to fever pitch. Since trial lawyers are the biggest source of Democratic Party contributions, it's no surprise the White House is talking veto. But real reform

is coming, if not now, then certainly after the next election.

The Gingrich GOP is also moving ahead with real welfare reform, which we have never had.

Recognizing that there is inadequate support for a term-limits constitutional amendment, Gingrich is going along with the idea of passing legislation—only a simple majority required—that would explicitly permit states to impose their own limits on their congressional representatives.

There is more to come. House Republicans are preparing big-time budget cuts. Even better, they will begin hearings this spring not only on the tax cuts promised in the *Contract With America* but also on the Arney flat tax plan.

With his forceful leadership, Gingrich, not the President, now dominates our domestic agenda. He, not Clinton, is the agent of radical change.

Even if you don't like the substance of Gingrich's program or are turned off by his style, you have to marvel at the man's vision, audacity and ability to get things done.

DEADLY DEAL

IF TREASURY SECRETARY Robert Rubin consciously desired to shatter an already shaky Mexican economy, to enormously increase illegal immigration into the U.S. and to poison U.S.-Mexico relations for a generation, he couldn't have concocted a more potent instrument than the bailout agreement he recently foisted on Mexico. America's chief financial officer behaved more like a loan

shark enforcer than a wise, sensitive statesman.

By publicly imposing draconian austerity measures, Rubin makes the U.S. the target of rising Mexican ire at its plummeting standard of living. Rubin decreed that, come what may, Mexico must run a budget surplus. In the face of rapidly rising interest rates and an economy plunging into depression, the desperate Mexican govern-

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ment is readying massive tax increases to comply. This, of course, will only make a contraction more severe, forcing millions across our borders or into Mexico's already too large "informal" economy.

Just as destructive, and in the name of fighting inflation, Rubin also demanded a decline in the "real" monetary base. This is a willful destruction of credit and, like the tax increases, will deepen the depression. Can't anyone remind Rubin what happened when *our* monetary base collapsed in 1929-32?

President Clinton had better recognize that his Treasury Department has inadvertently landed him a foreign policy crisis of the first magnitude. It is essential, especially in the aftermath of the sensational charges against the former Mexican president's brother, that the economic crisis be quickly defused.

Here's how: Instead of using those loans to bail out

short-term speculators in Mexican securities, use them to directly buy up (and therefore revalue) the peso itself. Before the December devaluation that set off this financial hurricane, the entire monetary base of Mexico—bank reserves and currency in circulation—amounted to only \$16 billion. In other words, Mexico now has the resources to literally purchase every peso in circulation. Mexico's announced goal should be to revalue the peso to its December level of 3.5 to the dollar. The peso is being pounded in *anticipation* that the Bank of Mexico will be forced to continue its inflationary printing presses. After a revaluation, interest rates would promptly fall, as there would be no more inflation

premium. Mexican businesses would thereby avoid bankruptcy and catastrophic layoffs. Mexicans would be delirious with delight that their salaries and savings would be restored.



Rubin and Finance Minister Ortiz after signing Mexican economy's death warrant.

CONGRESS SHOULD STRIP

major league baseball of its antitrust immunity. Only the winds of the free market will save the once national pastime. As economic consultant Jude Wanniski wrote in the *Washington Post*, "Baseball is dying because of the dead hand of government, of corporate socialism."

Socialism doesn't work economically, and it's becoming a self-evident disaster in professional sports as well. Why should owners engage in revenue-sharing schemes that have given insufficient rewards to successful teams and provided unwarranted subsidies to laggard ones? Why should owners be able to block the sale of a team between a willing seller and buyer? Why shouldn't an owner be able to move his franchise from one city to another at will? Why should players' salaries be capped? If a league decides to expand, why shouldn't the wanna-be cities be able to bid at open auction?

With the abolition of the antitrust exemption, the immense revenues from the playoffs and the World Series would mostly go to the winning teams instead of being shared with everyone. Success on the field would mean financial success. Such incentives would encourage true

team play and generate genuine fan loyalty. Even a seemingly small city could make it financially if it fielded a winning group of players. If a city cannot support a baseball club, it doesn't deserve to keep it. A baseball free market would put a premium again on innovation and effective marketing.

Sure, there would be problems working out new arrangements, but every American business has been forced to adjust to changing circumstances. To survive, baseball cannot be immune, either. In fact, professional baseball has usually resisted innovations that ended up enriching and enlivening the game, from the livelier ball after World War I to televised games after World War II to racial integration to abolishing the plantation-like reserve clause to colorful uniforms to multiteam playoffs.

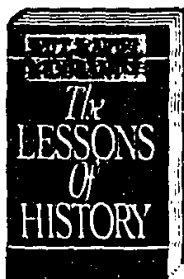
Even the most mossbacked owner must recognize that using replacement players will make his franchise virtually worthless. All baseball aficionados—owners, players, fans, vendors—should petition Congress to phase out baseball's special status, lest the game be irreparably harmed.

WISDOM

The Lessons of History—by Will and Ariel Durant (*Simon & Schuster, \$17*). Written a quarter of a century ago by the authors of the still-impressive multivolume *The Story of Civilization*, this wee book condenses their conclusions of a lifetime of historic scholarship. The Durants knew too much to offer bromides. While some of their observations are dated, particularly concerning the long-run implications of the Machine Age and the once fashionable notion of convergence between capitalism and communism, most are perceptive, on-target. Especially relevant today is their concluding chapter regarding the importance of education: "Civilization is not inherited; it

has to be learned and earned by each generation anew; if the transmission should be interrupted for one century, civilization would die, and we should be savages again."

Excerpt: *In the hunting stage a man had to be ready to chase and fight and kill. Presumably the death rate in men—so often risking their lives in the hunt—was higher than in women; some men had to take several women, and every man was expected to help women to frequent pregnancy. Pugnacity, brutality, greed and sexual readiness were advantages in the struggle for existence. Probably every vice was once a virtue—i.e., a quality making for the survival of the individual, the family or the group*



"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



HEALTHY SOLUTION

IN A FEW MONTHS, Congress will again take up the contentious topic of health care. To solve most of what ails our system, the national legislature should establish tax-free medical savings accounts.

This simple vehicle would dramatically change for the better the whole dynamic of the way we finance American medicine. We would get a free-market, individual-oriented approach. One hundred million consumers would guide this market instead of employers, insurance companies, increasingly arbitrary HMOs and government bureaucrats. The integrity and the constant innovation still characteristic of the current system would be preserved.

To understand the potency of medical savings accounts, ask a simple question: Why is increased demand for automobiles, houses, computers, clothing, etc. considered positive, while increased demand for health care is regarded as a crisis? The answer: a tax code distortion. Companies get a tax deduction for health insurance premiums; individuals do not. Even the self-employed get to deduct only 25 cents of each health care dollar. Not surprisingly, most insurance is bought by employers. People are misled into thinking that somebody else is paying for their medical costs. There is little or no positive reward for individual good behavior. The bulk of private-sector reforms are lots of stick, very little carrot. No wonder costs skyrocketed for decades and are now being controlled



Plastic surgery: Little inflation here. Costs are controlled because consumers pay the bill.

by the increasingly heavy-handed strictures of HMOs.

Once you understand the perverseness of our tax code, the answer is simple: Equalize the tax treatment of individuals and corporations for health care expenses. People should be allowed to set up medical savings accounts, which could be funded with pretax dollars by employers or employees, or both. Any money not spent in a given year for catastrophic insurance and routine medical expenses would remain in the account as the property of the individual and would grow tax-free.

The chief virtue of tax equality and this medical version of an IRA is that it gives people more control over how their health care dollars are spent. Most people would choose a policy with a high deductible, saving enormously on premiums and banking those savings. They would have incentives to get the most value for their money. This is called consumerism and free enterprise, which are more effective cost containers than are bureaucratic decrees.

Medical savings accounts would give individuals insurance portability. If you lost or changed jobs, you wouldn't lose your insurance because the policy would belong to you, just like homeowner's or automobile insurance. Medical savings accounts would also allow consumers to change their coverage as their conditions changed. They would be able to build a nest egg for unforeseen emergencies or to supplement Medicare when they turned 65.

BRINGING SOME JUSTICE TO CIVIL JUSTICE

SENATORS Mitch McConnell (R-Ky.) and Spence Abraham (R-Mich.) are readying legislation that would dramatically turn the tables on the trial lawyers who clog our courts with oft-frivolous, increasingly burdensome lawsuits. Instead of trying to apply the English Rule here—wherein lawsuit-losers must pay the legal expenses of winners—the senators propose a procedure that avoids the charge of “stacking the deck” against the little guy vis-à-vis big corporations and that would bring faster justice to injured plaintiffs.

Under the McConnell-Abraham bill, when an injury or accident takes place, the potential defendant can settle the

case by immediately offering to pay for the victim's medical expenses and lost earnings. If the victim (potential plaintiff) accepts this offer, his lawyer cannot collect a contingency fee. The injured party can still reject the offer and file suit to collect money for “pain and suffering.” Under those circumstances, no payments are made until the case is ultimately settled in the courts. If there are awards for pain and suffering or punitive damages, the plaintiff's lawyer can collect a contingency fee based only on the difference between the ultimate award and what had originally been offered for actual losses.

The impact of such an approach would be stunningly

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healthy. Insurers would have an incentive to quickly settle claims for actual losses. The consumer's claim would be made good on right away instead of his having to file a lawsuit that could take years to settle or could end up being unsuccessful. No longer would there be asbestos-litigation tragedies, where some diseased workers received only a few thousand dollars while their lawyers rapaciously raked in millions. Of the \$9 billion spent on asbestos cases, \$3 billion has gone to the victims and \$6 billion to the attorneys.

Trial lawyers would be less inclined to file flaky suits in the hope a defendant would quickly pay off a plaintiff to avoid the expense of a trial. These vultures would have a harder time inducing accident victims to go to court if the victims could recover their actual losses immediately. Opposition to this reform

would expose the true motive of the trial bar: not concern for the little person but sheer greed.

Representative David McIntosh (R-Ind.) may introduce a variant of this approach for auto insurance. If you were in an accident, your insurer would pay your medical bills and lost earnings. The other party's insurance company would pay their losses. If you wanted insurance for pain and suffering, you could buy it—but you would pay a stiff premium to get it. Most people would opt for coverage of actual losses and would save a bundle on insurance costs. Almost all auto insurance fraud involves false claims for pain and suffering.

In abusive securities class-action suits known as "strike suits," the English Rule is still needed. It would have a good chance of enactment, as these cases do not involve physical suffering or lost wages.



McConnell (l.), Abraham: Will trial lawyers sue them for pocketbook pain and suffering?

HOW BRITISH BONDS BEAT BACK BIGGER FRANCE

WASHINGTON REPUBLICANS are wisely avoiding punitive legislation against the use of financial derivatives. Properly employed, derivatives play an extremely helpful role in hedging risks and in more effectively employing capital. Like any instrument, they can be abused and can generate horrific losses—and lurid headlines. Junk bonds suffered a similar fate in the 1980s. Congress overreacted to their misuses, thereby cratering junk bond prices.

New financial instruments can raise eyebrows and sometimes bitter antipathy. Commercial paper 25 years ago was seen in some quarters as a dicey instrument that allowed companies to rely too heavily on short-term debt. The spectacular Penn Central railroad bankruptcy in 1970 seemed to confirm these criticisms. The commercial paper market dried up—but only temporarily. Around two thousand corporate borrowers today have outstanding commercial paper obligations of over \$600 billion.

*See Summer 1993 issue of American Heritage's *Audacity* magazine for a detailed account

The most dramatic example of how new forms of financial paper can increase capital efficiency and change the course of history is seen in Britain's dramatic victory over the French in their long struggle for supremacy in the 18th and early 19th centuries.* How did an island with only a fraction of the population and wealth of

France ultimately humble its mightier foe? Long-term debt. Through pioneering use of a central bank and a fair system of collecting taxes, Britain developed the capital markets that enabled its government to issue bonds. Skeptics regarded these

instruments—and the people who issued them—with fear and contempt. But Britain was able to borrow money at almost half the cost that France could and to incur indebtedness (as a proportion of the economy) far greater than Paris could. Thus Britain could more than match the French navy, raise an army of its own and lavishly subsidize other armies, eventually destroying Napoleon.

Senators Balk on Derivatives

Republicans: Tighter Regulation Not Needed

—The Washington Post

LASSOING THE LEVIATHAN

Government: America's #1 Growth Industry—by Stephen Moore (Institute for Policy Innovation, \$9.95). Thorough but concise, easy-to-read overview of just how big and burdensome American government has become. Rich with enlightening graphs and tables, this wee volume documents the growing destructiveness of our fiscal and regulatory policies. Author Moore is one of the nation's foremost experts on state and local government finance. Unlike other worriers of big spending and endless rule-making, Moore is no mindless balance-the-budget-even-if-it-means-raising-taxes fanatic. In fact, he shows how willfully wrong are the Democratic raps against Reagan's income tax rate cuts, which triggered our long-est peacetime boom and doubled Federal revenues. How



to fight back the encroaching government monster? For starters, he advocates six reforms: replacing the current progressive income tax with a flat tax or a national sales tax; term limits; a balanced budget amendment/spending limit amendment; renewing respect for property rights; abolishing several useless Federal departments; and "really ending welfare as we know it."

Excerpt: What was the fastest growing agency in the Federal budget during the 1980s? No, it was not the Pentagon. It was the U.S. Department of Agriculture. Farm programs take income from middle-income consumers and give it to America's wealthiest farmers. More than 85% subsidies go to farmers with a net worth of nearly half a million dollars.

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"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



RUSSIA REMAINS A BEAR-SIZE WORRY

MEXICO'S SELF-INFLICTED economic wounds have temporarily pushed Russia off the front pages. But not for long. Russia is infinitely more important to our future safety, and the country continues to unravel.



High inflation and a nearly nonexistent rule of law discredit democracy and free markets.

Because Yeltsin has survived so many crises and because there is no powerfully organized opposition within the military or security services, Westerners are assum-

ing Moscow will somehow muddle through, that its sort-of-democracy will somehow stay intact. But this "muddling through" won't be the tame, British variety. Russia is fitfully sliding toward dictatorship, not the bloody, Stalinist type that slaughtered millions, but more of the old-time, Latin American if-you-are-not-against-us-we-will-leave-you-alone strongman rule. Russia is supposed to hold a presidential election next year, but no Russian will wager even a worthless ruble that this will come to pass.

The government is tightening pressure on independent pockets of the media. An article in the *Moscow Times*, "Russia's Creeping Coup," warns that "the next blow will be struck against the media—television first. Trial measures have already been taken. We will find ourselves once again feverishly scanning the airwaves for foreign radio stations and listening for footsteps approaching our doors."

Russia's Weimar-like deterioration and the turmoil in neighboring states underscore the importance of preserving U.S. radio broadcasting to that part of the world. In the post-Berlin Wall era, the budgets of Radio Free Europe/Radio Liberty and the Voice of America have been dramatically cut, and there are rumblings in Congress of eliminating them totally in the name of deficit reduction.

The GOP must avoid such an isolationist lurch. Having CNN, faxes and information overload, we in the West assume those troubled areas have access to all the news they need. The reality is that there is very little independent media in Russia and virtually none on a national scale. The same is true in almost all the successor states of the former U.S.S.R. An occasional fax is no substitute for a vibrant, daily free press.

To get information about what is going on in these countries, you need on-the-ground networks of reporters and stringers. Radio Liberty is the only Western news organization that has these in place.



Media in the former U.S.S.R. is still limited, largely fettered or under government pressure.

Russia and its neighbors are not the only ones needing U.S.-sponsored radio broadcasts. Asia is in a period of political turmoil: China has a long history of political earthquakes; North Korea remains a nuclear enigma; Bur-

AN EASILY AVOIDABLE TRAGEDY

Last month I testified before the Senate Foreign Relations Committee with economists Larry Kudlow and Sidney Weintraub and with former S&L bailout boss William Seidman. Except for Dr. Weintraub, we opposed the Administration's Mexican rescue package. President Clinton subsequently sidestepped Congress, but this move still doesn't deal with the bill's original flaws.

The Administration's bailout package will not solve the Mexican economic crisis. It will not stop a wave of illegal immigrants from trying to cross our borders. It will not induce the Mexican government to adopt the measures necessary to restore the integrity of the peso

and get the economy quickly on its feet.

It is absolutely important to understand the true nature of this crisis and what must be done to resolve it.

The Administration was correct in that until Decem-

(continued on p. 144)

ma's totalitarian dictatorship is hard at work expanding its drug trade. Yet Congress may kibosh an Administration request to set up a Radio Free Asia service.

Another small, effective (nonbroadcast) agency under the congressional gun is the National Endowment for Democracy. Set up by Ronald Reagan to help fund nascent democratic and dissident projects and organizations around the world, the NED has had remarkable success even though its budget is under \$35 million. (Disclosure: I sit on its board.) The NED was nearly wiped out in 1993

and will certainly face further, ferocious assaults this year.

At a time when every Beltway program is being examined and adherents are pleading absolute necessity, Congress may be tone-deaf to arguments favoring RFE/RL, the VOA and the NED. But Republicans need to exercise sound judgment, remembering their party's unfortunate history regarding "foreign entanglements" in the 1920s and 1930s. Ceremonies marking the 50th anniversary of the liberation of Nazi death camps are grim reminders of the price we and the world paid for that ostrichlike attitude.

HOW AMERICAN LAW WENT HAYWIRE

The Death of Common Sense—by Philip K. Howard (Random House, Inc., \$18). A seminal work that cogently, credibly, concisely explains what has gone wrong with American law, why it breeds an unending flood of regulations, kills common sense, balloons do-nothing bureaucracies, encourages endless litigation and creates and exacerbates social tensions and hatreds. The author, a lawyer horrified by what has happened to his professional passion, packs this gripping volume with blood-boiling anecdotes of the absurd outcomes of today's regulation/litigation-happy environment.

What happened? A combination of turn-of-the-century Progressive notions that law-making and governing were sciences to be carried

out by experts; a powerful 1960s legal-intellectual movement that, in the name of fairness, tried to remove all human discretion in formulating and carrying out regulatory mandates; and a big dose of hubris in thinking that laws and government regulations could solve all problems, resolve all conflicts and make life risk-free.

Excerpt: *One basic change in approach will get us going: Stop looking to law to provide the final answer. Life is too complex. Our public goals are too complex. Hard rules make sense only when protocol—as with the rules of a game or with speed limits—is more important than getting something done. Accepting the imperfections and asymmetries of human nature is probably the bitterest pill for those schooled in the modern age.*



WATCH SWITZERLAND

WOULD-BE WELFARE REFORMERS in this country should take a look at Switzerland. Unlike other Western nations', Switzerland's welfare is not financed by the central government but by municipalities. In essence, the Swiss see welfare as Americans once saw education: a service that should be controlled and financed at the grass-roots level.

Because Swiss public assistance is funded locally, residents work hard to insure that people's stay on it is as short as possible. Time limits are strict. Communities help recipients get back on their feet and into the work force.

One reason welfare has ballooned in other countries is a lack of accountability. Because the financing comes from seemingly distant sources such as Washington or the state capital, local residents feel no obligation to insure that welfare is viewed as a temporary condition, nor do they feel a responsibility to get recipients productively off the rolls.

Local involvement is a critical reason that Switzerland's "incidences of social pathologies"—crime, drug abuse, out-of-wedlock births, etc.—are far lower than those in neighboring European nations and the U.S.

HE HAD IT RIGHT—AND STILL DOES

JACK KEMP has announced he won't seek the 1996 Republican presidential nomination. Too bad for the GOP and the nation. A spirited Kemp candidacy would have had a wonderfully positive impact on the evolving views of other candidates. As chairman of Empower America, a grass-roots reform organization that Kemp cofounded two years ago, I see firsthand his zeal for promoting economy-expanding, pro-individual opportunity policies.

Republicans are right to focus on downsizing the intrusive, arrogant, incompetent federal government. But they must offer a positive progrowth agenda to first consolidate and then expand its beachhead as the majority party. Cutting budgets, busting bureaucracies, reducing regulations are all means to an end, not ends in and of themselves. If the Federal Reserve continues its misbegotten monetary policy, the economy will experience unpleasant weather. Republicans must respond with more than: "Let's balance the budget."



Kemp himself will, happy-warrior-like, continue to speak out forcefully on issues such as taxes, gold, the peso, immigration, the status of the District of Columbia, etc.

He has already achieved far more in public life than most other public figures, including a number of our presidents. The Kemp-Roth tax-cutting bill of the late 1970s moved the spirit of the Republican Party away from its crabby, root-canal proclivities. Ronald Reagan made Kemp-Roth the centerpiece of his economic program, triggering our longest peacetime expansion. The resultant boom enabled the U.S. to finance its largest peacetime military buildup, while defense spending never absorbed more than 6.5% of GNP.

This was a contrast to the 1950s, when Pentagon outlays routinely exceeded 10%. The buildup, particularly the much maligned "Star Wars" effort, played a critical role in demoralizing the Soviet Union and in our winning the Cold War.

ber the Mexican economy was fundamentally sound. What the Administration doesn't say—and perhaps can't grasp—is that this currency crisis was unnecessary.

It was easily avoidable. In fact, the devaluation can be reversed—and must be reversed.

The Mexican government had been making enormous economic progress since the mid-1980s.

■ Inflation had been reduced from 200% to under 10%.

■ The peso's value had become relatively stable against the dollar.

■ Interest rates had been brought down substantially.

■ The Mexican government's budget had been balanced—something the U.S. hasn't done in 25 years.

■ Mexico's national debt had been slashed. As a percent of the economy, Mexico's national debt is far lower than that of the U.S.

■ Income tax rates had been cut, and tax revenues had increased.

■ Capital flight had been reversed to capital inflow. For several years, Mexicans had been repatriating money. Right through October 1994, foreign inflows had been more than adequate.

■ Imports had grown in the way that they should grow. Imports were primarily made up of capital goods and economy-building products and services.

■ The trade deficit? Mexico's was large, but that is not unusual for developing countries. In most cases, trade deficits go hand-in-hand with development.

The United States, for example, had trade deficits for its first 100 years. Japan had trade deficits in the 1950s and early 1960s. South Korea had trade shortfalls in the 1960s and 1970s. More recently, impressive economies

such as those of Malaysia, Thailand and the Philippines have had large trade deficits.

Mexico's major mistake was that it didn't tighten up on money in 1994. The U.S. was raising interest rates, which meant that Mexico had to raise its rates. Moreover, there was considerable political turmoil—uprisings and political assassinations. It was an election year. Mexico was printing too many pesos. Mexico

wasn't the first country, and probably won't be the last, not to carry out good monetary policy during an election year. But the mistake wasn't catastrophic and could easily have been reversed. The solution was—and is—basic: Tighten up on monetary policy.

How? The traditional, old-fashioned way. The central bank should soak up excess pesos by selling off assets such as government bonds. The Federal Reserve does this all the time. So do other central banks. There's no rocket science involved.

Would interest rates have gone up? Yes. At the beginning of 1994, short-term interest rates in Mexico were around 10%. By December they were 14%. If Mexico had tightened as it should have, interest rates might have hit 18% to 20%. But these rates would have been temporary until Mexico sopped up those excess pesos.

Instead, Mexico was advised by its own ministers, the U.S., the IMF and others to partake of the most seductive, destructive of economic drugs—devaluation.

The results were catastrophic. Short-term interest rates are now approaching 40%.

It was as if a patient had a sprained ankle and were advised by misbegotten physicians to have his leg cut off.

Why the devaluation? The real villain is bad economic theory, a theory that holds sway not only in Mexico but also in the U.S., with the IMF, the Federal Reserve and others. The theory says that devaluation will make your imports more expensive and your exports cheaper. This will give you a trade surplus, which will help your economy. That's the theory. The reality is uglier. The result is higher inflation and higher interest rates. The economy contracts. The price of capital goes up. Investors lose confidence because of the increased risks. There is less capital available. In Mexico, for example, the stock market has plunged by 43%, a crash of 1929-like proportions. Living standards have fallen. The Mexicans have suffered the equivalent of a 40% cut in pay.

The blunt truth is that countries with unstable money, funny money, grow less economically, make less progress than countries with sound money.

The consequences of this devaluation crisis for Mexico are inflation and economic stagnation. There will be a political price as well. Mexico has an emerging middle class that was anticipating better times after the economic horror of the 1970s and the early 1980s. Instead of moving ahead, these people now face financial ruin. The newspapers are full of stories of Mexicans no longer able to meet mortgage payments or car payments. It is estimated that

MSF Jr. with
Committee
Chairman Jesse
Helms and
William Seidman.



AP/Wide World

"With all thy getting get under standing"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



SHE DOES IT AGAIN!

NEW JERSEY GOVERNOR Christie Whitman has astonished friend and foe alike with her radical new tax-cutting budget. Skeptics were gleefully predicting that Governor Whitman would have to break her pledge to reduce the Garden State's income tax rates 30% over three years. Instead, she's doing it in two years. Critics claimed she would flinch from making the necessary budget cuts. She has proven them wrong.

This kind of foresighted fortitude led the GOP to choose her to respond to President Clinton's State of the Union address.

Her budget sets a wonderful example for other states. Now the new, tax-cutting chief executives of New York (George Pataki) and Connecticut (John Rowland) can say to naysayers, "See, it's doable." Moreover, they can argue that they must slash levies if their states are to remain competitive economically. Other governors will soon be receiving heat from voters asking, "Why not us?"

Although in effect only one year, Governor Whitman's tax program is beginning to heal New Jersey's sick economy. From 1950 to 1990 the state was one of the nation's economic leaders. After draconian tax increases were enacted in 1990, it became an overnight laggard. For the

first time in years, New Jersey was doing worse than neighboring New York and Pennsylvania. Now, Governor Whitman proudly notes, the Garden State is performing better than New York, Pennsylvania and Connecticut. If the legislature goes along with her budget, the state should resume its premier place in the nation by the next gubernatorial election, in 1997.

Governor Whitman also deserves hosannas for the careful way she is reducing the scope of state government. Instead of across-the-board cuts, she is pruning or eliminating programs that clearly are outmoded or inefficient. Democrats claim her cuts will mean higher property taxes even though state aid to municipalities will remain stable. As a *New York Times* editorial rightly noted, "There is no clear proof of a link." The governor has also taken pains to help localities become efficient, by offering



Christie Whitman: Still on cutting edge of cutting taxes.

in-depth fiscal reviews that will turn up useful menus of budget savings for mayors and municipal councils.

Education unions and other progovernment groups are fighting this budget quietly but ferociously. It'll be interesting to see if the Republican legislature can, in this election year, rise above the pressure of special interest opposition.

ARGENTINA IS PROVIDING

a wonderfully inspiring contrast to Mexico's self-destructive behavior. The hero is Minister of the Economy Domingo Cavallo, who, several years ago, spearheaded President Carlos Menem's drive to turn Argentina from a chronic economic basket case into a regional powerhouse. Yearly inflation has gone from over 2,000% to under 4%. Argentina's peso is stable. Internal, competition-stifling cartels are being disbanded. The country has been growing at an impressive 7% average since 1991. Cavallo recognizes what the Mexicans and most American officials do not: A currency is a fundamental "contract" between a government and its citizens and manipulating currency value betrays that.

When Mexico, egged on by the U.S., began its suicidal devaluations, Argentina promptly declared that it would do anything

and everything necessary to preserve the value of its money. The peso up to then had been pegged within a narrow range to the dollar. Cavallo has fixed it at a rigid 1-to-1 ratio.

Thanks to Cavallo, Argentina's peso promise is money good. The country has a functioning currency board: Every peso is backed by dollars or gold. Buenos Aires had no problem stemming a post-Mexico panic. (We should make our bailout package for Mexico contingent on its adopting a currency board to restore its peso. Mexico should consult Johns Hopkins economist and FORBES columnist Steve Hanke, who has worked closely with Cavallo on this.)

From bitter experience, Argentina knows that sound money is essential for long-term economic growth and individual opportunity. Why do others find that so hard to accept?



Cavallo: That rare economic policymaker who actually understands money.

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SOUL SEARCHING

THE SOUTH KOREAN economy is running full-throttle after two years of subpar (by that country's standards) annual growth rates of 5%. Last year the GNP expanded 8.3% and should grow another 7.5% in 1995. Exports and imports each will easily breach the \$100 billion mark this year, an extraordinary record considering that 30 years ago per capita income was under \$100.

Seoul, however, is anything but complacent. It knows it faces fundamental problems—and not only those posed by the North. Like Japan, South Korea has held direct foreign investment at arm's length; trade barriers are prolific. Unlike Japan's, this country's leaders recognize the South must rapidly open up to develop a true world-class economy.

Thanks to the decade-old democratization process, South Koreans have been demanding—and getting—a higher standard of living. Labor costs have exploded. One CEO noted that a few years ago he could hire a clerk for \$300 a month; now he must pay \$1,000. South Korea is increasingly noncompetitive in traditional low-wage industries

such as textiles; hence, the impetus for more openness if the nation is to attract the capital and technology to be a high-tech powerhouse in services and manufacturing and to have access to overseas markets.

President Kim Young Sam has emphasized the concept of "globalization," which has been surprisingly well received, at least at the top levels of business and government, and is facilitating the process of liberalization.

South Korea isn't passively waiting for foreign pressure before it opens its economy. It wants to join the OECD, so it is starting to ease financial controls. A former South Korean cabinet minister is making a strong run to be director general of the new World Trade Organization.

But the process of liberalizing South Korea's economy has a way to go. Even today South Korean companies must get permission to make capital payments overseas. And foreign firms face numerous obstacles trying to set up facilities in the South, including land costs and restrictions, regulatory trip wires, arbitrary tax assessments and insufficient intellectual property protection laws. The country received black-eye publicity for allegedly auditing tax returns of citizens who bought non-Korean-made autos.

Taiwan, which has outpaced South Korea, has demon-

strated that economic sinew can only come from a proliferation of small and middle-size companies. But Seoul's archaic banking laws make it extraordinarily difficult for a vibrant entrepreneurial class to flourish. Banks do very well lending with what is a closed system. Interest rates for most borrowers are 14% and higher, even though domestic inflation is only 6%. If they weren't barred from doing so, major business groups could borrow directly from international markets. Such deregulation would force domestic lenders to culti-

vate a whole new class of business clients. But banks are owned or controlled by the government, and such changes would dilute life-and-death powers of bureaucrats.

Fortunately, President Kim has shown a yen for reform. Two years ago he shocked his countrymen with legislation forcing owners of financial assets to use their own names rather than employ proxies. Now he is doing the same with real estate, which has locals grumbling that this is a cause of a slump in property values. The President's next offensive will deal with gender discrimination. Despite antidiscrimination laws, it is a firm tradition among many employers to automatically fire women when they get married. Kim is preparing a major enforcement offensive to overturn this.



MSF Jr. with the South's new reform-minded prime minister, Lee Hong Koo.

DEADLY NEGLECT

ONE PROVISION of last year's pork-laden crime bill should be retained and strengthened: Senator Orrin Hatch's (R-Utah) \$20 million appropriation for the Violent Criminal Apprehension Program (VICAP). VICAP has languished since it was created ten years ago because of chronic underfunding. This is, you might say, criminal.

The program is a data bank of the nation's unsolved

murders—which grow at a rate of nearly 9,000 a year. Mobile murderers have been escaping the apparently short arm of the law, in part because of the inability of law enforcement officials in different jurisdictions to share information. Experts believe that an effective VICAP could lead to the resolution of several hundred unsolved killings a year.

MOSTLY CORRECT

Politically Incorrect—by Ralph Reed (Word Publishing, \$19.99). Most exceptional about this book, written by the head of the Christian Coalition, is how unexceptional its principal points are. As others such as Bill Bennett have done, Reed notes the decline in the quality of American life over the last 30-odd years: the explosive growth of out-of-wedlock births, violent crime, divorce, deteriorating school standards, etc. He understands what politics can and cannot achieve and recognizes that there are reforms—tax cuts, school choice, welfare changes, etc.—



which evangelical Christians and Catholics can work closely with others to help implement. The book also deals forthrightly with how the moral authority of the evangelicals was severely compromised in the past by their support of segregation and other forms of racism. Reed admonishes Billy Graham for not more openly, forcefully working for civil rights in the 1940s and 1950s.

What comes through in this book is that most members of the so-called Christian Right are actually average citizens advocating changes that most Americans now support.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



ORIGINS OF MEXICO'S MADNESS

MEXICO IS A TRAGIC, textbook case of what ails much of modern economic theory. The country's crisis is an ongoing testament to the peculiar power of certain idiotic ideas that triumph again and again over actual experience.

■ **Devaluation.** The IMF and most economists still believe that cheapening a country's money is sound policy because it makes imports more expensive, thus inducing the locals to keep their money home, and makes exports cheaper, thereby stimulating export-led growth. That's the theory. Debasers routinely play down or ignore the adverse inflationary and higher interest rate impact. The blunt truth is: Countries burdened by funny money grow more slowly than those that are not. Sound money helps countries expand. Look at Japan and Germany. Honest devaluationists know full well that their policy is a backdoor way of reducing people's wages. Their zero-sum mentality equates rising incomes with lessening international competitiveness. They don't realize that, as a country develops, it becomes more proficient in industries and services that require more and more skilled workers who are motivated by the prospect of a better standard of living.

■ **Trade imbalance.** There is no connection between a trade surplus or deficit and a country's economic health and wealth. Mexico's merchandise deficit is the natural result of a rapidly developing nation. The U.S. routinely had trade deficits for its first 100 years. Japan had shortfalls from the end of World War II to the early 1960s—and was growing at 10% a year. South Korea had a similar experience in the 1960s and 1970s, as did Thailand, Malaysia and other states in more recent times. Capital inflows are

even more important for an expanding economy than trade numbers, which are not very enlightening. For example, a U.S.-owned facility in Malaysia sells a widget to Japan, yet that sale does not show up in our trade data.

■ **Export-led prosperity.** This theory holds that the best path to development is through concentrating on promoting exports. In an increasingly global economy, countries will obviously trade more and more with one another. But many states have gone to the extreme of retarding internal development and lavishing easy credit, tax incentives and other subsidies on businesses that sell overseas. The idea that capital and wealth should also be generated internally is alien to these manic export advocates. In an open market, a sale of a product or service to a fellow citizen is just as valid and valuable as a sale to a foreigner. Mexico's large population could easily create numerous, profitable markets for domestic entrepreneurs. Any gains on exports will be no match for growth lost by Mexico's suppression of internal economic activity. Living standards will be ratcheted down even more.

■ **Price controls.** The IMF and other experts endorse Mexico's variant of an approach that has never worked in recorded history. Mexico's wage and profit "restraints" will mean shortages, less (and more expensive) capital, more bankruptcies and, eventually, more political unrest.

■ **Taxes.** Mexico will be raising them in the name of balancing its budget, not recognizing that such levies inhibit economic growth. Again, experience is ignored. The U.S.' recovery from the 1990-91 recession is its slowest since WWII because of the Bush and Clinton tax increases.



Stanley Fischer, IMF's acting managing director: Still dispensing toxic advice.

IN CONTRAST, LOOK AT MALAYSIA

MALAYSIA HAS one of the fastest-growing economies in the world, thanks to free-market policies. The country has expanded 8% annually for the past eight years. It is becoming a believer in the efficacy of the Laffer Curve, which postulates that lower tax rates can increase tax receipts. Malaysia is cutting individual and corporate taxes as well as abolishing or reducing tariffs on over 2,000 import items. Conventional wisdom held that these reductions would cost the government money. Now the government is

concluding that revenues will be going up instead of down.

Contrary to Democratic myth, the Reagan income tax cuts had a similar impact here. Average rates were cut by a third. The top rate was knocked down from 70% to 28%. This stimulated our longest peacetime expansion. Federal income tax collections went from \$298 billion in 1982 to \$467 billion in 1990. The proportion received from the top income earners leapt from 19% to 26%. The budget deficits resulted from our military buildup—which won us

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the 40-year Cold War—and from a Congress that refused to entertain serious ideas of curbing domestic spending.

With a new Congress and a new mood among voters,

tax reductions will combine with serious spending restraints to beget a smaller, richer government and, more important, a truly vibrant economy.

MORALLY RIGHT "NO"

PRESIDENT CLINTON has wisely ruled out a proposal for using federal money to conceive human embryos in laboratories for the specific purpose of subjecting them to medical experiments. A panel advising the National Institutes of Health had made the recommendation. The President rightly observed, "The subject raises profound

ethical and moral questions as well as issues concerning the appropriate allocation of federal funds."

While the purposes of such research are noble—gaining knowledge about infertility, birth defects and other disorders—the means—creating human life with the express intent to destroy it—are morally repulsive.

CHALLENGING PARTY LINES

IN 1983 two Australian doctors, Barry Marshall and J. Robin Warren, suggested that most ulcers are caused by a certain stomach bacterium rather than by stress or spicy foods. For years their findings were treated by the world's medical establishments with contempt and scorn. Now, lo and behold, other researchers have confirmed that the Aussies were right on.

This amazing story underscores a highly relevant lesson: Major discoveries and technological advances often come from outsiders, from pioneers not part of the "mainstream," rather than from established entities or

"eminent" experts. Examples are numerous—mainframe computer manufacturers didn't develop the personal computer, traditional filmmakers didn't invent videotape, and railroad companies didn't create the automobile.

This is why for medicine it's so important that the federal government not dominate the dispensation of research money and why for business it's crucial that we cut or eliminate the capital gains tax to better enable inventors and entrepreneurs to create new products and services that challenge existing, established ones. Progress is dependent on a multiplicity of individual and institutional efforts.

GREEN MODEL

MANY MAJOR ENVIRONMENTAL ORGANIZATIONS, such as the Sierra Club, have become aimless, bloated, self-perpetuating bureaucracies, more interested in raking in contributions to feed themselves than in promoting a better environment. According to a landmark report from the Center for the Study of American Business, these organizations are victims of their own mismanagement, having lost a sound sense of direction in their pursuit of growth for growth's sake.

A happy exception is the National Fish and Wildlife Foundation, which was set up in 1984 to create partnerships with government agencies, universities, individuals and corporations to solve specific environmental problems. Unlike most entities that get money from Congress (\$7.5 million this fiscal year), this foundation has been an extraordinarily focused success. Each year it raises at least \$2 for every federal dollar received and uses the money for specific projects. Among its successes, it's involved in a program with Chevrolet to support fisheries projects around the country and with Dow Chemical to protect several "priority" wetland areas. The foundation

has become a key player in resuscitating depleted fisheries off the New England coast.

The foundation doesn't so much reinvent government as it does refocus various programs for maximum impact. It has managed, for example, to get the Forest Service and the Bureau of Land Management, the nation's two largest land management agencies, to transcend jurisdictional jealousies and work together to manage nearly 2,000 miles of river habitat for native fish.

Executive Director Amos Eno, who has little patience for some of his litigation-loving peers, describes the foundation as a "MASH unit treating critical conservation cases swiftly and effectively." Eno has kept the organization lean and result-oriented. "We do not believe in compartmentalizing environmental concerns or running campaigns up flagpoles. Finding the middle ground between conservation interests and the private sector is axiomatic to workable solutions."

To survive and revive, other environmental groups would do well to adopt a down-to-earth, Eno-like approach to their own operations.



Bearable feast: Thanks to the foundation, more rivers are being made safe for native fish. One result—meatier meals for mammals.

RESTAURANTS—GO, ... STOP

Here is the distilled wisdom of brothers Bob, Kip and Tim, and other FORBES eatery experts Jeff Cunningham and Tom Jones.

● **Sparks Steak House**—210 East 46th St. (Tel.: 687-4855). One of the best steak houses in Manhattan. Service, crisp and efficient. The wine list, first-rate.

● **Le Refuge**—166 East 82nd St. (Tel.: 861-4505). Long on charm, short on staff, food not particularly memorable.

● **Frontière**—199 Prince St. (Tel.: 387-0898). Charming French bistro in SoHo. Grilled poussin with crispy gnocchi, seasoned with mustard, lemon and rosemary, and medallions of lamb with black pepper and mashed potatoes—both have a little zing that removes them from the conventional.

"With all thy getting get understanding"

Fact and Comment

By Malcolm S. Forbes Jr., *Editor-in-Chief*



HOW TO ELIMINATE (ALMOST) THE DEFICIT

PUT THIS country's monetary policy back on a gold standard. We had gold-based systems of one sort or another from the time of George Washington to the 1960s. After the Civil War, the federal government rarely paid more than 4% for its long-term money. The same low rates applied to sound corporate borrowers here and to sound governments overseas. Until the 1960s and early 1970s, when we effectively undermined what was then called the Bretton Woods international monetary system, which had

gold as its anchor, a typical American couple could get a 30-year, fixed-rate mortgage for a house at 4¼%.

If we had a gold-based monetary system today, with its attendant far lower interest rates, we would save well over \$100 billion a year in interest charges on the national debt. Compounded over five years, that's a net savings of almost \$700 billion.

Even in Washington, that's real money. Isn't it time we overrode economists' irrational phobia against gold?

THEY STILL DON'T GET IT

INSTEAD OF SAYING that Bill Clinton is getting on the Republican bandwagon, the GOP should hammer home the fact that his proposals fall short, that the two parties are not yet on the same wavelength. Republicans should emphasize that the purpose of tax cuts is to stimulate more economic growth and more, better jobs. Spending cuts are secondary to pro-growth income tax cuts. The latter must not be made hostage to the former. Eventually, we'll get both. But priority should go to slashing tax rates, which will trigger a better economy faster than budget reductions will.

Neither the proposals of Clinton nor of the congressional Democrats will do much for the middle class or anyone else. Yes, it will be helpful to cut back departments such as Energy and Housing. It will be nice to liberalize the rules govern-

ing individual retirement accounts, to increase deductions taken for under-13-year-old children and to give some tax credits for college tuition. But the impact on the economy will be almost zilch. People would be much better off if

Washington simply mailed them a direct rebate check.

What the Administration does not understand is what makes this economy tick. To grow, you need entrepreneurs and investors willing to risk capital. High tax rates punish those who want to get ahead. They put a high price on earning more. They inhibit savings. They degrade the quality of life by forcing couples to work full time when one of them may wish to spend

more time with the kids. High capital gains taxes hinder the flow of money from old investments to riskier new ones. Without risk money, progress is thwarted.



BLOODY BAD MOVES IN MEXICO

THE NEW ADMINISTRATION of President Ernesto Zedillo has made two egregious blunders that threaten to undo the country's hard-won progress of recent years. Unless the government changes course, Mexico risks descending into a deadly spiral of inflation and violence—which will drive millions of desperate people to try to cross our borders.

Mexico is once again partaking of that seductive, destructive drug of currency devaluation. In one fell swoop, the new regime destroyed its credibility with foreign and domestic investors. Devaluations invariably mean higher interest rates and higher prices. How will these help the Mexican economy?

Mexico fell into an inflationary spiral of ever-cheapening money in the 1970s and paid dearly for it with a catastrophic decline in its standard of living. Another round of inflation will exacerbate internal political tensions, undercutting the government's popular support.

Apologists claim Mexico's ballooning deficit necessitated this action. The argument is bogus. Developing countries usually run trade shortfalls as they import capital equipment and other economy-building products. Japan had trade deficits in the 1950s and early 1960s, as did South Korea in the 1960s and 1970s, and as did the U.S. for its first 100 years. Stagnant, inflation-plagued

Mexico often had trade surpluses during the 1980s.

The Zedillo administration has made another, equally bad, economic blunder, which has won no headlines at all: It has put off reforming its small-business-destroying capital gains tax laws. Unlike shares traded on the Bolsa, the sale of assets of nonlisted businesses are subject to a stiff capital gains levy. But there is an especially devastating provision that subjects business owners to a punitive, additional tax assessment. The law assumes that all businesses cheat on their taxes. Thus, when a firm is sold, tax collectors are allowed to impose, without any proof, a ferocious penalty for past evasion. The result is destructively obvious. Vibrant businesses are often stunted be-

cause they can't raise nonfamily capital. Small entrepreneurs are reluctant to grow their firms beyond a size that can be managed by the immediate family.

Economic policymakers recently assured us that the new government would rapidly scrap this provision, particularly since it raised no revenue. But inexplicably the government has decided it will postpone lifting this huge albatross off the backs of small business people, who are key to getting the economy growing again.

Mexico has inexplicably put itself in a flimsy boat in dangerous rapids. Its emerging middle class has high expectations and will not passively tolerate this government's inability to deliver the goods.

FIRST-RATE REPORTER

THE WORK OF ABC TV's John Stossel stands out in a medium that too often panders to emotion and doesn't dig beneath the surface. His segments on *20/20* are noteworthy, even on a show that has an unusually large share of good ones.

He recently conceived and anchored a first-rate television special on this country's growing trend of blaming everyone else for our accidents or our adverse behavior. Too often TV will simply let the aggrieved parties run on, giving the impression that their alleged grievances are meritorious. Stossel has never hesitated to do the opposite. On *20/20* he effectively took on Rodney King's lawyers, who were bilking the government with outrageous fees. One of these attorneys charged taxpayers

for the time he spent giving TV interviews about the case!

Another riveting piece of Stossel's dealt with a child molester who wants to be castrated. The molester will soon be out of prison and says forthrightly that his urges are so strong that he's going to commit similar crimes again. Stossel treated this volatile subject in a sober, unsensational manner.

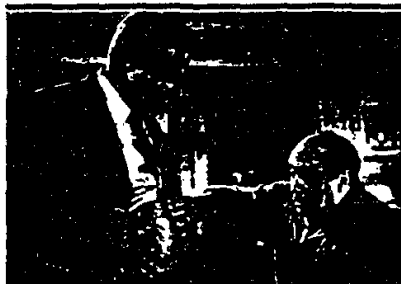
Stossel also goes against TV's grain in his appreciation of free markets. A couple of years ago he gave a talk, impishly noting that it was commercial stations that often came up with the best consumer reporting, even if some of those stories cost a station advertising, while, in contrast, public television was notably absent in this area.



John Stossel: not bound by TV convention.

STRONG TALENT

IF THERE ARE any people left who don't realize that Arnold Schwarzenegger is a superb actor, they ought to see *Junior*. The utter improbability of the muscular Schwarzenegger playing the role of a sensitive, pregnant man could have made both Arnold and the movie laughingstocks. Instead, the film is an absolute delight, its very implausibility immeasurably adding to the fun.



KILLING FIELDS OF FRANCE

Death's Men—by Denis Winter (Penguin Books, \$12). Poignant picture of the British soldiers who fought in France during World War I. The author read some 250 individual memoirs stored at London's Imperial War Museum and interviewed scores of survivors (the book was written in the 1970s). He covers interestingly and well all aspects: training, trench routine and "rest," weapons (including poison gas), wounds received in this prearmored vehicle era of high explosives, the men's emotions before, during and (if they survived) after deadly offensives, their treatment in hospitals, their attitudes toward the enemy. Never before had there been a conflict where so high a percentage of combatants was killed or wounded on the battlefield or where soldiers had

to endure battlefield stress for so long. There is no bathos here. Winter doesn't romanticize these individuals. He critically examines the social backgrounds that the "other ranks" were drawn from.

World War I began and shaped the 20th century. The war's extraordinary, unexpected violence made possible the rise of Communism, Fascism and Nazism and nearly shattered the optimism and faith of the Western World. **Excerpt:** *This full arsenal reflected the two most magnificent centuries of social development in European history. No other continent except North America could have supplied and gathered so many men at such a distance from their homes in so confined an area. No other continent could then have killed and broken so many in so many ways.*



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"With all thy getting get understanding"

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RE ORANGE COUNTY

A LESS PUBLICIZED, less sensational but ultimately even more costly speculation was made by the Clinton Administration in its financing of the national debt. When interest rates plummeted in 1993, the Treasury Department began shortening the average maturity of U.S. securities instead of locking in those low, long-term rates. (Millions of homeowners and corporate borrowers, of

course, wisely did the opposite.) The Administration, for example, cut back the issuance of 30-year bonds. Instead of auctioning such securities four times a year, it now does so only twice.

Washington went shorter to make the deficit look smaller. This cute, short-term maneuver is going to cost us and our heirs billions of dollars in the years to come.

DON'T OVERREACT

THE ORANGE COUNTY FIASCO should not panic regulators to severely restrict or ban derivatives. Properly used, they are amazingly effective for employing capital more efficiently. All financial instruments—stocks,

bonds, junk bonds, bank deposits, commercial paper, etc.—have proven invaluable, and all have been at times misused or abused. The key here is faster, more complete disclosure.

UNNECESSARY, BUT TEMPORARY, TURMOIL

THE NOW STRONGISH ECONOMY will weaken as the Fed's high interest rates really begin to bite. Consumers can't keep increasing their indebtedness at the current pace, especially as those with variable-rate mortgages are writing bigger and bigger monthly checks. The President's 1993 tax increases will also hurt. Just as Republicans predicted they would, budget receipts from high-income earners are coming in *below* expectations. These people will cut back purchases instead of dipping into savings or boosting their borrowings as they did in 1994.

The slowdown will easily be turned around if the Fed finally finds its way out of its destructive operational rut and if President Clinton goes along with congressional Republicans to cut the capital gains levy and ease other tax burdens. Another economic depressant—the Administration's regulatory binge inflicted by agencies such as

the FDA, EPA, FCC, OSHA and the Justice Department—will be largely lifted by the new Congress.

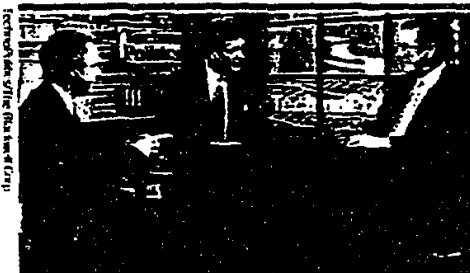
The Federal Reserve raised interest rates in the name of fighting inflation, yet continued to *add* liquidity to the banking system. That's why long-term rates went up so much in 1994. The Board's governors will soon see the errors of their ways, but unnecessary damage has been done.

The coming turbulence in the economy and financial markets will only temporarily mask our extraordinary strengths. The U.S. is bursting with fabulous innovations in the fields of information technology and medicine. Fiscal, monetary and regulatory barriers to realizing our full potential will begin to be removed. By year's end, stocks will be stronger, interest rates will be lower than they are now, and the economy will be poised for substantial growth.

FLAT LIES AGAINST FLAT TAX

WHEN HOUSE Majority Leader Dick Arney (R-Tex.) proposed his flat tax plan several months ago, opponents quickly realized it would have potent public appeal. A family of four, after all, wouldn't start paying the 17% rate until its income exceeded \$36,800.

Tax-and-spenders like the flat tax about as much as veteran politicians do term limits. Detractors have been reduced to labeling the idea as



Robert McIntyre, *TechnoPolitics* host Tim White, MSF Jr.: *Cooking the numbers won't cook the flat tax.*

a giveaway to the rich and to engaging in bogus arithmetic to show a flat tax would balloon the deficit.

One tax-and-spend advocacy group, which in Orwellian fashion calls itself Citizens for Tax Justice (CTJ), charged that the Arney plan would swell the deficit anywhere from \$120 billion to \$320 billion. Arney, who has a doctorate in economics, and respected tax experts found serious flaws in

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CTJ's arithmetic. As Arney explained, "CTJ assumed that no taxes would be paid on \$471 billion worth of government purchases. This is plainly incorrect because for every dollar the government spends to purchase items, firms or individuals receive a dollar of income which is taxable under the plan." The Treasury Department, in a similar, preelection attack, made what it now acknowledges was a \$500 billion error. You'd think that with the discovery of these and other such monumental flaws, the

deficit argument would disappear. Think again.

Opponents still brazenly cry "deficit." In a short debate with me on the PBS show *TechnoPolitics*, flat tax opponent and CTJ Director Robert McIntyre trotted out this discredited argument. When I called him on it, he shrilly, falsely asserted Arney's arithmetic was at fault, not his.

Hearings will be held on the Arney plan in the new Republican Congress. It will take more than such shameless mendacity to derail it.

CURBING REGULATORY COMMISSARS

SENATOR (AND PUTATIVE PRESIDENTIAL CANDIDATE) Phil Gramm (R-Tex.) has put forth a bill called the "Private Property Rights Restoration Act." Quick passage would sharply curtail Washington's increasingly capricious imposition of stringent controls on people's private property. Agencies such as the EPA, the Army Corps of Engineers and the Interior Department have effectively denied more and more people use of their land in the name of preserving wetlands, endangered species, desirable recreation sites, etc.

The Constitution specifically prohibits the government from taking somebody's property without just compensation. If the government wants land for a highway, it must pay fair market value for the land. But bureaucrats virtually seize people's property with so-called regulatory takings. These rulings can render somebody's land almost useless,

valueless. It's both constitutional and fair that owners be compensated for their property, since these takings are allegedly done on behalf of the public interest.

Gramm's bill would allow any owner of real property to sue the U.S. government if a regulatory action reduces the value of his or her holdings by at least 25% or \$10,000, whichever is less. The Feds would be obliged to pay the owner for the full amount of the diminution in value. If the owner so chose, he could receive the property's fair market value and relinquish the property to the government. This compensation, as well as reimbursement of the property owner's legal fees, would be paid out of the budget of the agency that issued the regulation.

Gramm's proposal would restore a sense of accountability to regulators who, up to now, have been largely uninhibited in issuing increasingly arbitrary decrees.



HOW TO HAMSTRING HYENA-LIKE LITIGATORS

THE NEW REPUBLICAN CONGRESS must enact a variant of the so-called English Rule, which forces the loser of a lawsuit to pay part or all of the other side's fees. Britain has long had such a statute, and it's time we did as well. Meaningful provision for recovering attorneys' fees would eliminate frivolous litigation.

In a recent case that underscores the need for action, three people stole a Domino's Pizza delivery vehicle and crashed it into a utility pole, injuring one of the thieves. This passenger proceeded to sue Domino's for damages, claiming the deliveryman was negligent in leaving the motor running while making his delivery. The plaintiff-thief's

case made it to the Pennsylvania Superior Court before it was definitively dismissed. Domino's spent tens of thousands of dollars to defend itself against this absurd action.

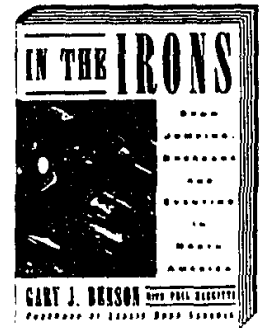
The time and money involved litigating such insane nuisance suits has unfortunately persuaded many defendants and insurance companies to quickly settle out of court. This, in turn, merely whets the appetite of vulture attorneys to clog the courts with even more meritless litigation.

Despite lavish contributions from the trial bar, President Clinton would be hard put to veto an attorneys' fees recovery rule. The impact of such a measure on productivity and growth would be truly fantastic.

HORSING AROUND



EVEN NONHORSEY PEOPLE, including those of us who have convinced readers that our writings are from the south end of a horse going north, will find these two books stirring, absorbing. Richard Stone Reeves is by far the foremost painter of champion Thoroughbreds in the world today. His subjects in *Royal Blood* (text by Jim Bolus, The Blood-Horse, Inc., \$75) range from Man o' War, nearly a century ago, to last year's Preakness winner, Tabasco Cat. Reeves brilliantly brings to life each of these extraordinary animals. In *the Irons*—by Gary J. Benson (text by Phil Maggitti, Howell Book House, \$50). Benson's four-color photos are more evocative, pack more action than any video or movie. Unlike most coffee table volumes, these are too well done to collect dust.



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Hills-~~Bedminster~~ Press December, 4, 1996

Fact & Comment Ground these changes

MALCOLM S.
FORBES JR.



The IRS has thrown two rabbit punches at the airline industry. Tax collectors have ruled that a regional carrier cannot expense the costs of inspecting aircraft engines. Instead, the outlay has to be treated as a capital investment, with the cost spread over eight years instead of one. If applied to all carriers — as is likely, despite pious IRS disclaimers — this ruling could cost airlines over \$1 billion between now and 2004. This in an industry that until recently has been hemorrhaging red ink.

Why punish air carriers for safety?

The second blow is a proposed technical change affecting leasing rules that could cost the industry hundreds of millions of dollars. The airlines are ready to place some \$20 billion in new aircraft or-

ders over the next few years to upgrade their aging fleets. Leasing is a critical instrument for buying many of these new jets. If unchanged, the IRS decree will reduce purchases of new, safer, more efficient aircraft.

Apparently the IRS is still smarting from the airlines's successful thwarting of the agency's attempt to tax people's frequent-flyer miles. But these two rulings are a destructive way to hit back.

Knuckleheads

Germany, Italy and Turkey have demonstrated how obtuse governments can be about taxes. Politicos don't understand that taxes are a burden and a cost as well as a means of raising revenue. If you tax things excessively, such as innovation or risk-taking, you will

end up with less of these good things.

The German government is considering a long-term capital gains tax for individuals. The plan is to use this revenue to help finance the ongoing unexpectedly high cost of integrating East Germany. The Teutons, already burdened with one of the highest tax rates among developed nations, wonder why their economy is sluggish and unemployment is in double digits. Not having such a capital gains levy is the only oasis in this desert.

When the Italian government proposed a passel of new levies, hundreds of thousands of protesters took to the streets. Enactment is now problematic.

Turkey's fundamentalist government is demonstrating that Islamic orthodoxy is no barrier to idiotic tax policy. The government is slapping what is effectively an 11 percent withholding tax on the interest earned on state securities. Not surprisingly, the Turkish lira has weakened and Turkish investors are moving their money into securities denominated in other currencies. Naturally, too, sky-high interest rates — around 122 percent for one-year treasury bonds — are heading higher.

Letters to the editor

Help is needed to repair ballfields

To The Press:

On Saturday, Dec. 7 at 9:30 a.m. the Bedminster-Far Hills Youth Baseball organization will be conducting a volunteer effort to clean up the storm damage to Bedminster Township's Miller Lane ballfields.

As a result of the torrential rains that flooded various communities a couple of weeks back, the North Branch of the Raritan River that runs between the Miller Lane Park and AT&T's Moreland Farm crested its banks and submerged the three playing fields with several feet of water.

Because of the swift current that night, the infield diamond mix was literally washed from the fields into "sand bars" stretching across the outfields.

In an effort to assist the township Department of Public Works (DPW), the Little League board is requesting assistance from interested residents/parents to volunteer to form a cleanup crew. We're asking for 1-4 hours of your time.

Without adequate help cleaning up these ballfields, the DPW may not be able to rebuild them before freezing and doing so in March will leave them unplayable for the Spring 1997 season. Whether you child is a current, past or future Little Leaguer, please try to find a couple of hours to pitch in for a worthy cause.

MICHAEL HOMZA
President

Bedminster-Far Hills Youth Baseball Committee

A solution for problem in The Hills

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Hills-Redminster Press

Fact & Comment

December 11, 1996

Distant cries

One of the most underreported stories today is the growing persecution of Christian minorities in a number of countries. We are accustomed to reading about the suppression of Buddhists in Tibet and Muslims in Bosnia, and even about the genital mutilation of adolescent girls in Africa. If anything, our instinct is to assume that Christians are more likely to be the perpetrators than the victims. But arbitrary arrests, beatings, burnings and killings of Christians are on the rise in various nations, including Vietnam, China, Indonesia, Iran and Pakistan. In Sudan, the Islamic fundamentalist government has slaughtered tens of thousands of Christians who predominate in that country's southern region.

Catholics and Evangelical Protestants are increasingly targets of violence because governments believe they gain easy popularity by

MALCOLM S. FORBES JR.



portraying their indigenous Christians as tools of Western culture and "imperialism." Actually, these people are often a force for individual rights and modernization.

The U.S. Immigration and Naturalization Service treats with disdain and hostility Christian victims seeking asylum because their plight is largely unknown in this country. The State Department doesn't want to make an issue of these persecutions for fear they might complicate relations with countries such as China. But in response to pressure from religious organizations and their congressional allies, the Clinton Administration recently created a Special Advisory Committee to the Secretary of State on Religious Freedom Abroad.

Skeptics fear this panel's ef-

fectiveness will be undermined because its budget and staffing will come from the State Department. The personnel assigned to this group will also have other responsibilities, thereby diffusing their interest.

Though it complicates life for diplomats, Americans' concern for human rights in other parts of the world is an unavoidable — and admirable — characteristic of our unique origins as a nation. Moreover, other persecuted peoples feel their condition is helped when the U.S. focuses attention on a particular group. As Hudson Institute director Michael J. Horowitz, who has been relentless in publicizing the plight of various Christian groups, puts it, "We now know that the success of the campaign against Soviet anti-Semitism was a dramatically effective means of teaching all victims of the communists that the regime was not ten feet tall and this its days were ultimately numbered. This is why our efforts have evoked poignant expressions from moderate Muslim victims of radical Islamists who tell us that our success is their greatest hope, for it will be theirs as well."

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Letters to the editor

What happened to Dems' mailings?

To The Press:

As a political consultant working for Democratic candidates in heavily Republican areas, I know from personal experience what columnist and former Nixon speechwriter William Safire means when he says, "Politics ain't beanbag."

The campaigns I help to run are usually an uphill fight right from the start. That's fine, because democracy cannot be well served if there is no opposition. That good candidates can be found to fight the good fight and wage what some would consider a quixotic quest for elective office as a Democrat in a place like Somerset County is testament to a renewed political vitality that's returning to this region. This is happening the only way it can — through the give and take of competitive races between two (or more) parties.

Joe Pranzatelli and Dan Glicklich, in their bids for freeholder, did a fine job, both for the Democratic Party and for the process itself. These two energetic,

How disgraceful then, that such a hard-fought campaign should be victimized by an act of theft and diversion of the U.S. Mail, something I've not seen in 15 years of consulting.

Using a well established mailing firm (circa 1884), I arranged for 15,000 direct mail ads to be sent to households in Bridgewater, Bedminster, Bernardsville and Raritan. They were delivered to the post office Oct. 31. From there, they disappeared without a trace.

While I'm confident that the Republican candidates themselves knew nothing of this incident, it remains in their interest as well that we find those responsible for this.

The people of Somerset County deserve campaigns that are conducted in an atmosphere of fairness and mutual respect — respect for each other, respect for each others' road signage and literature and above all, respect for the rule of law.

Somerset County is too fine a place to tolerate political skulduggery of a kind that would have made Tammany Hall proud

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Fact &

Comment



MALCOLM S. FORBES JR.

December 18, 1976

When debating the balanced budget amendment early next year, Congress must credibly answer several questions, lest the amendment suffer a Prohibition-like fate.

Will a balanced budget become a vehicle for boosting levies on the American people? Conservatives should insist on a supermajority before taxes can be raised.

Should Congress make a distinction which it doesn't do now, between expenses and capital outlays? Most states, including Maryland, are explicitly demanding that budget deficits be in the red. If they kept their books the way

Washington does. States borrow money for bridges, schools buildings, environmental plants, roads and the like. This bonded debt is not immediately counted as spending but is, instead, amortized over a number of years.

How is Washington's propensity for backdoor spending to be dealt with? One such device is guaranteeing loans, either explicitly or implicitly. How are such acts to be treated?

How about unfunded liabilities, which run into trillions of dollars for Social Security, Medicare and the federal employee pension system? How do we prevent politicians from making promises today, the bills for which won't come due for decades?

What are the mechanics for estimating the coming year's expenses and revenues? The Congressional Budget Office's static analysis approach, which assumes we don't respond to changes in the tax code, is heavily biased against growth-inducing tax reductions. For example, the Joint Committee on Taxation calculates that a 50 percent exclusion on individual capital gains would cost the Treasury \$32 billion over the next five years. Yet whenever this exclusion has been reduced, Uncle Sam's capital gains tax receipts have jumped.

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Letters to the editor

Thanks for helping the team

when the limited BHS facilities were unavailable or unplayable;

- The members of the Bernardsville Emergency Squad for their dedicated service at the home varsity football games;
- The members of the Bernardsville Fire Department for their expert assistance in continuing a popular longstanding tradition — the annual football bonfire;
- The Borough of Bernardsville, especially Borough Administrator Ralph Maresca and Road Department Supervisor Alan Rome, for its generous assistance with cleanup and disposal after the bonfire;
- The members of the Bernardsville Police Department, under the direction of loyal fan and BHS Football Club co-founder Chief T.J. Sciarretta, for their generous expert assistance beyond "the contract" in this year when large crowds returned to BHS football games;

To The Press:
The "book" on the fall sports season has been closed. Fields have been cleared, equipment stored, awards banquets and programs held, and post-season honors received. The winter sports season is already upon us. But before the fall season fades very far into our memories, I would like to reflect for a few moments.

Bernards High School experienced another exciting and successful fall season this year, with the successes measured by so much more than merely the fine win-loss records and performances of our teams and individual student athletes.

Most would agree that the dedication, hard work, and attitude of the students and coaches most directly impact the excitement and success of any season. However, there also are several people each year whose generous contributions of time, energy, or services contribute to the level of excitement and success.

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Hills-Deschamps & Press
December 25,
1976

Fact & Comment

Alan Greenspan can raise questions...

...about lofty stock levels. The Fed, however, should not try to deflate equities, as its Japanese counterpart did in the late 1980s, by squeezing credit. Japan has suffered unnecessarily with a prolonged stagnation. If stocks are too high, they will be "corrected" sooner enough by the collective actions of buyers and sellers. There is no way a Washington-based institution can



MALCOLM S. FORBES JR.

fine-tune financial markets to reflect the price levels self-styled elites deem appropriate.

Permit penny-pinching

The nation's stock exchanges should start pricing equities in decimals rather than in fractions. Canada's Toronto Stock Exchange did

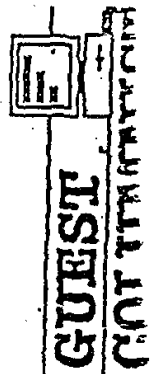
this in April. Instead of using fractions such as 1/8 and 1/16, stocks trading above \$5 are now priced in five-cent ticks; stocks below \$5 are priced to the nearest penny. The use of the fraction 1/8 likely goes back to days of Spanish dollar coins, which were sliced into eight pieces. Each slice was called a bit; hence that old ditty, "Shave and a haircut — two bits."

Many Wall Streeters fear this change would cost them revenues and would hurt or halt trading of certain small stocks. In Canada, while spreads did shrink, revenues remained constant and commission profits appear to have increased, in no small part because the public increased its trading. Based on Canada's experience, investors in the U.S. could save at least \$1.5 billion a year in trading costs.

Discovering the individual meaning of Christmas again

By DAVE ALLENA
FORBES NEWSPAPERS

In the past, I have tried to share what I believe to be the meaning of Christmas. Now, however, I believe there are two things



GUEST
COT TTY TTY TTY TTY

see some of that hurt and sorrow and troubles dissolve if only momentarily by the reflection of God's love through me to that person.

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Fact & Comment

During the campaign...

...President Clinton tirelessly touted his success in cutting the budget deficit 60 percent. The credit is undeserved. In the first half of his term, congressional Republicans and conservative Democrats killed Clinton's notorious stimulus package and his deficit-shattering attempt to nationalize American medicine. They also trimmed other administration spending requests. In the latter half of his term, the GOP-controlled Congress appropriated \$58 billion less than the president had asked for. Clinton-Gore also claimed credit for reducing interest rates. Actually, Treasury bill

MALCOLM S. FORBES JR.



rates are about two-thirds higher than when Clinton took office, and the yield on the 30-year Treasury bond is only about half a point lower. In fact, long-term interest rates reached their low three years ago.

More to image than spinning and lobbying

Cable companies suffer a distinct disadvantage in the coming epic battles with telephone companies. Many have not yet learned how to woo customers and establish positive brand

images with the public.

Cablers traditionally spent time, effort and money winning monopoly franchises from local politicians, becoming masters of inside political lobbying and maneuvering. But they have not been as successful in pleasing customers as the telcos usually have. In the late 1880s, Theodore Vail, creator of the until-1982-monolithic AT&T, fostered a culture of good service at any cost, even though his company was a "natural monopoly." Unlike the cable companies, Ma Bell made considerable efforts to establish company goodwill and recognition.

Cablers have made some progress since 1992, when their lack of Ma Bell-like service and reputation made them sitting ducks for regulation-loving congressional politicians who re-established price controls. But the industry must fundamentally rethink, regear its modus operandi if, long term, it is to give the telcos a real run for their money.

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Letters to the editor

Support local emergency workers

To The Press:

For the past nine years, my husband Joe and I have had the privilege, and I mean the privilege, to witness Bedminster's finest volunteer fire squad renew its commitment to its communities.

Regardless of the time of day, weather conditions, high holiday or personal safety, these fine people are there to respond to all of our needs.

on hand, ready, willing, well trained and very able to assist my family and that of my neighbors in time of need.

I think we all need to stand up and cheer not only for the active firefighters, but for their families, who are asked to sacrifice day after day for the greater good of their community.

It is our privilege each and every time we are home

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Hills-Bedminster Press November 13, 1996

Fact & Comment

Confounding the skeptics

MALCOLM S. FORBES JR.



Louisiana political observers had initially dismissed the oft-bearded businessman-turned-politico Mike Foster as an aberration. Not any longer. The surprise winner of last year's gubernatorial election is racking up an impressive record. The Cajun state's careening budget has been reined in; spending growth is now less than inflation. The state's sales tax on food and electricity has been cut 20 percent. Higher education, long starved for capital and expense funding because the previous governor had

styled himself an anti-intellectual populist, is being rehabilitated. Professorial pay, sharply lagging regional norms, has been boosted. Money to start repairing existing facilities is, at last, being provided. Governor Foster has enacted some needed ethical reforms, including elimination of full-time retirement benefits for part-time elected officials and the restriction of campaign contributions from gambling consortiums. Most impressive is an array of tort reforms that has the personal injury lawyer lobby sputtering.

Deep-pocket damages for individuals have been eliminated; a person can only be held accountable for his or her actual degree of fault. Other idiocies beloved by the trial bar were axed as well: Criminals will no longer be able to collect damages for injuries incurred while committing felonies, and people and companies will not be held liable solely because they own property on which somebody injures himself.

Governor Foster, two years early, paid off old debts rung up by the state to cover operating expense deficits. He also persuaded the legislature to make Louisiana the first state to give citizens the option of rolling back gambling within their localities. Foster's predecessor had given gambling interests carte blanche, despite intense local opposition in various parts of the state.

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Letters to the editor

It's time to unite in Bedminster

To The Press:

The national, state, county and local elections have come and gone with only the memories of Republican and Democratic victories and defeats lingering until the June primary. For Bedminster, it was encouraging to witness one of the largest voter turnouts in the township's history — which proves that the residents truly care about the future of our proud community.

I would like to publicly congratulate our local winners, Joseph Metelski and Norman Lapidus, who certainly earned their Township Committee seats and will hopefully stick to their campaign pledges. One such pledge was to work together to ensure that the governing body has "continuity" in the mayor's seat. Let us hope that these two gentlemen join the remaining members of the committee at the reorganiza-

names I mentioned included former Bedminster mayors Cheryl Seiferheld, Bob Lloyd, Joe Cirona and Joe Metelski; former Committeeman Mark Sperber, and former Far Hills Mayor Bill Layton (now a resident of The Hills). Additional good choices would be longtime concerned citizen Michael Rowden (the Democratic candidate this past election) and Dean Porter and John Howland (who will be retiring from the current Township Committee this January). I hope that all of these folks will bite on my "food for thought" and help bring our political community back together.

Lastly, I would like to encourage Bedminster Republicans to unite in the coming year. We have the perfect opportunity to "work together" on a project that will have an everlasting effect on the future of

Fact & Comment

Rejigger the schedules

The quick elimination in the post-season playoffs of the Cleveland Indians, who had the American League's finest win/lose record, underscores the need for a few basic baseball reforms:

The first round of playoffs should be a best-of-seven-games series instead of the current best-of-five. The wild-card team should, at most, be able to play only two of these potentially seven contests in its

home park, thereby giving an advantage to the club which, like the Indians, had proven its excellence over the regular season. To accommodate those possible extra games, the long season should be shortened from the current 162 games back to 154, the length it had been for most of baseball's existence.

By the way, the American League should send the "designated hitter," who substitutes for the pitcher at the batting

MALCOLM S. FORBES JR.



plate, to the showers.

A truly Yankee sport

That extraordinary World Series underscores how quintessentially American baseball is. It uniquely combines, as no other sport does, both individualism and teamwork. Every player (except American League pitchers) gets to bat. Hurlers intensely duel with individual hitters. But players must work well with each other both out on the field and in the advancing base runner's order to win.

Baseball is also a good metaphor for the frustrations of life, not to mention starting a new business: A batter is considered superb if he fails to hit two-thirds of the time.

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Letters to the editor

Food and clothing needed for county holiday programs

To The Press:

As executive director of HomeSharing Program of Somerset County, I have seen, year after year, the generous outpouring of community support for our clients for the holiday season.

Despite Somerset County's reputation for affluence,

transportation, to pick up food at a reduced cost.

If you want to help your local neighbors in need, please direct your donations of food or money to the Food Bank Network of Somerset County, P.O. Box 149, Bound Brook, N.J. 08805, or drop food at Building 9E, Easy Street in Bridgewater, located in the

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Hills Bedminster Press

NOVEMBER 27, 1996

Fact & Comment

Get real

The new Congress should man-
date so-called dynamic scoring for
calculating the revenue conse-
quences of proposed changes in
the tax code. Republicans failed to
do this two years ago and paid a
high political price for it: Liberal
Democrats quickly labeled sensible
tax cuts as "blowing a hole in the
deficit." Now the nation will pay a
price, too, as the economy slows
and the need for pro-growth tax
cuts becomes urgent.

The Congressional Budget Of-
fice, the Office of Management &
Budget and the Treasury Depart-
ment assume tax code changes do
not affect people's behavior — they
believe we don't respond to tax in-
creases or cuts. In 1986, for ex-
ample, when the maximum capital

MALCOLM S.
FORBES JR.



gains tax was boosted 40 percent,
revenue estimators said the higher
rate would rake in tens of billions
of dollars more in receipts over the
ensuing six years. Instead, rev-
enues effectively remained at 1987
levels. A flat tax may not come to
pass next year, which is why incen-
tive tax cuts are essential to ward
off a recession.

But static analysis always por-
trays reducing the tax burden on
the American people as too costly.
Static analysis also has a subtler
but equally pernicious impact: the
notion that Washington's finances
are the be-all-and-end-all criteria
for judging tax proposals. Because
of a Washington culture that

couldn't say no to greater spend-
ing, the 1980s saw the national
debt balloon by over \$3 trillion,
even though federal revenues al-
most doubled during the decade.
What government-loving statist
won't tell you is that the nation as
a whole moved ahead impressively.
Not only were a record number of
jobs created but also the net worth
of the nation (assets minus li-
abilities) expanded by several tril-
lion dollars. And what did Wash-
ington do? Raise taxes twice, there-
by giving us the slowest recovery
in U.S. history.

Another quirk of this Beltway sil-
liness-cum-myopia can be seen in
the way future revenues are esti-
mated: It is always assumed that
higher inflation will reduce the def-
icit because millions of taxpayers
and small business are effectively
kicked into higher tax brackets.
Companies are also hit because the
real value of their depreciable as-
sets are hurt. But rising inflation
invariably brings on severe reces-
sions, as the 1970s demonstrated.

Letters to the editor

Parental rights are being trampled

To The Press:

Currently in New Jersey, judges of the Superior
Court fancy that they have the power to order parents
of divided families — those divorced separated or
never married — to pay for the post-secondary educa-
tion of their adult children. No judge would ever
think of ordering a parent of an intact family to do
the same.

Currently, there are several pieces of legislation
pending which would make it impossible for New

state interest that children of divided families should
be entitled to a post-secondary education — much
like they are currently entitled to a primary and sec-
ondary education — then isn't it the state's responsi-
bility to supply a state cost-free post-secondary educa-
tion to all, not just children of divided families? Or
perhaps, it is only children of divided families that are
entitled to free post-secondary education, and the
state is not willing to pay for it?

This *parens patriae* jurisdiction *only* has validity —

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Hills-Bedminster Press October 2, 1996

Fact & Comment

Give school choice a chance

New York's John Cardinal O'Connor has made an offer that will catalyze a badly needed education reform: allowing parents to choose the school that best meets the needs of their children.

Teachers unions have bitterly fought school choice, recognizing that it would undermine their self-serving, monopolistic grip. Such opponents have long been embarrassed that nonpublic schools, such as parochial schools, can give inner-city kids better educations at a fraction of the cost of public schools.

One canard is that nonpublic schools perform well only because they skim off the top students. So Cardinal O'Connor has made a dramatic proposal: Give us New York City's worst students, academically or disciplinarily, and we will show what our schools can do. Needless to say, the Big Apple's education establishment

MALCOLM S. FORBES JR.



is sputtering excuses as to why it cannot accept the Cardinal's offer. Reformers are hoping, though, that sheer embarrassment will ultimately force acceptance.

School choice works because it compels these institutions to be accountable for their performance. In Milwaukee, for example, a much-attacked experiment is under way; students, who have chosen their schools are, by their third or fourth year, surpassing their public school counterparts' test scores. The privately funded Student/Sponsor Partnership Inc. program in New York takes poorly performing students and puts them in nonpublic schools. These kids end up doing far better than their peers left in the same situations in the public schools. Standards and accountability make a difference.

Bob Dole is advocating an experimental national scholarship program to be implemented on the

local level. Up to 15 states and the District of Columbia could participate. The Feds would offer scholarships for up to four million low- and middle-income elementary and secondary school students. Parents could choose public, private or parochial schools for their kids. Washington would pay half the scholarship, participating states the other half, and private donations could supplement these funds. These so-called opportunity scholarships are small — the highest level is \$1,500 — but they should be enough to give parents a chance to make a change. Uncle Sam's share of the scholarships would be financed by eliminating some of the Department of Education's wasteful, often counterproductive programs, such as Goals 2000.

The time is ripe for reform. Performance scores remain stagnant, despite all the talk of changing public schools from within. In some of our largest cities nearly half the public school teachers send their own children to private institutions. Further pressure: Schools in many parts of America are overcrowded because of the "echo" effect of baby boomers' kids entering the system; moreover, half of the nation's teachers will be retiring early in the next century.

Letters to the editor

Mystery of change is still unsolved

To The Press:

The mountain labored and brought forth a mouse at the highly publicized but sparsely attended open forum Sept. 24 sponsored by the Committee for Chan-

guished nonpartisan Dr. Riock (Rutgers University) and Mr. A. Wolfe (N.J. League of Municipalities) were all highly partisan mayors and other political figures, from three communities having the small mu-

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Hills-Bedminster Press

Fact & Comment

October 9, 1996

Curbing the killing

The United Nations's ambitious, arrogant, putatively departing Secretary-General, Boutros Boutros-Ghali, had grandiose visions, inflated in no small part by the Clinton Administration's indifference to foreign policy. Egged on by Washington's obsession with multilateralism, Boutros-Ghali tried to move into the American-made vacuum. The results were disastrous peacekeeping missions in Bosnia and elsewhere.

MALCOLM S. FORBES JR.



There are, though, lethal hot spots where a forceful U.N. presence would be welcome. Prime examples are Liberia, where civil war has been ongoing since 1989, and Burundi and Rwanda, where intertribal killing has raged. These places are of no traditional strategic value and thus won't be subject to the political jockeying seen in Southern Europe and the Middle East.

In Liberia the killing is punctuated by occasional periods of

exhaustion, but the situation has degenerated into anarchy. Military peacekeeping intervention by West African forces, largely supplied by Nigeria, was of little help: Too often those soldiers took part in the looting and the killing.

In Burundi and Rwanda the bloodletting is beyond comprehension. Three years ago, the U.N. inexcusably reduced its inadequate Rwanda-based peacekeeping forces when the Hutus began attacking the Tutsis. Within 100 days, some 500,000 Tutsi civilians were slaughtered. If U.N. troops had been reinforced instead of depleted, that horror could have been averted. Now Burundi is about to explode in a similar bloodbath.

In such situations, U.N. soldiers, rather than fleeing, should be trained and authorized to fight when necessary.

Letters to the editor

Threshold question still unanswered

To The Press:

Despite all the pro-charter change huffing and puffing, the fact remains that after some four months of hyperbole, the charter change committee still has not answered the threshold question of why Bedminster should change its form of government.

Partisan news articles, saturated with self-serving opinions from four-year mayors from other communities, acting as surrogate proponents, are no substitute for the frank answers which should be provided by the change committee itself.

the facts on this most crucial issue, they will know how to vote on the referendum. Unfortunately, the change committee chose to mislead the voters by the omission of critical negative factors mandated under the small municipality plan. Parenthetically, how democratic is a self-appointed committee of five which seeks to impose its will on our 7,000 residents?

Don't be short-changed by the committee for charter change. Give their referendum the heave-ho, which it deserves, by voting no.

HENRY E. ENGELBRECHT
Bedminster

Fact & Comment

What waste.

Bill Clinton has proclaimed that the era of big government is over. But you'd never know it from the voluminous, petty regulations still streaming out of Washington.

Earlier this year Henry Cisneros, secretary of the Depart-

MALCOLM S. FORBES JR.



ment of Housing and Urban Development, issued rules concerning the ownership of pets by the elderly and disabled in public housing. Included was a section on how many times a

week pet owners might be required to change their kitty litter:

"Section 5.350; (2) In the case of cats and other pets using litter boxes, the pet rules may require the owner to change the litter (but not more than twice each week), may require pet owners to separate pet waste from litter (but not more than once each day), and may prescribe methods for the disposal of pet waste and used litter."

Any self-respecting cat knows what to do with this.

Letters to the editor

Look at example set in Clinton

To The Press:

The most loquacious, partisan speaker at the charter changers' Sept. 24 forum was Clinton Township Mayor Thomas Ogden who overlooked no superlative in extolling the strong mayor-weak council, small municipality government within which continuity and elimination of bickering, as benefits, were frequently heard.

Appearing on the newsstands just two days later, the *Hunterdon County Democrat* provided a rare but timely glimpse into the workings of Clinton Township's government. The front page article featured settlement of a lawsuit against Mayor Ogden by a patrolman who claimed he had been harassed out of his job after ticketing the mayor which resulted in a fine of \$86 in 1991. The cost to the township of settlement has not been disclosed.

The article went on to say that another dispute

between the same mayor and the chief of police in 1992 resulted in a settlement of \$250,000. Contemporaneous letters to the editor roundly criticized Mayor Ogden for trying to control all branches of the municipal government including law enforcement, thereby upsetting the balance of powers inherent in a democratic system.

The county prosecutor who investigated the Clinton Township Police Department at that time stated that Mayor Ogden "had turned law enforcement into petty politics" and warned if things didn't improve, a grand jury might investigate the matter.

If this is an example of the continuity, accountability and elimination of bickering, espoused by the charter changes, who needs a strong mayor-weak council? Certainly not Bedminster! Vote no on the referendum - local question Box 30 on the ballot.

HENRY E. ENGELBRECHT
Bedminster

Metelski supports GOP ticket

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Fact & Comment

Unburdened by bureaucracy

MALCOLM S. FORBES JR.



Ten years ago New York investment banker Peter Flanigan started a program whose fabulous success demonstrates that inner-city kids from tough backgrounds can still get first-rate educations. The privately funded Student/Sponsor Partnership Inc. provided nonpublic school scholarships to troubled inner-city high school kids. These are

youngsters with poor grades and disciplinary problems who often live in single-parent households. Some 1,000 of these at-risk adolescents have benefited from Flanigan's non-profit organization.

The results are startling, particularly compared with those of public high schools in the same area: S/SP kids' test scores are higher, 75 percent of

them complete high school vs. 18-30 percent of their public school peers; 90 percent of those who graduate go on to college compared with 50 percent of their peers.

Why do nonpublic institutions do a better job than bureaucracy-burdened public schools? Parochial schools have one goal — educating their charges. Parochial school curriculums are meat and potatoes — English, math, history, languages and the sciences. No trendy, feel-good courses. No trendy, politically correct courses. Discipline is consistently applied and common-sensically strict. These adolescents seem to quietly treasure their schools as safe havens in a disorderly world.

Letters to the editor

Charter change is an ego trip

To The Press:

Those in favor of the referendum for a charter change in Bedminster's form of government have yet to explain the substance of the Small Municipality Plan. They only emphasize the direct election of the mayor. Many townships rotate their mayor. Under the small municipality plan the mayor has very strong executive powers. To rid a township of a bad mayor would require a recall which is a very lengthy, costly and arduous process.

Professionals with knowledge of the various forms of government say don't change your government unless you are sure what you get is better than what

well for more than 200 years.

Should the referendum go through, 1997 would be utter chaos with all government officials coming up for election and appointment. Who wants that sort of upheaval in our township except those who have no concern for Bedminster?

This whole exercise is purely and simply an ego trip for Metelski and Company. Last January he resigned from the township committee when he wasn't re-appointed mayor by his colleagues. Had he conducted himself like a man, accepted his rejection and worked with Mayor Johnson for the benefit of the township, we would have avoided all this disastrous

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Hills-Bedminster Press September 24, 1996

Fact & Comment

Testing Dole and Kemp

MALCOLM S. FORBES JR.



No sooner had Bob Dole finished his acceptance speech, which the normally unresponsive *New York Times* called "full of eloquent passages," than White House flacks were labeling it "the most divisive since 1964." This is but a taste of what's to come.

The White house knows that if it doesn't discredit the GOP's get-America-moving-again agenda and demolish Dole's and Jack Kemp's characters,

Democrats will lose, and become the minority party for a generation or more.

Clinton's empathetic waffling and drifting is why Americans don't fear him today the way they did in 1994. They don't respect him, but they aren't going to turn him out unless given substantive reasons to do so. Voters are in no mood to swap one set of personalities for another.

With their bold, tax-cutting, tax-simplification proposal,

Dole and Kemp have now drawn the line: America can do better, and their way is the way to move forward.

The White House's ferocious attacks will be backed by its constituencies — teachers' unions, government workers' unions, trial lawyers and welfare state special interests. The attacks will be aided by much of the media.

Americans want to see if the GOP nominees can, to turn a phrase of Harry Truman's, "stand the heat in the kitchen." Will Dole and Kemp flinch, retreat, become testily defensive? If they stick to their pro-growth, tax-cutting, American-do-better themes, Dole and Kemp will pull off one of the grandest upsets of American political history.

Letters to the editor

A call for an end to bickering

To The Press:

In an interview with Bryant Gumbel on Thursday, Aug. 29, James Carville and Charlie Black were asked to comment on the Democratic convention thus far. Predictably, Charlie Black went on to complain about the governmental excesses of the Democrats. I suppose that's his job.

My purpose in writing is to call attention to the anger that is currently pervading the Republican Party and turning people away from us in droves. While I realize I cannot change the thinking of a nation, I can take a stand in the town that I have raised my children.

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Hills-Badminster Press

Fact & Comment

Sept. 11, 1996

Rediscovering Reagan

It was fitting that Republi-
cans paid such a moving trib-
ute to Ronald Reagan. It's the
return to Reagan's credo — in-
spiring, can-do optimism; faith
in America's unique mission;
belief in the ultimate good of
the American people and con-
viction that our best days are
ahead — that is saving the
GOP from losing the fruits of
its 1994 victories. Republicans

MALCOLM S.
FORBES JR.



had not been conveying how
their policies would improve
people's lives.

Look at the budget battle. No
one got excited by Republican
talk of Congressional Budge-
Office numbers. By pushing
sweeping spending cuts while
virtually ignoring growth
producing tax cuts, Republi-
cans came across as cold-eyed
accountants interested in num-
bers, not people. Promising a

balanced budget early in the
next century was too vague.
With the economy sluggish, Bill
Clinton realized people would
be uneasy about making big
changes in programs such as
Medicare. He demagogically ex-
ploited this opening and surged
in the polls.

Bob Dole has changed the
equation. Resigning his Senate
seat, he divorced himself from
Washington's discredited politi-
cal culture. By proposing a
sweeping tax cut with the
promise of tax simplification,
Dole offers a dynamic alterna-
tive. In choosing Jack Kemp,
he demonstrated genuine lead-
ership and an ability to em-
brace and work with strong-
willed colleagues to achieve
common objectives.

Letters to the editor

Article did not reflect majority

To The Press:

I was outraged to read your article in last week's
paper titled "Area teens not immune to drug woes." It
was truly a prime example of irresponsible journal-
ism.

As a parent of two recently graduated Bernards
students (Class of '95 and '96), I couldn't believe the
tainted picture of Bernards High School that was por-
trayed so viciously by your staff writer.

In any basic course of journalism, one learns to

doesn't even begin to represent the high school popu-
lation:

As a parent of two teenagers, I am well aware of the
availability and temptations that exist in today's soci-
ety. Drugs, alcohol and AIDS are all real issues to be
dealt with. To portray Bernards High as a school that
does not address these concerns and educate its stu-
dents accordingly is unjust. How dare you!!

The students interviewed certainly don't reflect the
majority of the Bernards High student body. How-
ever, the way your article was worded could only lead

Fact & Comment

Awful anniversary

Twenty-five years ago this summer Richard Nixon took a step — severing the link between the dollar and gold — whose baleful consequences plague us still. Most observers fail to appreciate the dreadful enormity of what Nixon, to the applause of most economists and pundits, did in 1971.

The move set off an inflation of twister-like proportions. Although we largely rid ourselves of this destructive force in the 1980s, its legacy — substandard growth and financially stressed families — remain with us.

The immediate impact was devastating. The great boom of the 1950s and 1960s was abruptly halted. Economic stagnation and rising prices became the norm for the 1970s. High inflation made possible the OPEC oil shocks. People everywhere were slammed with un-

MALCOLM S. FORBES JR.



legislated tax increases as inflation moved them into ever higher tax brackets. The Reagan cuts of the 1980s only partially restored the balance.

Our banking system went haywire. High interest rates threw the S&Ls into the red. In response, Congress let them go into other fields that they were ill-equipped to handle, compounding the crisis. The subsequent bailout cost us nearly \$100 billion. Commercial banks recklessly lent vast sums to the Third World, entrenching anti-statist, anti-free-enterprise policies and bureaucracies. Only in the late 1980s did this tide turn.

The volatile dollar became a plaything of ill-informed policy making. The Treasury Department, for instance, deliberately weakened the dollar in 1987, helping to trigger a great stock market crash. The zig-zagging

greenback has also distorted trade patterns, giving new life to trade protectionism.

Interest rates have stayed at levels rarely seen in our history. Before the dollar-gold system began to unravel, it was highly unusual for Treasury bonds or household mortgages to stray much above five percent. In the early 1960s, for instance, a typical American family could get a 30-year fixed-rate mortgage at 4.25 percent. Frazzled families who wonder why two incomes can't do the job that one could in previous generations should consider how much better life would be if they had lower taxes and 4.25 percent mortgages.

If we had gold-era-like interest rates today, the money we would save financing the national debt would pay for Bob Dole's tax cuts, with about \$200 billion left over. Today inflation-fearing central bankers, lacking the gold compass we had until 1971, continue to flounder, mistakenly believing growth must be suppressed lest we return to the purgatory of rising prices. This is why economic growth, especially in Europe, has been stunted by tight money.

Letters to the editor

'Don't screw up' local government

To The Press:

This letter is addressed to the citizens of Bedminster Township.

"The people never give up their liberty but when they are deluded." — Edmund Burke, member of the House of Commons.

infinitum. For the most part, the traffic we endure emanates from other towns and goes to other towns, and most important, our present government is virtually incorruptible.

Why would anyone want to change these things? What purpose could they have in mind? Think about it. Would you risk what we have on promises?

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Fact & Comment

What's to be done?

MALCOLM S. FORBES JR.



Are we stuck in a low-growth, high-tax, high-interest-rate environment forever? No. We can get sound money without suffocating the economy.

How does the Fed know whether it is printing too many dollars, too few or the right amount? It doesn't. The best, time-tested compass for stability is gold. It is rare enough so that it has intrinsic

value but voluminous enough to be traded. Virtually all of the gold that has ever been mined is with us today. Annual production is but a small fraction of the outstanding supply; thus it is not subject to the shocks that afflict other commodities such as oil or corn. A drought can send the price of corn soaring. Such acts of nature have little or no impact on gold, its price unaffected by the normal

ebb and flow of economic activity.

Under a modern gold standard, a boost in the price of the yellow metal would tell the Fed to tighten; conversely, a falling price would tell it to pump out more credit. Gold would work no differently than those gizmos on old cars that made a buzzer go off when you drove above a certain speed. There is no need to issue currency based on the government's pile of the barbarous relic, as was done in the past.

Sound money, which we had for the nearly two centuries before 1971, doesn't guarantee an economic nirvana. But it is an essential ingredient for strong prosperity.

Letters to the editor

Vote with your head and wallet on township charter referendum

To The Press:

It seems to me that before a major change of government is made, an exhaustive study should determine what is the best plan for a particular community. Yes, Bedminster's present Township Committee form of government has been effective since 1784, and like our U.S. Constitution, it is strong and has been molded over the years with checks and balances to be near bullet-proof.

The proposed controversial change to a small municipality plan by referendum which will be voted upon on November's election ballot has only been

done by communities considering such a dramatic expensive change.

I think the few founders of the petition for the referendum to change to the small municipality plan of government really only initially chose this system so as to be able to have the people directly elect a mayor for a four-year term, instead of having the present system of having the mayor be annually appointed by our elected Township Committee people.

At least this is what the signers of the petition were told! But we may have a case where the tail is wagging the dog.

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Peapack-Gladstone and Bedminster go a long way toward establishing a trusting, productive relationship between residents and police officers.

Hills-Bedminster Press August 7, 1996

Fact & Comment

Second chance

The four principles of progress (sound money, low taxes, property rights and no bureaucratic interference in the setting up and running of an enterprise) hold true for Russia. Boris Yeltsin's remarkable comeback victory in a free election is correctly described as an extraordinary achievement — particularly given the economic distress of millions of Russians — in a great nation that has previously known only authoritarian or totalitarian government. But complacency is not in order. Russia badly needs basic economic reform, not the roller-coaster-like changes between "free market" austerity and the old-style statism.

The ruble can be stabilized and inflation conquered. There are various methods, such as an Argentina-style currency board, where no money would be issued unless it were backed by hard currency or by some other way of linking the local currency to the dollar or to gold. Inflation undermines people's sense of order, of fairness. It destroys or warps the development of independent civic institutions that are the foundations of a truly free and democratic society.

Can't the U.S. stop passing the buck, so to speak, to the International Monetary Fund (IMF) and take a positive, forceful lead here?

Correction policy

The Hills-Bedminster Press will correct errors of fact, context or representation and clarify any news content that confuses or misleads readers. The corrections or clarifications will be printed on this page. Report all errors to editor Michael Deak at 722-3000, Ext. 6320.

The Hills-Bedminster Press

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Room Manager

commentaries were nothing but media sensationalism at its worst! Enough is enough!

While I admit that the June primary election battle between the two Republican campaign teams was a heated one (filled with plenty of finger-pointing), to call the recent "Farmland Preservation Project" decision by the Township Committee — "Bedminster politics at its ugliest" — is a continued saga of "soap opera journalism."

I do know for certain that the recent Farmland Preservation award that the Doyle family received (\$10,000 for each of their 100 acres) was a questionable one. I'm not judging the people involved (Gerald and Scarlet Doyle) — I don't even know them. I'm questioning the facts that tell me that the majority of their property — filled with acres of wetlands — could not be developed. My facts tell me that there's more to all the "real dirt" that has been thrown around the Doyle property since the late '80s. But I'll leave the final decision up to the state (DEP) professionals to decide that once and for all!

My next issue is one that we all should be concerned with. How can the Bedminster GOP advocates unite — once and for all — when local residents are being told by the Hills-Bedminster Press that the Republicans are "treating the issues like shuttlecocks in political badminton?" Foul! It looks like the Forbes Newspapers editor is the one who is playing games! Editor Mike Deak is dealing the cards folks, and he's playing from a loaded deck!

Mr. Deak's next "attack" on Bedminster politics is aimed at the current debate over the petition drive to change the form of government in the township. Mr. Deak better get his facts straight before he starts dealing the next hand. In his editorial several weeks ago, he stated: "The idea first arose during the recent primary season." Wrong! I will remind him that it was myself who first brought this issue to former Mayor Joseph Metelski and the Township Committee members back in January of 1995 when I was questioning the "closed door politics" and "backroom caucus" that was going on in the township back then. This is a fact, which can be substantiated by the news article reported in the Forbes Newspaper last year. It should be noted that the "caucus" was discontinued this year because of the light that I shed on the subject.

Let the record show that John Graf Jr. urged for then — and is calling for today — a change in the form of government in an effort to allow the voters of Bedminster to choose the way they want their town to be run in 1997 and beyond. I also supported, both then and now, an "elected mayor" type of charter. What I cannot and will not support, however, is the current petition calling for a "small municipality form of government" that will put most of the power in the hands of the mayor! This is the small town of Bedminster — not Bridgewater! We do not need any power brokers — just civic leaders with integrity!

The petition that is being circulated throughout the town by a self-picked group of citizens (Ed Russo, James Nervine, Bernard Pane, Meryl Linder and John Adams) is being done to correct the backroom politics that occurred this past January in which then-mayor Joe Metelski was voted out of his position by his fellow township committeemen. I agree with these petitioners that the election of the township mayor belongs out of the Township Committee's hands and into the voting booths of the residents.

These petitioners have every right to work up such a petition, but the residents of Bedminster Township

Relay for Life a 'treme

To The Press:

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Hills-Bedminster Press
August 14, 1996

Fact & Comment

Pension lib

California next year may enact a pension reform bill that will profoundly, positively impact how people fund their retirements. (The proposal almost made it through the state legislature this year.)

The change would allow state employees to gain personal control of their pensions. They could, if they wished, transfer the current value of their defined benefits that are in traditional benefit plans run by state employers to their own 401(k)-type retirement plans. In other words, pensions would belong to and be directed by each participant instead of being part of a large, centralized employer plan.

Big money is involved, some \$200 billion in California state employees' pension funds. Think of what that number balloons to nationwide.

The arguments for liberating pension money from centralized management back to the people are compelling. In Cali-

MALCOLM S. FORBES JR.



ifornia, 70 percent of state workers lose their retirement benefits because they leave their jobs before qualifying for them. Usually, you have to be on the job five to ten years before being fully vested.

We are living in an economy where it is becoming more common for people to change jobs several times by retirement. With defined benefit plans and their vesting provisions, these workers will be shortchanged. This is particularly unfair to women who might wish to leave the work force for a few years to raise a family.

With 401(k)-type individual retirement plans, people would have full portability. They wouldn't lose their assets were they to switch jobs or temporarily opt out of the work force. They wouldn't have to worry about unfunded liabilities in

their pension plans. Given long-term investment returns, they would likely have more at retirement than they would with their current employer-directed schemes.

Astonishingly, thanks to the thickening jungle of regulations for traditional pension plans, this new approach would be much less expensive to administer. The California Finance Department estimates the state would save \$1,642 a year in contributory costs per average-salaried worker.

Naturally, mutual funds and insurance companies are energetic proponents; unions and the state pension funds are fiercely opposed. They see the change as a loss of power, of political muscle — which alone is a good argument in its favor.

While a handful of other jurisdictions have enacted similar reforms, California, because of its size, would be a powerful model for removing the golden handcuffs that keep people tied to jobs they really don't like for fear of losing lucrative fringe benefits. It could also provide a prototype on how to save Social Security for younger people: Allow part of their payroll taxes to go into their own individual retirement accounts.

Letters to the editor

Language information

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Hills-Bedminster Press

Fact & August 21, 1996

Comment

Rigidly wrongful ruling

The Supreme Court's decision forcing the Virginia Military Institute to admit women is wrong and harmful. It effectively puts any sort of publicly support single-sex education on the road to extinction. The ruling will also begin to undermine single-sex education at pri-

MALCOLM S. FORBES JR.



vate institutions.
The High Court's rigid, one-size-fits-all approach to public education misreads the 14th Amendment's equal protection clause. That principal doesn't mean that every school has to be the same. It means that students must have

equal access to a publicly financed education from kindergarten through high school, as well as equal opportunity to receive advanced education from a state-supported college or university. Millions of youngsters would blossom in non-coed schools. A growing number of observers have become particularly outspoken about how beneficial single-sex education programs can be for adolescent girls. And for boys from the troubled or broken homes of inner cities, educators and parents in several programs are exploring the benefits of boys-only schools. There are advantages to and a place for both approaches within our education system.

Letters to the editor

Reasons for government change

To The Press:

After reading the Aug. 14 edition of your newspaper, I could no longer keep from writing a letter to clarify the intent of the supporters of the voter referendum on the form of government for Bedminster Township.

There are and have been problems with our current form of government:

1. It allows for political backroom maneuvering by a few in the selection of the mayor; worse still, these few are not even elected by the township's voters.
2. It reduces the opportunity for reasonable continuity of leadership, thus allowing the township to become vulnerable to external forces.

What the supporters of the petition for charter change want to accomplish is to fix these problems by putting the election of the mayor into the hands of the voters. The statutory four-year term of office for an elected mayor addresses the continuity problem.

lished for small municipalities such as Bedminster Township and it allows for direct election of the mayor. That's why it was selected for the petition and for no other reason.

The press and public have been provided two public information releases by the charter change committee, a fact sheet and a purpose statement. The Committee on the Petitions has nothing to hide and the documents provided cover the salient and substantive points of the impact of the charter change. These should be published for the benefit of your readers and the Bedminster voters.

To totally dispel any alleged biases or attempts to misrepresent, the Committee on the Petitions has announced a public forum where all can receive the charter change information and facts from experts and officials with no ties to Bedminster.

The forum is scheduled for 7-9 p.m. Tuesday, Sept. 24 at the Clarence Dillon Public Library. The panel

While another school district has to mine a security patrol the hallways?

There's still much to learn about the new reform plan and the debate is certain to be protracted and contentious. The latest plan may be the best the state can create under the present property tax system; no true educational reform can be achieved until the property tax system is junked and a new income tax system is created. Until that time, the rich will still get richer and the poor will still get poorer.

Hills-Redminister Press

Fact & August 28, 1996

Comment

Make them pay

The U.S. should adopt an aggressive antiterrorist approach in the aftermath of the TWA tragedy. We may not know who is responsible, but we do know which countries train terrorists. Since such killers strike randomly, why not apply the same method to our response?

Libya is not only nurturing terrorists but also developing lethal biological weapons. We could take out its facilities from the air via bombers or missiles.

MALCOLM S. FORBES JR.



The principle should be clear: If a murderous act is committed against the U.S., we will move against terrorist training camps. We should tell host countries such as Syria, Iran and Libya that they will be liable, even if they are not directly responsible for that particular deed.

Just maybe a heavy dose of collective responsibility would make these bloody-minded, mendacious nations think twice before carrying out their atrocities.

The low point was reached when chairman, Planning Board) in a hysterical, outburst repeatedly accused the mayor of being a liar. Mr. Montgomery (chairman, Environmental Commission), the mildest of the bunch, confined his criticism to what he perceived as a lack of courtesy and failure to follow protocol by not consulting him prior to making appointments but he was content to remain silent when Russo delivered his diatribe. Alan Schreck (vice chairman, Environmental Commission) also criticized the mayor but was strangely silent about the fact he

Action was 'stain' on

To The Press:

In early May, during the spring primary campaign, I corresponded with you regarding letters written by Henry Engelbrecht and Alice Lorillard and ended my letter by stating, "In the final analysis, one can only conclude that one must be doing something right when one is attacked by the Engelbrecht/Lorillard Camp."

The primary persons in this camp consist of Leo Johnson, Denis Duffy, Arney Mesko, Bob Merriam, Pam Volpe, Nancy Hollasch, John Graf Jr. and Bob Pavano. There are another half dozen or so secondary parties.

This camp's defeated candidates, Mesko/Merriam, opposed expanded/enhanced recreational facilities, opposed the township providing legal and financial resources to fight the proposed EDC 122-percent sewer rate increase, opposed 10-acre large lot zoning in the western portion of the township, opposed supporting the state/county purchase of the development rights to 97 acres of prime potential commercial development land and opposed an open and democratic primary process.

Certain persons aligned with this camp were involved with the damage to my car on primary election night. They now oppose the proposed charter change. Please notice that they always are opposed to something, but never advance on their own initiative any constructive action to benefit this community and the general public good. There is a demagogic destructive bent in this camp.

Writer: 'The sad sa

To The Press:

Mirror, mirror on the wall. In Bedminster, who is the fairest one of all? Snow White? No, John Graf!

The sad saga of John Graf continues. Chapter Two. In a recent letter to this newspaper, Mr. Graf claimed credit for everything except the invention of baseball and the discovery of penicillin. Mr. Graf stated that it was he who slayed the evil GOP caucus dragon, first introduced the idea of direct election of mayors, and restored democracy to the realm. Of course, this is all a fairy tale.

In 1994 and 1995, open GOP caucuses were held for the sole purpose of finding candidates and encouraging them to seek the endorsement of the Bedminster Municipal GOP Committee. This year, it was not necessary to hold a GOP political caucus in Bedminster prior to the spring primary because there was an abundance of candidates.

In early 1995, I invited Mr. Graf to attend a meeting of the GOP caucus. He did and presented himself as a candidate for Bedminster Township Committee. He was cordially received by the other attendees but not

The Hills-Redminister Press

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Hills-Bedminster Press July 3, 1996

Fact & Comment
 Permitting pot is pernicious rot

The beguiling notion that decriminalizing the use of "mild" narcotics such as marijuana would allow authorities to crack down more effectively on hard drugs still persists (even in a recent Forbes Magazine story about the Netherlands). Alas, the idea is destructive non-sense.

Marijuana is extremely harmful. One joint does the equivalent damage to the lungs of four cigarettes. Pot weakens the immune system. It also appears to reduce the IQ of babies born to inhaling mothers. It distorts perception, impairs memory and reduces concentration. It can be addictive psychologically and there is growing evidence that it can also be physiologically addictive. While experts debate whether marijuana medically leads to the

MALCOLM S. FORBES JR.



use of harder drugs, the fact is, as the Center on Addiction and Substance Abuse points out, adolescents who smoke this weed are 85 times more likely to use cocaine than those who do not, and they are more prone to violent behavior and to suicide.

The experience of the 1970s, when several states decriminalized the personal possession of small amounts of pot, suggests that legalization leads to higher use. At a time when we deplore the growing number of teens who smoke and drink, it makes no sense at all to ease the availability of marijuana. We have seen how laws covering underage use of alcohol and cigarettes have been flouted. Why do we think the experience will be different with le-

galized pot? The Netherlands is hardly an inspiring example of the benefits of marijuana permissiveness. From the mid 1980s to the early 1990s teenage use of pot in America declined by two-thirds; in the Netherlands it increased by 250 percent. The number of addicts of both hard drugs and pot have sharply increased there. No wonder the Dutch have upped the legal age for patrons of marijuana "coffee shops" from 15 to 18. Amsterdam is also enacting regulations to reduce the number of these pot dens by half. Moreover, the easy availability of marijuana in Holland has made the country a smuggling center to neighboring nations.

The war on drugs is like most wars — there are few cheap and easy victories. We need greater enforcement (until this election year, the Clinton Administration was giving that task short shrift). Just as important, we need renewal of Nancy Reagan's effective "Just Say No" campaign. Until Clinton was elected, marijuana use was dropping in America.

Letters to the editor

Thanks for helping the circus

To The Press:

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Hills-Bedminster Press

Fact & Comment

Should be an impeachable offense

The White House's obtaining hundreds of FBI files on Republicans with previous White House clearance is an egregious, outrageous abuse of power. It is the equivalent of, if not worse than, using confidential IRS information for political ends -- which the administration may well be guilty of, too. Understand what these files are: When a person is considered for a federal appointment, the FBI conducts an investigation to see if

MALCOLM S. FORBES JR.



that candidate's past conduct might make him or her a national security risk. FBI agents talk to friends, enemies, ex-spouses, workplace colleagues, neighbors and the like. All information, substantiated and unsubstantiated, is recorded. A disgruntled acquaintance could accuse a person of all sorts of hideous untruths. That information would be part of the permanent file. It's easy to see how that kind of fodder could be misused for political purposes. It is thus astonishing, particularly after Watergate, that

there weren't more elaborate, strict rules governing access to these files. Why was it so easy for the White House to get these files? Apparently, the requests weren't even signed. Doesn't the FBI have by-the-book procedures for who can get to this sensitive material? Were certain officials trying to curry favor with the White House? Just imagine the hullabaloo if, say, the Reagan Administration had requested the folder on Jimmy Carter's chief of staff and political guru Hamilton Jordan. Severe punishments are in order. A vibrant democracy should not tolerate this kind of behavior. Even those gullible enough to buy the administration's "the dog ate my homework" explanations should acknowledge the need for enactment of strict laws and regulations for both the FBI and the White House concerning such dossiers.

Lamington still plays important role in Bedminster Township

(Raven Ryan, an eighth-grader at Bedminster School, wrote this prize-winning essay on the township's history.)

By RAVEN RYAN
BEDMINSTER SCHOOL

Guest commentary

Lamington is considered a tiny town. The land where it originally

individualism and religiousness. Legend says she was kidnapped by Indians as a young adult. Supposedly, she was taken to Virginia where she formulated a plan to escape. After embarking on her plan, the Indians followed her. However, she hid in a patch of bushes to

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Nills Westminster Press

Fact & Comment
Lobbyists: Their gain is our loss

MALCOLM S. FORBES JR.



The corrupting political impact of our increasingly complex tax code is dramatically documented by a recent report released by House Majority Leader Dick Arney (R-Texas). Working with Census data and other sources, Arney came up with hard numbers that prove what we have instinctively known.

Washington's lobbying industry employs 67,062 people, quadruple what it did in the mid 1960s. That's 125 lobbyists per congressman. (Arney's numbers do not include lobbyists with offices in neighboring

Virginia and Maryland. Nor do they include all those indirectly dependent on lobbying, such as courier services or restaurants.) This growth directly parallels the increase in the number of words in the tax code.

Lobbying revenues exceed the gross national product of 57 countries. Three times as many lawyers work in Washington, D.C., as in all of Japan. More lobbyists now strive to manipulate the tax code than attempt to direct government spending, popularly known as pork.

Politicians want support and contributions. Lobbyists supply

it in return for favors such as tax loopholes. In the past decade there have been more than 5,000 changes in the federal tax code. The power to tax is the power to destroy, to extort and to favor the politically powerful at the expense of everyone else. Arney's study underscores the reason we need to junk the tax code and replace it with a simple flat tax. As Arney rightly concludes, "The flat tax would have a chilling effect on the lobbying industry and transform the entire political culture in Washington."

Fortunately, public opinion is catching on to the need for radical tax reform, despite ferocious campaigns of misinformation by special interests. Even though my flat tax proposal was hit hard in the early primaries, exit polls showed that more voters favored the concept than opposed it.

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Letters to the editor

Thanks for giving to food drive

To The Press:
 The St. Elizabeth and St. Brigid Catholic Church Knights of Columbus Council 11386 of Far Hills and Peanack wish to thank all of those people that

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Wills-Bedminster Press

July 24, 1996

Fact & Comment

Inadequate Rx

The International Monetary Fund and the World Bank are concocting a scheme to reduce the debts of the poorest and most heavily indebted developing nations. Any such debt-relief program should be finalized by October.

The rationale is that poor countries can never get on their feet because of being too heavily in hock to lenders. This is a misdiagnosis. Their problem is their own misbegotten economic policies, policies too often manufactured or approved by the IMF. These nations are plagued by environments hostile to business-creating entrepreneurs.

MALCOLM S. FORBES JR.



There are four basic principles for economic progress: sound money, low taxes, property rights and no bureaucratic interference in the setting up and running of an enterprise.

Countless countries make it extremely difficult for citizens to start legitimate businesses.

Taxes are high, which drives businesses into the informal economy, thereby stunting their growth prospects. Inflation encourages barter and discourages sound investment.

A few decades ago South Korea and Hong Kong were two of the poorest entities on

earth. Today they are among the richest. They became so not by following the precepts of development experts but by unleashing their peoples' energies. Create an environment where people are allowed to prosper, and they usually will.

The IMF is still obsessed with the notion that the best way to create wealth is by emphasizing exports. Why selling a product outside the country is somehow intrinsically better than selling the product to your own citizens remains unexplained.

Hard currency? If a country's economy is growing, foreign investment will pour in. Attempting to artificially stimulate exports too often leads to devaluations, which, of course, fan inflation. The harm inflation does to a nation outweighs any temporary benefit from an increase in exports. And politically, inflation usually weakens pro-democracy forces.

Letters to the editor

The other Lamington in Scotland

To The Press:

Several times I have read, with pleasure, Raven Ryan's delightful, informative and well-written essay

however, another possibility.

It should be noted that there is a village, albeit tiny one, named Lamington in Scotland. It lies in th

Hills-Cedarvale Press
July 31, 1996

Fact & Comment

Second chance

The four principles of progress (sound money, low taxes, property rights and no bureaucratic interference in the setting up and running of an enterprise) hold true for Russia. Boris Yeltsin's remarkable comeback victory in a free election is correctly described as an extraordinary achievement — particularly given the economic distress of millions of Russians — in a great nation that has previously known only authoritarian or totalitarian government. But complacency is not in order. Russia badly needs basic economic reform, not the roller-coaster-like changes between "free market" austerity and the old-style statism.

The ruble can be stabilized

MALCOLM S. FORBES JR.



and inflation conquered. There are various methods, such as an Argentina-style currency board, where no money would be issued unless it were backed by hard currency or by some other way of linking the local currency to the dollar or to gold. Inflation undermines people's sense of order, of fairness. It destroys or warps the development of independent civic institutions that are the foundations of a truly free and democratic society.

Can't the U.S. stop passing the buck, so to speak, to the International Monetary Fund (IMF) and take a positive, forceful lead here?

Make 'em pay

The United States should adopt an aggressive anti-terrorist approach in the aftermath of the TWA tragedy. We may not yet know who is responsible, but we do know which countries train terrorists. Since such killers strike randomly, why not apply the same method to our response?

Libya is not only nurturing terrorists but also developing lethal biological weapons. We could take out its facilities from the air via bombers or missiles.

The principle should be clear: If a murderous act is committed against the United States, we will move against terrorist training camps. We should tell host countries such as Syria, Iran and Libya that they will be liable, even if they are not directly responsible for that particular deed.

Just maybe a heavy dose of collective responsibility would make these bloody-minded mendacious nations think twice before carrying out their atrocities.

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Letters to the editor

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Fact & Comment

A still-pitiful performance

The reaction to the recent news that the economy grew in the first quarter at an annual rate of 2.8 percent is astonishing. This anemic expansion, while better than the stagnation of previous months, was treated as if the country were exploding with growth on the double-digit scale Japan once enjoyed.

Why have our national authorities and economists become so pessimistic in their expectations of what we can do?

Given fundamentals today, the U.S. should be experiencing growth rates rivaling those of the early 1960s, when annual expansions of five percent were the norm.

We have had a robust investment boom since the early 1980s. Our manufacturing is once again world-class. Our high-tech prowess — software, microprocessors, fiber optics,

MALCOLM S. FORBES JR.



Internet and biotechnology — is far ahead of that of other nations. Yet the first quarter's unimpressive performance triggered a selloff of bonds and stocks for fear the Federal Reserve would tighten credit to slow things down.

The American people know we should be doing far better.

Anti-American nationalists ...

... in Russia and China are pushing their governments to reach a fundamental rapprochement. The idea is to tie these two giants close together economically and diplomatically, thereby better positioning both to resist human-rights and free-trade pressures from Washington. Russian and Chinese authoritarians see such an intimate tie as a way of short-circuiting their

domestic democratic reformers.

The move, in spirit, would be reminiscent of the 1922 Soviet-German Rapallo Treaty, which was designed to make it easier for the two then-pariah countries to escape the diplomatic and military strictures of the Western powers. Germany's military was thus able to begin reviving itself years before the Nazis took power.

While a modern Rapallo may strike American diplomats as a fantasy, our continuing foreign policy dithering and drift make such an anti-American, anti-democratic move more and more plausible.

Unfortunately, if re-elected, the Clinton Administration will likely respond to these two nations with appeasement. But, over time, a combination of firmness and sensible economic initiatives would effectively undercut these two states' xenophobic forces. For example, Russia's crippling inflation, which has given new life to the Communists, could easily have been avoided if the U.S. hadn't washed its hands of helping Russia reform its economy and turned the task over to the International Monetary Fund.

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Hills-Redminster Press

Fact & ^{June 12,} 1996

Comment

One choice is no choice

Senator Jim Jeffords (R-Vt.) undermined a modest school-choice program for Washington, D.C., which has one the nation's most troubled school systems. Yet Jeffords' state is living proof that empowering parents to select the best schools for their children works.

Allowing parents to choose which schools their children attend is the most effective way to reform and rejuvenate our public schools. If a parent is

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dissatisfied with the local institution of learning, he or she can use a voucher to help pay the tuition at another school, public or private.

Not surprisingly, choice is fiercely resisted by the education establishment, particularly the National Education Association, America's most powerful union. Currently, student interests get short shrift, but choice would force schools to be accountable to parents. There is nothing like competi-

tion to spur reform, improve performance.

Opponents have effectively rebuffed a number of school-choice initiatives by conjuring up catastrophic consequences.

Advocates should use the example of Vermont. For over a century parents living in towns with no public high school have been able to send their kids to any schools they wish (except religious ones), in state or out, with the sending town picking up the cost of tuition for public and approved independent schools. For other schools, the sending town pays Vermont's state-wide average tuition rate. For example, almost all the students at the highly respected St. Johnsbury Academy pay their tuition this way. Some Vermont high schoolers have gone as far away as Quebec or Paris.

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Letters to the editor

Bissell should pump for restitution

To The Press:

I have followed with great interest the various opinion polls, editorials and general comments in the media concerning Nicholas Bissell, and what the severity of his sentence should be and also, in view of his malfeasance in office, should he be entitled to his pension.

I ride almost on a daily basis past the scene of one of his crimes, the Amoco station on 202-206 south in Bedminster. I notice that they have most prominently displayed a help wanted sign. It is my honest opinion

As to whether he deserves his pension, the public indignation which has surfaced (nine to one against) according to one newspaper, in the final analysis, as always, has very little impact. A more interesting approach in my opinion would be as follows:

The Question: Does Nicholas Bissell deserve his pension?

The Respondents: 1. The present acting county district attorney; 2. The individual members of the county freeholder board; 3. Jack Ewing, state senator; 4. Kip Bateman and Walt Kavanaugh, state assemblymen.

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RUNNIG
Hills Bedminster Press June 19, 1996

Why hasn't Greenspan been confirmed ...

... as Fed chairman? A hand-
ful of Senate Democrats are
holding up action on him (and
two new Clinton appointments)
ostensibly because these legis-
lators think Mr. Greenspan has
been too stingy in printing
money. Cynics think the Presi-
dent who reappointed Greens-
pan to another four-year term
wouldn't mind seeing nothing
happen through the election.
Then, surmise these Machiavel-
lian minds, Clinton can safely
ditch Greenspan for someone
he would truly prefer. After all,

MALCOLM S. FORBES JR.



Alan had originally been ap-
pointed by the liberals's Great
Satan, Ronald Reagan.
Republican lawmakers
should force a hearing (which
can be held in one day, not the
three days Sen. Tom Harkin
(D-Iowa) wants). We might then
actually get a salutary Senate
sermon on the Fed's apparent
belief in the Phillips Curve,
which posits that vigorous
growth begets inflation and,
conversely, low or anemic
growth keeps inflation under
control.

The Fed gets antsy when
growth rates exceed 2.5 perc
for a couple of quarters.
historically, we have had
annual growth rates averag
over 3 percent. In the 1980s
experienced our longest pe
time expansion, while inflat
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thirds. Sound money and vig
ous growth can and should
hand in hand.
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cans is our horrifically comp
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tax rates. The Harkinesque f
mula of easy money and hi
taxes gave us the economica
devastating decade of t
1970s.

Letters to the editor

Ewing answers pension questions

To The Press:
This is in reply to John Adams's recent letter re-
garding former Somerset County Prosecutor Nick Bis-
sell's pension and whether he deserves one or not. I
would like to offer the following information.
I do not feel that any individual who is in a municip-
al, county, state or federal position should receive
their pension if they are convicted of any crime.
In the state of New Jersey, there are very strong
guidelines which mandate that an individual applying

for a pension — whose file contains information on
conviction — must be reviewed using 11 criteria
to determine whether a pension would be allowed or not.
This is true for the Public Employee Retirement Sys-
tem (PERS) of which Nick Bissell was a member.
I believe the individual who is denied their pensio
should have the money that they put in to the syste
personally, returned to them. I feel this is only right.
JOHN E. EWING
State Senator, 16th Distri
Bedminster

Don't let pets suffer in hot cars

Fact & Comment

Critics carp ...

... that the flat tax would boost the deficit, benefit only the rich and wreck housing prices. Now a new study has come out that should demolish these criticisms — and others — once and for all.

Economist Barry Seldon of the University of Texas and Roy Boyd of Ohio University tested the flat tax using an econometric model that has passed muster with numerous economist peers. Their findings:

- The economy would blossom with high rates of growth.

MALCOLM S. FORBES JR.



- Lower-income Americans would gain the most proportionately from the flat tax, even with the elimination of the earned income credit (my own proposal retains the EIC).
- The deficit would decline (if spending were controlled).
- Housing values would go up. Those persons earning just under \$13,000 would see their money-in-the-pocket incomes grow almost 8 percent, while those making over \$65,000

would gain but 2.4 percent. Part of the explanation, of course, is that many lower-income Americans would pay no tax under a flat tax because of the high personal exemptions. But the model also demonstrates that the low tax rate combined with simplicity would expand the economy, creating more and better-paying jobs.

The extra economic growth would increase government revenues, shrinking the deficit. The Kennedy across-the-board tax cuts of the early 1960s and the similar Reagan cuts of the early 1980s both triggered long-lasting economic booms that boosted government revenues.

With the flat tax, the only losers would be Washington's army of influence peddlers and the IRS, which would be a fraction of the size it is today.

Letters to the editor

Courthouse is monument to past

To The Press:

When the Somerset County Courthouse was built in 1909, it was done with pride and an attention to detail for it represented the county's accomplishments and its confidence in the future. The restoration of this historic building, culminating in its rededication on June 14, reaffirms the convictions expressed 87 years

and the Rededication Committee, who did such a superb job in planning the event.

I am particularly proud of being a part of this effort because it was historic preservation efforts that first brought me into civic affairs. As president of the North Jersey Association on Counties, I learned that only a handful of New Jersey counties have...

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Hills-Bedminster Press

MAY 1, 1996

Fact & Comment

Expanding NATO's net

MALCOLM S. FORBES JR.



The United States and its allies should bite the bullet, so to speak, and expand NATO after Russia's presidential elections. Poland, the Czech Republic and Hungary have been knocking on the alliance's door for years.

Washington has dithered for fear of offending Russia. Actually, NATO's enlargement would enhance the forces of peace and democratic reform

in that part of the world. Extreme Russian nationalists would see that they could not re-create the old Soviet Empire. Russia's beleaguered democratic forces could point to the NATO move as evidence that the West won't be cowed by some new form of Moscow militarism. Ukraine's chances of maintaining independence would be bolstered by having neighboring Poland come under the West's protective umbrella.

The added security for Poland, Hungary and the Czech Republic would help democracy sink real roots in these countries, just as happened in Western Europe in the late 1940s with the creation of NATO.

Czech President Vaclav Havel knows how precarious democracy and freedom can be. In the 1930s and 1940s Western democracies turned their collective back on the Czechs. Havel wants no repeat of that, so has striven mightily to establish as many institutional ties to the West as possible.

The need for NATO will wither away if Russia develops along democratic lines. But, if xenophobic nationalists continue to gain influence, an expanded NATO will guarantee central Europe's safety.

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Letters to the editor

Don't revert to past in primary

To The Press:

As the incumbent District 5 committeewoman for the Bedminster Municipal Republican Committee, I have a problem supporting the "line" candidates.

Mr. Merriam is the kind of person who makes snap judgments before all of the facts are in and then defends his position regardless of evidence to the contrary. If, by a miracle, he does change his mind, he swears that was his original position anyway.

He has repeatedly said that the Hills is not entitled to services provided us by the "Kelly Bill," since we are a private community. He doesn't think that the township should be involved in the EDC rate increase fight because no one helps him pay for his septic tank when it breaks. He doesn't want any recreational facilities on township-owned lands and doesn't want the

neighborhood and master associations. She has never done so. I attend many of the Township Committee, Planning Board, Board of Adjustment and other committee meetings. Ms. Mesko has rarely made an appearance since her brief stint on the Planning Board. She has just not been involved in the community affairs of Bedminster. I simply don't consider her qualified to sit on the Township Committee.

Joe Metelski has worked for all of Bedminster for years. His public service is unequalled by anyone running now or in recent years. He has demonstrated his impartiality in fighting for better recreational facilities at River Road Park and at the Pluckemin School. He got us 187 acres of open space from Hills Development. He has been a strong supporter of our fight against the EDC...

Hills-Bedminster Press

Fact & Comment

MAY 8, 1996

Bad math adds up to bad policy

Republicans are making a major mistake by not overhauling the way the Congressional Budget Office calculates the impact tax code changes have on federal revenues. The current scoring method, so-called static analysis, assumes a tax cut is a revenue loser, a tax increase a revenue gainer. It ignores the effect changes have on

MALCOLM S. FORBES JR.



people's behavior.

Dynamic economic modeling would make clear to Congress how tax revisions affect revenue. For example, the Joint Tax Committee says that reducing the capital gains tax from a maximum of 28 percent to just under 20 percent would cost Uncle Sam \$32 billion. In fact, every time the capital gains levy has been cut, revenues from it have gone up, not down. In 1978, the Treasury Department warned that a proposed rate reduction

would slice revenues 20 percent. Congress passed the cut anyway, and revenues rose 20 percent.

After the maximum capital gains levy was boosted by 40 percent in 1986, the CBO expected annual receipts to more than double by the early 1990s. Instead, receipts and realizations have remained stuck around the 1987 level -- a \$150 billion error in capital gains realizations.

Several states employ variations of dynamic modeling. But some congressional Republicans have been cowed by the threat of being charged with cooking the books. Still others wanted to stick with static analysis, thinking it was going to help them whack spending even more so that they could finance their promised tax cut. Instead, this conflict, exacerbated by the need for deeper cuts in the budget, is a critical reason we have no tax-cut legislation today.

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Letters to the editor

Vitriolic campaign 'insults' voters

To The Press:

The vitriolic campaign currently being waged by former Bedminster Mayor Joe Metelski, his running mate, Norman Lapidus and their campaign team demeans the political process and insults the intelligence of the voters of Bedminster.

If he had not resigned his Township Committee seat last January in a fit of pique because his colleagues chose Leo Johnson to serve as mayor for 1996, Metelski would probably have received the Republican Municipal Committee's endorsement for another term. Is Joe's ego and arrogance so great he feels he is entitled to be treated as a monarch with life rights to the position?

When Metelski refused to reconsider his hasty resignation after being asked to stay on by his colleagues on the Township Committee and other concerned Bedminster residents, he caused many people to question his judgment and his temperament.

Surely members of the Republican Municipal Committee must have taken that into consideration when

ing of the Municipal Committee. Instead of losing with style and grace, endorsing Arney Mesko and Bob Merriam, and looking for new ways to serve his community, Metelski has decided to run off the line, engaging in some very questionable campaign tactics.

He, along with Lapidus, their campaign manager, Ed Russo, and other members of their campaign team, have viciously attacked the integrity of members of the Municipal Committee and other residents of Bedminster. They have suggested that a "closed door meeting" by nine members of the committee predetermined the outcome of the April 2 screening committee meeting.

I ask these simple questions: If nine members met in secret and agreed upon candidates, why did it take three ballots for Bob Merriam to win? Why didn't he win on the first ballot? There were no "closed door, back-room meetings," no conspiracy, only poor losers, bad sports and cry babies.

Bedminster's voters should be wary of candidates who resort to personal attacks and negative campaigning in a desperate attempt to get themselves

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Hills-Redminter Press

Fact & Comment
May 15, 1996

Comment Hillary Clinton's triumph

Advocates of nationalized health care are on the verge of a stunning achievement with the passage of the Senate's Kennedy-Kassebaum bill. This legislation is portrayed as a benign way of making it easier for people to keep health insurance when they change jobs or to buy insurance if they are in less-than-perfect health. Actually, if this becomes law, it will put us on a fast track to Hillary care. Yet few foes of her socialized monstrosity are fighting what one opponent has rightly called a "Trojan pony." The First Lady must be beaming. The enforcement lan-

MALCOLM S. FORBES JR.



guage is lifted almost directly from Clinton care. Ferocious penalties litter the House version of this legislation. For instance, doctors face heavy fines if they are deemed to have delivered "unnecessary" health care services. And who determines what is unnecessary? You guessed it: federal bureaucrats, not physicians.

Where was the American Medical Association when such provisions were slipped in? The Senate bill is written in a way that guarantees the eventual imposition of federal price controls. Right now, there are no caps on premiums — which

will rise big-time because of the bill's mandates on who is eligible for insurance. Washington State, for example, has Kennedy-Kassebaum-like guarantees. Premiums for individual policyholders have skyrocketed. As prices go up, young, healthy people won't bother to buy insurance. The whole process will thus create irresistible pressure for federal controls "to make insurance affordable." There are other flaws here. The bill blithely guarantees that mental health coverage will equal coverage for physical ailments; this is an open invitation for massive abuse. Rules, mandates and caps will proliferate.

The Senate version doesn't even contain a provision for Medical Savings Accounts, the only hope for restoring true freedom and consumerism to the health care field.

Is this what voters elected a Republican Congress for?

Letters to the editor

Bennett fits the legislator mold

To The Press:

Rarely does one meet a candidate for public office who could be a paradigm for representatives throughout the country. No one can fit that mold perfectly, but Sen. John Bennett comes as close to anyone I have seen in my four-score plus years.

After serving in the New Jersey State Assembly for

Legislature, and will do it, when and if he goes to Washington to serve New Jersey's 12th Congressional District.

It seems to me that the American People are thoroughly fed up with the current, mean-spirited, inter-party warfare, and intraparty strife as well. John Bennett gave his word that he would work for cooperation

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Hills-Bedminster Press

Fact & Comment China

May 22, 1996

MALCOLM S. FORBES JR.



In a few weeks Congress will debate whether to renew China's so-called Most Favored Nation status. This is an opportunity for a hard look at our relationship with this increasingly critical nation.

The U.S. should take a several-pronged approach. We should continue MFN. Otherwise, rapidly growing Sino-American trade will collapse. As we've seen in other countries, an expanding economy helps to create the internal forces that push for political reform and that do not tolerate capricious, corrupt totalitarianism. Of course, economic expansion alone is no guarantee of political liberalism. But without it, the chances for long-term reform in China are almost nil.

At the same time, though, Washington should strongly, repeatedly condemn China's mis-

erable human rights record; Beijing most fears international criticism. Barbaric abuses are widespread. China is doing a brisk trade in selling human organs such as kidneys, and routinely harvests these organs from executed prisoners. Even more gruesome are reports that some organs are removed before execution or before the prisoner is actually dead. The horrors of China's orphanages that are no more than death factories have been well publicized, as have the misuse of prisoners for slave labor and the ongoing crackdowns on dissidents.

Furthermore, we should keep pressuring China to cease its rampant piracy of our software and other intellectual property. One way to do this is by filing suits in our courts. Beijing must understand that it has no

hope of becoming part of the World Trade Organization or the International Monetary Fund until there are real changes in its commercial behavior.

The communist government is desperately trying to control the flow of information into China. We can help undermine this monopoly not only by boosting Voice of America broadcasts but also by creating an entirely new Radio Free Asia service. The model here should be the extraordinary success of Radio Liberty and Radio Free Europe in undermining communism in the former Soviet Empire.

Diplomatically, we should not shrink from military arms sales to Taiwan or from Seventh Fleet maneuvers in the Strait of Taiwan. And we can certainly highlight China's sale of nuclear parts and equipment to other nations. Why don't we stop our own flow of our militarily sensitive high tech, such as supercomputers and hot-section (jet engine-cooling) technology, to China?

Congressional Republicans can use the MFN debate to give our China policy focus and direction.

Letters to the editor

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Hills-Redminster Press

Fact & Comment Indefensible

May 29, 1996

MALCOLM S. FORBES JR.



President Clinton's veto of the partial-birth abortion bill was unconscionable — politics at its worst. Unctuous utterances to the contrary, this move was motivated purely by political calculation, ignoring the moral dimension entirely.

The procedure is performed with the baby's feet already out of the womb. The trick for the abortionist is to crack the skull and use an instrument to suck out the brain before the baby's head is expelled. If that isn't homicide, what is?

The bill allows the procedure if the mother's life is at risk. (But that still begs the question: Hasn't the birth, for all intents and purposes, already taken place? The only differ-

ence is that the baby is dead, not alive.)

No wonder many pro-choicers supported the ban. And the Catholic Church hierarchy, from the Pope on down, has vigorously condemned the veto, and even has publicly condemned the president by name.

The White House cynically calculated that a veto would appease hard-core feminists and not provoke much reaction elsewhere. Given the relative lack of media coverage of this hideous decision, however, the president's political operatives may have been right.

Still, it's stomach-churning: even in an election year, to see

the President of the United States so devoid of any genuine moral sense and fiber.

It will happen

As Republicans ponder whether to make the flat tax a major part of their campaign agenda, the idea of radical simplification gathers momentum elsewhere. In tax-crushed Germany, three of the four principal parties are seriously intrigued with tax reform, and the two governing parties are putting together their own proposals. Across the world, the Philippines is well on its way to enacting a Hong Kong-like flat tax. The Philippine congress is readying legislation with a flat rate of 15 percent and exemptions that will remove about 60 percent of the population from the tax rolls. Both countries are coming to recognize the enormous economic energies that will be unleashed with a simple, low-rate tax regime.

Letters to the editor

'Disappointed' with attitude

To The Press:

On the evening of Monday, May 6, at the Bedminster Township Committee meeting, I had the opportunity, with the help of Teddi Manhire, to present a video outlining the ongoing drainage concerns that

issues of six months ago with how they appear at the current time, contributing to our maintenance responsibilities, in hopes that the Township Committee would direct Mr. Paul Ferriero, township engineer, to respond and actively correct the problems by effec-

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Hills-Redminister Press

Fact & *April 3,*
1996

Comment

Nuclear time bomb

Juragua, the Cuban nuclear power plant, is only 180 miles from Key West, Fla. Begun around 1983 and mothballed in 1992, when money and Russian assistance ran out, this nuclear power complex is a potential nightmare for America. Even though the Cuban reactors are of a different type from the one

that caused the disaster at Chernobyl in Ukraine, there are real doubts about their safety. (Germany, which inherited four similar plants from East Germany, shuttered them as soon as possible because of grave safety deficiencies.) Questionable design is not the only issue. Cuban defectors who were involved in the operations at Juragua have detailed numerous defects, including flawed welds, faulty materials and shoddy workmanship. Despite mothballing, corrosive tropical air is already taking its toll on equipment.

In testimony before the House

MALCOLM S.
FORBES JR.



last August, a general Accounting Office (GAO) official spoke of Juragua as a "nuclear plant in a state of deterioration." In addition, he discussed allegations by a former Cuban nuclear plant worker that safety training and procedures are inadequate.

What is the risk to America? In a study requested by the GAO, the National Oceanic and Atmospheric Administration concluded that within four days of an accident, radioactive pollutants could cover all of Florida, be carried as far west as Texas and as far north as Washington, D.C. Nonetheless, completing this nuclear facility remains a top priority of Fidel Castro's regime, and the Russian Ministry of Nuclear Energy has agreed to help find foreign financing for the project and to involve Western companies in finishing the job.

In the past the Soviets subsidized Cuba by selling it oil at low prices while paying top dollar for Cuban sugar. But that arrange-

ment ended with the breakup of the USSR. Now Castro is counting on the development of tourism and other industries to revive Cuba's economy and bail out his regime, but without a new source of cheap power this won't be possible. No wonder one top Cuban official was quoted in the *New York Times* as saying, "Nobody is more interested in not having to build this power plant than us. But the problem is that we have no choice." In other words, the pressure for political change will grow unless Castro can get Juragua on line.

Here is an opportunity for the U.S. to protect its citizens from a possible nuclear catastrophe and nudge Castro closer to the exit. The Clinton Administration must resist suggestions being made that it open relations with Cuba or that it provide technical assistance for completion or operation of Cuba's nuclear plant. We must make clear that any government or company providing equipment, financing or assistance to this project will lose access to the U.S. market. Cuba and the rest of the world must also understand that there will be no U.S. bailout of the project, no pay-off through financial support and no guarantee of new energy sources as long as Fidel Castro remains in power. The sooner he goes, the better for Cubans, as well as for Americans.

Letters to the editor

Manhire passes the character test

Hills-Bedminster Press

Fact & April 10, 1996

Comment

Do something positive — now

America needs a tax cut now that will slash the capital gains levy, give families higher deductions for their children and abolish the earnings cap on Social Security recipients.

Despite a few encouraging signs, the economy continues its lackluster

MALCOLM S. FORBES JR.



pace. This expansion has been the slowest of the last 50 years. The tax hikes of 1990 and 1993 badly hurt our ability to perform to our full potential. The Federal Reserve's misguided notion that credit must be tightened when growth exceeds 2.5 percent has also been an unnecessary burden.

The tax cut should not be encumbered with contentious spending "reductions." Let Clinton and the Democrats take on the Hooveresque mantle with their cries that cutting taxes will increase the deficit. Let Republicans gleefully, vociferously counter those cries by proclaiming that growth is the most potent antidote to Washington's red ink. If Clinton vetoes the tax cut, Republicans will have a defining issue this fall.

The GOP should have learned during the last 12 months that overfocusing on spending is a futile exercise. Without a genuine growth agenda, Republicans will lose the high political ground to the Democrats, and expanding spending will continue unabated.

Letters to the editor

A solution to the skating problem

To the Press:

One of the biggest problems in Bedminster today is the conflict between the Bedminster Plaza store owners and the skateboarders and rollerbladers. The owners of the shops at the Bedminster Plaza are afraid that they are losing their customers due to skaters. On the other hand, the skaters have no place to skate.

We think there are several solutions to this problem in which both skaters and store owners will be happy.

If the shopkeepers do not want kids skating on their property, the township should consider providing a place that can be used to skate.

Road Park. It is already public property, so no land would have to be purchased. The town could pave a small portion to be used for skating. With the addition of curbs, it would be a perfect place to skate. Any other activities that require a hard surface such as hopscotch boards, toddlers' bicycles, etc., would benefit from the paved surface.

A paved area at the old Bedminster School or River Road Park would supply the skaters with a place to skate legally. It would keep the shop owners content with uncrowded sidewalks. We know that this might be a difficult and expensive task, but it would benefit all parties. We appreciate your consideration of our

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Hills-Bradford Press
Fact & Opinion
17, 1996

Comment

Social Security socialism

A federal advisory panel has broached the idea that Social Security be allowed to invest part of its surplus in the stock market. Social Security currently turns over the money to the Treasury Department for low-interest-rate securities.

The idea of the U.S. Government buying stocks is nonsensical. Whatever the supposed safeguards, does anyone believe politicians could long resist the temptation to meddle in the management of private corporations, especially during an election year?

**MALCOLM S.
FORBES JR.**



The sums are not insignificant. Thanks to the demographic bubble of the post-World War II baby boomers, Social Security trust funds now have surpluses approaching \$500 billion and will rack up annual excesses of tens of billions of dollars for another 12-15 years.

There are better ways to correct this. One would be to start a new system for younger people, where a portion of the payroll tax that now goes to Washington to subsidize the national debt would instead go directly into the equivalent of indi-

vidual savings or retirement accounts. Younger people would have more when they retired than they'll get with the current system, which, despite present surpluses, will go bankrupt sometime in the next century. The money would be invested in the real American economy, but the securities would belong to individual Americans.

The numbers are potent. Take a 20-year-old today making \$15,000 a year. If the payroll taxes (now \$1,860, including the employer portion) were deposited each year into a retirement account earning the historic stock market average, he or she would have around \$1 million at age 65.

Another solution would be to let all working people receive a pro-rated share of the annual surplus that would be deposited into their own retirement accounts.

Letters to the editor

BPU should reject sewer rate hike

To The Press:

I am writing this letter to express my concerns

faulty meters cause the franchise area customers to pay overly high rates.

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Hills-Bedminster Press
Fact & April 24, 1996

Comment

'No' to national ID cards

Congress is ready to pass legislation to curb illegal immigration. Some of the provisions — strengthening border patrols, streamlining deportation procedures, denying welfare benefits to

MALCOLM S. FORBES JR.



"undocumented persons" — make good sense.

There are two stipulations, however, that should be junked. One would permit states to bar the children of illegals from attending school. Pending deportation hear-

ings, doesn't it make sense to have these young people in our schools instead of roaming the streets?

The idea of a national ID card, fortunately, has been put on hold. But the Senate bill has a provision for a five-state experiment in which employers would call a 1-800 number to verify the bona fides of a job applicant. Proponents see this as a first step toward a national computer registry. No one could get a job unless the employer cleared the applicant with the registry. Talk about a big-government power grab; imagine having to call 1-800 Big Brother to get Washington's approval to hire someone! This "trial" should be scrapped.

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Letters to the editor

Cross supports Metelski, Lapidus

To The Press:
As a committeeman for District 4, the Bedminster Municipal Republican Committee, running on the Somerset County Republican Party line and as a Bedminster Township Committee member, I am expected to support "line" candidates. I have always done so in the past 32 years that I have voted as a Republican. This year, I must support candidates running off the line.

Why?
The Bedminster Republican Municipal Committee, under the dubious leadership of Sally Tullis deBarcza, chose as the line candidates Bob Merriam and Arney Mesko. Unfortunately, a deal was struck before the full committee had a chance to vote. That is violation of "open" politics that I abhor and condemn! In my opinion, the 16 people on the Bedminster Republican Municipal Committee are there to screen candidates, insuring that those who are sent forward are indeed Republican. They are not there to tell you how or for whom to vote! Ms. deBarcza disagrees. She takes the

and Chuck Haytaian; and lobbied against Peter Palmer for business reasons. Based upon his claims, I must disqualify him as a Republican.

His running mate, Arney Mesko, is a very articulate speaker and a very likable person. Unfortunately, she has a record of vacillation on issues, a poor record of attendance while on the Planning Board and her performance as recycling coordinator for the township resulted in Village Green removing themselves from county recycling and going private because Ms. Mesko could never be reached. She ultimately resigned. Her reason for her resignation was, "no time." I submit that a seat on the Township Committee takes 10 times more of a time commitment than she is willing to give.

Neither candidate has attended a Township or Planning Board meeting with maybe two exceptions since leaving office three years and one year ago respectively. Since announcing their intention to run, they still haven't taken the time to attend any meetings!

Contrast these candidates with Joseph Metelski and

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Hills-Bealman Press

Fact & *March 6, 1996* Comment

Wrong approach

Illegal drug use is rising, leading many observers to conclude that the war on drugs cannot be won and that the best solution is legalization, or at least decriminalizing the possession and use of marijuana, cocaine, heroin and other narcotics. It is a misguided view.

The war on drugs was formally declared during the Reagan Administration. It involved treatment of addicts and implemented educational programs to discourage potential new users. It also included vigorous law enforcement in the United States, the interdicting of incoming drugs and efforts to reduce supplies abroad. The program has been enormously expensive — \$20 billion for ar-

MALCOLM S. FORBES JR.



resting, prosecuting and imprisoning drug offenders last year alone.

There have been some successes. Nancy Reagan's "Just Say No" campaign contributed to a real decline in drug use among teenagers. But overall results have been mixed at best.

Proponents of legalizing drugs compare the situation with Prohibition, arguing that the evils of drug use have been surpassed by those of trying to stop it. They cite as examples the high costs of law enforcement, choked courts and prisons, the resources diverted from education and health care,

and the spread of AIDS through addicts sharing needles. They claim that legislated control, as we have with alcohol, is a better approach.

Experience has proved otherwise. In countries such as Turkey, where narcotics traditionally have been cheap and available, addiction remains common. Switzerland and other nations have experimented on a limited basis by liberalizing drug policies in designated areas, but the programs have failed miserably, with no reduction in drug use or in related criminal activity.

While the war on drugs may be frustrating in its high costs and limited results, the current alternatives would be infinitely worse. Easy access, low prices and no threat of criminal penalties would lead to more drug users and, hence, to more addicts. The young would be particularly vulnerable. Legalizing drugs is a sure loser.

Letters to the editor

School board decision reflects 'basic misunderstanding' of day

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Hills-Bedminster Press

Fact & Comment

March 13, 1996

MALCOLM S. FORBES JR.



Lest we forget

During a recent CNN inter-
view to mark the fifth an-
niversary of the end of the Gulf
war, President Bush again cor-
rectly labeled Iraq's Saddam
Hussein for what he is — evil.
It is a timely reminder, coming
on the heels of the double mur-
der of Hussein's prodigal sons-
in-law, who defected to Jordan
last year. But the message
seems to have been lost on the
United Nations diplomats who
are once again negotiating to
restore Iraqi oil exports.

Except for limited amounts
of oil it has sent to Jordan, Iraq
has been banned from oil mar-
kets since its invasion of Ku-

wait in 1990. Until last year the
embargo remained in place as
part of the effort to keep pres-
sure on Saddam's regime. But
then a Security Council voted
to adopt a resolution allowing
Iraq to sell up to \$1 billion in
oil every 90 days. The money
was to go into an account con-
trolled by the U.N. Most of it
was to be used for humanitar-
ian supplies of food and medi-
cine with substantial sums
specified for the Kurds in
northern Iraq. The remainder
was to be put toward repara-
tions to Gulf war victims and
toward defraying U.N. expenses

in destroying Iraq's nuclear and
chemical weapons. Saddam re-
jected the deal out of hand, say-
ing the restrictions violated
Iraq's sovereignty.

The situation in Iraq is bleak.
Reports speak of alarming food
shortages, and people are dying
of malnutrition and disease. In-
fants and children are espe-
cially hard hit. This grim reality
is what is behind the renewed
talks. But the Clinton Adminis-
tration must not allow the U.N.
to back off the restrictions on
Iraqi oil sales. Let's not forget
that Iraq is far from complying
with agreements to destroy its
weapons of mass destruction,
as one of Saddam's murdered
sons-in-law, the former head of
Iraq's nuclear and biological
weapons programs, made clear.
The best way to save the in-
nocent children and starving
people of Iraq is to help drive
Saddam Hussein from power.
You cannot compromise with
such evil.

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Letters to the editor

Don't single out motorcyclists for discriminatory legislation

To The Press: comparison like that.

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Hills-Bedminster Press

Fact & Comment March 20, 1996 MALCOLM S. FORBES JR.



Comment Repackaging big government

It's no longer fashionable to advocate big government, so the liberal faithful are raising a new banner. It's called stakeholder capitalism. In Britain its principal huckster is the Labor Party leader, Tony Blair. In the U.S., Clinton's labor secretary, Robert Reich, is the cheerleader-in-chief.

Stripped of verbiage, stakeholder capitalism is a system

in which the politicians and social engineers achieve their goals through a network of laws and regulations. Instead of taxing the voters and then redistributing the money, the politicians require individuals and enterprises to spend their own money on "socially desirable" goals. Keep that plant open even if it loses money. Help the poor by instituting an unrealistically high minimum wage. Provide supplemental relief dis-

guised as job retraining. Neat. The pols get the credit for largess without bearing the blame for raising taxes.

The Reichs and the Blairs argue that America's prevailing private capitalism doesn't protect jobs and communities. They take for their models Western Europe and Japan. The American way may seem "inhuman" to its critics, but look at the bottom line: In the U.S., after a decade of painful restructuring, of plant closings and of growing investments abroad, the unemployment rate has remained at around six percent. And in the "stakeholder" economies? In France unemployment is 12 percent, in Germany 11 percent. And Japan is mired in a deep recession. Some models.

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Letters to the editor

Traffic consultant criticizes state's plan for intersection

The following letter was written to Joseph R. Aliseo, supervising engineer of the New Jersey Department of Transportation.

To The Press:

I am aware of the state's proposal to remove the ramp that runs from Route 202/206 to Route 202

efficiently close that a significant potential for gridlock between the two intersections exists. Prior to my endorsing the state proposal, it would be necessary for me to see studies relating to the existing queuing which occurs periodically relative to the Hills Drive signal for southbound vehicles as well as the

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Hills-Bedminster Press

Fact & ^{March 27,} 1996

Comment

Faulty reasoning

When the stock market plunged three percent Friday, March 8, the culprit was instantly pegged as February's unexpected surge in jobs. Evidence of such strong growth in the economy, it was explained, would forestall any move by the Federal Reserve to lower short-term interest rates further. When the market turned up on the following Monday, pundits concluded that the good news on jobs may have been an aberration, a one-time uptick compensating for the loss of jobs in January. The economy may not be so strong after all. The Fed could still cut rates.

Not surprisingly, the theme here, that what is good for working Americans is bad for Wall Street and vice versa, was quickly picked up by the media. The headline from USA Today, "Job gains send markets into tailspin," was typical. But for such an analysis to be true, the capital markets would have to be perverse. They are not; the analysis is flawed. To-

MALCOLM S. FORBES JR.



the capital gains tax.

Until recent weeks it was assumed a reduction in the capital gains tax rate would be part of any budget package. But now the outlook for such a cut has dimmed markedly. This growing uncertainty is what underlies the market's volatility. And without a cut in the capital gains tax rate, the prospects for a growing economy diminish. A slowdown will hit hardest the newer, smaller companies that create most jobs in America. That would be bad news for working people and for Wall Street.

No more appeasement

The bullying of Taiwan is unacceptable. It should lead to a thorough reappraisal of U.S. policy toward China. Since the U.S. formally established diplomatic relations with China in 1979, we have accepted the so-called one-China doctrine. Did-

the U.S. and China during the last decade of the Cold War kept pressure on the Soviets, and as China pursued more market-oriented economic policies, trade and investment expanded enormously. With \$57.3 billion in bilateral trade between the U.S. and China, both countries have benefited significantly. But America has been proceeding on the assumption that China would not use force in reunifying with Taiwan.

China's recent words and actions have put this bedrock principle in question. By lobbing "test" missiles into the sea near major Taiwanese ports and warning off shipping from the Strait of Taiwan during military exercises, China has disrupted Taiwan's economy and international trade. China's quasi-blockade has forced airlines and shipping companies to reroute and has sent Taiwan's banks and capital markets reeling. Remember, military blockades are generally considered acts of war.

The U.S., through its policy of deliberate ambiguity, escalated the crisis. To give China pause we must be clear and firm. By threatening Taiwan with force, China has put the very concept of one China in jeopardy. At stake here is much more than good economic re-

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Hills-Badminton Press February 7, 1996

Fact & Comment

Saving the system

The Conservative government of Ontario set off a firestorm with a proposal to micromanage almost every aspect of a doctor's work. This controversy underscores the shortcomings of managed care and highlights the virtues of medical savings accounts (MSAs).

Canada's socialized medical system is run at the provincial level. Skyrocketing costs have provinces frantically searching for ways to stem a fiscal hemorrhage.

Ontario's proposal is a government version of America's managed care plans. In HMOs, doctors generally work on salary, and the decisions and practices are routinely second-guessed to curb allegedly ex-

MALCOLM S. FORBES JR.



cessive care, such as too much testing and unnecessary surgery. Ontario, however, plans to go further, making doctors financially liable for treatments the province decides were unneeded.

This approach will restrain costs but at the expense of quality care. Such systems are hostile to innovations because something new can initially be very expensive.

Medical savings accounts are a better way. Here's how they would work with Medicare: Each beneficiary would receive between \$1,500 and \$2,000 for his medical savings account, the amount depending on whether a person chose managed care or a fee-for-service

plan. This money could be used for prescriptions and for ordinary medical expenses. If one were blessed with good health, he could keep any money remaining in the account at the end of the year. Beneficiaries would also receive full coverage for all expenses above the \$3,000 level.

Thus, maximum liability in a year for a beneficiary would be \$1,500. Most people on Medicare would immediately come out ahead since they have to buy supplementary insurance to cover the huge gaps in Medicare coverage. Moreover, Medicare's Part A has a very high deductible for hospital care, and Part B has costly co-pay provisions.

Forbes magazine has had a variation of MSAs since January 1992, and expenses today are no higher than they were four years ago.

MSAs give beneficiaries more control and better coverage at less cost. Combined with Medicare, MSAs would save Uncle Sam almost \$200 billion over seven years.

Letters to the editor

Some questions over discipline for backpack at Bernards school

To The Press:

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Hells-Badmoneta Press

Fact & Comment

Baseball owners hit a home run...

...with their sensible proposal for a handful of interleague games. Starting in 1997, American and National league teams will get to play a few games with their geographical counterparts. Thus, New Yorkers will see the Mets and the Yanks play each other — even though the teams have never made it to the World Series at the same time. Ditto, intra-town rivalries in Chicago, Los Angeles and San Francisco/Oakland. The number of games planned is modest enough

MALCOLM S. FORBES JR.



that it won't make having two different leagues meaningless.

While on the subject of change, the American League should finally abolish the designated hitter (the National League never went in for this nonsense). Players will disagree, arguing that this effectively cuts positions for them. However, the probability of additional teams before the decade ends should quell their fears.

But it will take more than these reforms to truly put the zip back into our once-national pastime. Baseball biggies should seriously

consider revamping their revenue-sharing agreements for the playoffs and the World Series. Right now; too much money goes to non-winning teams. Instead, the loot should go only to those who make the playoffs, and most of that should land in the laps of those who actually make it to the World Series. A more winner-take-all approach would actually benefit teams from smaller cities. There'd be less emphasis on individual aggrandizement since the big money would come when the ball club wins rather than when one star shines. Players would be less likely to jump around since the premium would be on team play. Fan loyalty would be renewed, as in the days of old.

Baseball is an extraordinary, unique blend of individual and team play. The latter needs rejuvenating.

Letters to the editor

Tax system should reflect values

To The Press:

The furor and panic which has met Steve Forbes's flat tax initiative belies some fundamental problems that the naysayers overlook, mainly that any tax system that fails to treat all classes of taxpayers equally violates our most fundamental constitutional principles. Our nation was founded in response to unequal taxation and the founding fathers believed in a classless tax system. As Alexander Hamilton observed

understands political economy and does so much better than those Washington insiders who have misused the current income tax system as an oppressive method to control and to manipulate us taxpayers. Taxes are only supposed to be used as a source of revenue for legitimate governmental purposes, not to advance vote buying misguided redistribution-of-wealth social engineering schemes.

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Hills-Bedminster Press

Fact & Comment

2/21/96

MALCOLM S. FORBES JR.



Beijing's disturbing moves

China is becoming increasingly aggressive. The U.S. must quietly make clear that we are not going to stand idly by.

Beijing is turning up the heat by launching "test" missiles near the island's shores. It is also stepping up pressure on the disputed, oil-rich area around the Spratly Islands, its navy reportedly exchanging fire with a Philippine ship.

China is in the throes of disruptive power plays for control in the post-Deng era. But this is no reason for us to take a powder as various factions use the ultranationalist card against their foes. If China is to evolve into a peaceful state more concerned with raising living standards than with truculently flexing its diplomatic and military muscle, we must take convincing steps now.

those under the yoke of the Soviet Union during the Cold War — access to the truth about what is happening internally and around the world.

Longer term, to diffuse the Taiwan-Beijing crisis, we might suggest allowing vibrant, democratic Taiwan into international agencies, including the United Nations, without repudiating the One China policy. There is a precedent of sorts; the Soviet Union in 1945 was allowed three memberships in the U.N. — for itself and for the then-non-independent Ukraine and Belorussia.

Senselessly defenseless

Most Americans mistakenly believe that we can defend ourselves against incoming ballistic missiles. But we are defenseless, vulnerable, and, thanks to the White House, we

at the obsolete, increasingly dangerous shrine of the Cold War doctrine of mutually assured destruction. The idea is that no one will pop a missile at us because theoretically we could wipe them out. Sadly, though, the ability of a terrorist state to deliver a missile of mass destruction to our shores or to those of any of our allies would give it immense blackmailing capability. Credible missile protection would sharply reduce the inclination of outlaw regimes to engage in international extortion.

To its credit, the Republican Congress had included a provision in the defense authorization bill for developing an effective missile defense system by 2003. Clinton vetoed the bill — and Republicans backed down.

In fact, the Senate in late January overwhelmingly approved the START II nuclear arms reduction treaty without a rider stating that this agreement would not prevent us from developing missile defenses.

Soothing words about rogue nations still being years away from having the means to harm us via missiles are the equivalent of whistling past the graveyard. After all, on the eve of the Gulf war our intelligence

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Fact & Comment

Take some profits

MALCOLM S. FORBES JR.



Powerful forces have propelled this bull market: relatively low interest and inflation rates; a flood of 401 (k) money; efficiency-enhancing technology; strong corporate earnings; globalization that creates new investment opportunities.

With all this fuel the market hasn't had a major correction since 1990, and, after a lull in 1994, the bull became supercharged. In just the past 14 months the Dow industrials have spiked up by nearly 2,000 points, with scarcely a pause for breath. In the broad sweep of things there have been four great bull markets since World War I: 1921-1929, 1932-1937, 1949-1966 and 1982-? This one is already the biggest in percentage gains.

How much higher can it go? It's not time for Armageddon, but it is time for caution. History shows that the longer the market goes without a correction the worse the inevitable downdraft — it comes when

least expected. So do some hard pruning in your portfolio. It's good discipline. If the pruning costs you some capital gains taxes, chalk it up to insurance. And with money market funds currently yielding around 5 percent, cash isn't trash.

Not a bad start ...

... but the telecommunications bill recently passed by Congress and signed by President Clinton is only that — a start. It needs to go a lot further.

At more than 100 pages, this bill is too long, too riddled with lobby-crafted breaks. For example, TV broadcasters get a \$70 billion free pass on airwave rights, but innovative upstarts must pay for theirs. Why does Disney need corporate welfare? Another fault of the bill: Administration friends at the Justice Department and the FCC were handed too much control

in deciding who can compete in which markets.

Real deregulation is the answer. Our world-leading computer industry shows the way. PCs have been around for only 20 years, yet during this period the industry — free from regulation — has sold 150 million computers, has grown to a \$300-billion-a-year industry and has sparked the U.S. economy. New business heroes, from Microsoft's Bill Gates to Sun Microsystems' Scott McNealy to Netscape Communications' Jim Clark, rose up and built this industry. They've also grown rich (a feat worrisome to Clintonites), but only by delivering vastly improved products to American businesses and consumers every year.

Capitalism works. It will deliver the information superhighway faster and better if we let it. America is bubbling with new communications technology, from satellites to cable modems to digital flip phones.

But technology alone is not enough. Congress and the President must once and for all let loose in telecom the same spirit of enterprise that boosted our PC industry to the world's number one spot.

We could start by eliminating the FCC.

Letters to the editor

Forbes urged to sign Diabetes Pledge

To The Press:

New Jersey is now one of five states in the nation which guarantees health insurance coverage for dia-

Forbes, as a candidate for president, to make the same commitment to all Americans by signing the Diabetes Pledge.

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Hills-Bedminster Press

Fact & Comment

Necessary insurance

1/13/96

MALCOLM S. FORBES JR.



Regardless of what happens in Bosnia, we must resist pulling back our permanently stationed troops in Europe and Asia. Budgetary problems at home, combined with a growing who-needs-them-now mood among voters in Western Europe and Asia are creating pressures to reduce and eventually eliminate a meaningful American military presence overseas. Such a move would be a disaster.

Only the U.S. can play a stabilizing role around the world and prevent a destructive resurfacing of past Big Power rivalries. In a 1984 interview, German Chancellor Helmut Kohl told *Forbes Magazine*, in effect, "Don't leave Europe to its own devices. Look at what has happened in this century." This advice is still sound. Clearly, European nations could not cope with the Bosnian crisis.

Who knows what may yet develop in Russia?

For that matter, what direction will China take? Its military buildup continues. If the U.S. were to withdraw from Asia, then Japan — and perhaps even Russia — might feel forced to increase its armaments in self-defense. Japanese rearmament would send tremors through other Asian nations. Despite the Marine rape scandal in Okinawa, Asian leaders badly want the U.S. presence to continue.

Real U.S. defense spending has been declining since the mid 1980s. While our stationing troops overseas is a burden, the cost is a fraction of what it would be if a major conflict or arms race were to erupt in Europe or Asia.

Letters to the editor

The Republicans have cut taxes in Somerset County

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Fact & Comment

Get rid of this burden

MALCOLM S. FORBES JR.



Here's a way to stimulate the economy: Congress should repeal the Humphrey-Hawkins Act. This legislation, passed in the late 1970s, mandates that the Federal Reserve attempt to achieve all sorts of desirable goals — full employment, productivity, a balanced budget, stable prices. This law is an example of the highest order of hubris — that a government agency can decree prosperity.

Senator Connie Mack (R-Fla.), chairman of the Joint Economic Committee, wants to replace the misnamed Full Employment and Balanced Growth Act of 1978 with the Economic Growth and Price Stability Act of 1995. Its mandate: to have the Fed concentrate on achieving price stability. Senator Mack rightly

rates, which would be a boon to us all. When the Fed, or any other central bank, tries to fine-tune the economy, the results are uniformly bad. In pre-Thatcher Britain, for instance, the Sceptered Isle was repeatedly wracked by periods of printing-press prosperity followed by ever-deeper recessions. The U.S. went through the same thing in the 1970s.

Mack understands that other government policies, such as lowering tax rates and lessening regulations, are also critical in creating conditions for prosperity. The missing ingredient in the Mack bill is a provision spelling out how the Fed can achieve a sound dollar — not by holding the economy back but by using the gold price as a compass. When Chairman Greenspan does this from time to time, the results are good. In the past year there has been

interest rates have plunged from 8 percent to 6 percent.

The gold ingredient is critical. One of the heaviest dead-weights on the American economy today is the pernicious notion that prosperity causes inflation. The idea that there is a tradeoff between inflation and unemployment — if you want less of one, you have to get more of the other — is pervasive among policymakers. Federal Reserve economists believe the economy can't constructively grow more than 2.5 percent a year. Republicans and Democrats implicitly accept these pessimistic constraints.

The theory is nonsense. America grew rapidly in the 1980s while inflation fell by more than two-thirds. Benighted believers fail to make the distinction between price changes that are a result of supply and demand and price changes that result from debasing the currency.

The Mack bill, with a gold proviso, would enormously expand opportunity. We would get the type of money that we haven't had in 30 years — 4.25

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Hello Bedminster Press

Fact & 1/24/96

MALCOLM S. FORBES JR.



Comment That Communist triumph...

...in Russia's parliamentary elections last month was the latest, most ominous bitter fruit of our misbegotten policies for the nations of the former Soviet Empire.

The Bolsheviks' systematic destruction of civic life was bound to make any post-totalitarian transition extremely difficult in the best of circumstances. But the horrific inflation that has afflicted Russia and most neighboring lands has played a huge role in moving millions of voters to cast nostalgic glances at the old Red guard.

Periods of great inflation always undermine a sense of justice and of law and order. Just look at how major currency debaucheries in this century made Imperial Russia, the We-

imar Republic (Germany) and Nationalist China ripe for totalitarian takeovers.

The reduction of the ruble to rubble over the past five years has wiped out the savings of tens of millions of ordinary Russians while impoverishing millions of pensioners. True, many Russians are beginning to enjoy a more affluent, middle-class life, but their numbers are no match for those who feel they have lost ground since the fall of the Berlin Wall.

The U.S. and our allies did nothing to effectively show Moscow how to stabilize the ruble. In fact, the toxic nostrums of the International Monetary Fund perversely hastened the ruble's plunge to wallpaper status.

What could have been done? One measure would have been to establish a currency board

like those the Baltic states and Argentina have instituted to give value to their own money. No local currency is issued unless it is backed by sound monies, such as the dollar, or by gold.

A more likely solution would have been for Russia to employ a modernized version of that pioneered by Alexander Hamilton 200 years ago, when the dollar suffered ruble-like status. Hamilton pegged the dollar to gold and issued bonds. What gave creditors faith in these instruments were the immense land holdings of the U.S. Government and the receipts pledged from sales of that land to back the bonds, as well as revenues from tariffs and excise taxes. Even today, despite a massive, corruption-laden privatization program, the Kremlin still owns assets worth hundreds of billions of dollars that could be used as collateral.

What's to be done now? Give forceful, Hamilton-like advice to Ukraine, Armenia, Georgia and other entities that were once a part of the Soviet Union and wish to remain independent — not to mention to former satellites such as Poland and Hungary.

Letters to the editor

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Fact & Comment

Avoiding a deadly disaster

One of the 20th century's most ghastly horrors took place during the spring and summer of 1994 in Rwanda. In the space of 100 days, the majority Hutu tribe slaughtered some 500,000 Tutsis, a minority group. About half of the Tutsi population perished, mostly at the hands of machete-wielding Hutus. While the Rwandan government is suspected of having long planned the extermination, much of the killing was carried out not by SS-like bands of trained murderers, but by countless civilians — neighbors, teachers, priests, doctors. The genocide ceased only when a Tutsi rebel group of exiles from nearby Uganda invaded, routing the Rwandan army. The rebel triumph sent millions of Hutus fleeing into neighboring lands.

Diplomats fear that the resulting instability wrought by refugee camps filled with mil-

MALCOLM S. FORBES JR.



...have its own country carved out of the existing states of Rwanda and Burundi (where Hutus and Tutsis have also literally been at each other's throats for decades).

It would be fitting for the French to take the lead here, as it was their diplomacy that allegedly helped trigger the horrors of 1994. Behind the scenes, the U.S. could nudge the U.N., which shares culpability, into a face-saving role. When the genocide began, the U.N. voted to reduce the handful of peacekeepers stationed there. Observers believe a few thousand additional troops could have put a stop to the genocide quickly. The Clinton Administration is not guilt-free, either. As the killings were taking place, the White House refused to brand these acts as genocide.

Fast action is imperative lest rivers of blood flow again.

Yeltsin's appointment of Yevgeny Primakov as Russian foreign minister. Primakov is a onetime KGB apparatchik who clawed his way up to the politburo in the former Soviet Union. He supports Russian efforts to re-establish Kremlin control over Ukraine, Georgia and Azerbaijan, which were once the core of the Czarist-Soviet Empires. He is a hawk regarding Chechnya. He was an avid supporter of Saddam Hussein before the Gulf war, and he has been a prime mover in Russia's cozying up to Iran.

The U.S. bears some of the blame for this troubling turn of events because of our utterly misguided economic advice. So-called shock therapy was wrapped in free-market rhetoric — but ignored free-market principles. Devaluations and high taxes were tolerated, if not encouraged. The resulting inflation undermined support for democratic reform forces.

We should junk this toxic approach and urge the Kremlin, for starters, to stabilize the ruble and slash crushing tax rates. These steps would make for a broader-based economic recovery, which would be our best hope of creating pluralistic, antiauthoritarian political forces. Remember rising pros-

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Fact & Comment

Flat lies against flat tax

MALCOLM S. FORBES JR.



When House Majority Leader Dick Armev (R-Texas) proposed his flat tax plan several months ago, opponents quickly realized it would have potent public appeal. A family of four, after all, wouldn't start paying the 17 percent rate until its income exceeded \$36,800.

Tax-and-spenders like the flat tax about as much as veteran politicians do term limits. Detractors have been reduced to labeling the idea as a giveaway to the rich and to engaging in bogus arithmetic to show a flat tax would balloon the deficit.

One tax-and-spend advocacy group, which in Orwellian fashion calls itself Citizens for Tax Justice (CTJ), charged that the Armev plan would swell the deficit anywhere from \$120 billion to \$320 billion. Armev, who had a doctorate in economics, and respected tax experts found serious flaws in CTJ's arithmetic. As Armev explained, "CTJ assumed that no taxes would be paid on \$471 billion worth of government purchases. This is plainly incorrect because for every dollar the government spends to purchase items, firms or in-

dividuals receive a dollar of income which is taxable under the plan." The Treasury Department, in a similar, pre-election attack, made what it now acknowledges was a \$500 billion error. You'd think that with the discovery of these and other such monumental flaws, the deficit argument would disappear. Think again.

Opponents still brazenly cry "deficit." In a short debate with me on the PBS show *Techno-Politics*, flat tax opponent and CTJ Director Robert McIntyre trotted out this discredited argument. When I called him on it, he shrilly, falsely asserted Armev's arithmetic was at fault, not his.

Hearings will be held on the Armev plan in the new Republican Congress. It will take more than such shameless mendacity to derail it.

Letters to the editor

Preventing another Orange County

To The Press:

The Dec. 22 editorial in "Hindsight" by Jessie Havens, regarding the Bernards Township bond crisis of 1877 was both educational and interesting. However, this article failed to address how the township, like Orange County, Calif., was able to expose public funds to be invested for speculation in private ventures and what New Jersey has done since to preclude a repeat of this situation.

trine" and the crisis caused like that of Bernards Township, amendments were proposed to constitutionally prohibit future courts or legislators from creating taxpayer obligations for any entities under such a doctrine. These amendments were ratified and became a constitutional barrier to the abuses created by the Public Purpose Doctrine. The Amendments read:

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Fact & Comment

How to eliminate (almost) the deficit

Put this country's monetary policy back on a gold standard. We had gold-based systems of one sort or another from the time of George Washington to the 1960s. After the Civil War, the federal government rarely paid more than four percent for its long-term money. The same low rates applied to sound corporate borrowers here and to sound governments overseas. Until the 1960s and early 1970s, when we effectively undermined what was then called the Bretton Woods international monetary system, which had gold as its anchor, a typical American couple could get a 30-year, fixed-rate mortgage for a house at 4½ percent.

If we had a gold-based monetary system today, with its attendant far lower interest rates, we would save well over \$100 billion a year in in-

MALCOLM S. FORBES JR.



terest charges on the national debt. Compounded over five years, that's a net savings of almost \$700 billion.

Even in Washington, that's real money. Isn't it time we overrode economists' irrational phobia against gold?

They still don't get it

Instead of saying that Bill Clinton is getting on the Republican bandwagon, the GOP should hammer home the fact that his proposals fall short, that the two parties are not yet on the same wavelength. Republicans should emphasize that the purpose of tax cuts is to stimulate more economic growth and more, better jobs. Spending cuts are secondary to pro-growth income tax cuts. The

latter must not be made hostage to the former. Eventually, we'll get both. But priority should go to slashing tax rates, which will trigger a better economy faster than budget reductions will.

Neither the proposals of Clinton nor of the congressional Democrats will do much for the middle class or anyone else. Yes, it will be helpful to cut back departments such as Energy and Housing. It will be nice to liberalize the rules governing individual retirement accounts, to increase deductions taken for under 13-year-old children and to give some tax credits for college tuition. But the impact on the economy will be almost zilch. People would be much better off if Washington simply mailed them a direct rebate check.

What the administration does not understand is what makes this economy tick. To grow, you need entrepreneurs and investors willing to risk capital. High tax rates punish those who want to get ahead. They put a high price on earning more. They inhibit savings. They degrade the quality of life by forcing couples to work full time when one of them may wish to spend more time with the kids. High capital gains taxes hinder the flow of money from old investments to riskier new ones. Without risk money, progress is thwarted.

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Letters to the editor

Township should reinstate R3 zone

This is an open letter to Mayor Joseph Metelski and the Redminister Township Committee protected with what is the strongest zoning case in

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Fact & Comment

Bloody bad moves in Mexico

MALCOLM S. FORBES JR.



The new administration of President Ernesto Zedillo has made two egregious blunders that threaten to undo the country's hard-won progress of recent years. Unless the government changes course, Mexico risks descending into a deadly spiral of inflation and violence — which will drive millions of desperate people to try to cross our borders.

Mexico is once again partaking of that seductive, destructive drug of currency devaluation. In one fell swoop, the new regime destroyed its credibility with foreign and domestic investors. Devaluations invariably mean higher interest rates and higher prices. How will these help the Mexican economy?

Mexico fell into an inflationary spiral of ever-cheapening money in the 1970s and paid dearly for it with a catastrophic decline in its standard of living. Another round of inflation will

exacerbate internal political tensions, undercutting the government's popular support.

Apologists claim Mexico's ballooning deficit necessitated this action. The argument is bogus. Developing countries usually run trade shortfalls as they import capital equipment and other economy-building products. Japan had trade deficits in the 1950s and early 1960s, as did South Korea in the 1960s and 1970s, and as did the United States for its first 100 years. Stagnant, inflation-plagued Mexico often had trade surpluses during the 1980s.

The Zedillo administration has made another, equally bad, economic blunder, which has won no headlines at all: It has put off reforming its small-business-destroying capital gains tax laws. Unlike shares traded on the Bolsa, the sale of assets of nonlisted businesses are subject to a stiff capital

gains levy. But there is an especially devastating provision that subjects business owners to a punitive, additional tax assessment. The law assumes that all businesses cheat on their taxes. Thus, when a firm is sold, tax collectors are allowed to impose, without any proof, a ferocious penalty for past evasion. The result is destructively obvious. Vibrant businesses are often stunted because they can't raise nonfamily capital. Small entrepreneurs are reluctant to grow their firms beyond a size that can be managed by the immediate family.

Economic policymakers recently assured us that the new government would rapidly scrap this provision, particularly since it raised no revenue. But inexplicably the government has decided it will postpone lifting this huge albatross off the backs of small business people, who are key to getting the economy growing again.

Mexico has inexplicably put itself in a flimsy boat in dangerous rapids. Its emerging middle class has high expectations and will not passively tolerate this government's inability to deliver the goods.

Letters to the editor

Writer urges...

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Hills-Redminster Press 1/25/95

Fact & Comment

Origins of Mexico's madness

MALCOLM S. FORBES JR.



Mexico is a tragic, textbook case of what ails much of modern economic theory. The country's crisis is an ongoing testament to the peculiar power of certain idiotic ideas that triumph again and again over actual experience.

Devaluation. The IMF and most economists still believe that cheapening a country's money is sound policy because it makes imports more expensive, thus inducing locals to keep their money home, and makes exports cheaper, thereby stimulating export-led growth. That's the theory. Debasers routinely play down or ignore the adverse inflationary and higher interest rate impact. The blunt truth is: Countries burdened by funny money grow more slowly than those that are not. Sound money helps countries expand. Look at Japan and Germany. Honest devaluation-ists know full well that their policy is a backdoor way of reducing people's wages. Their zero-sum mentality equates rising incomes with lessening international competitiveness. They don't realize that, as a country develops, it becomes

more proficient in industries and services that require more and more skilled workers who are motivated by the prospect of a better standard of living.

Trade imbalance. There is no connection between a trade surplus or deficit and a country's economic health and wealth. Mexico's merchandise deficit is the natural result of a rapidly developing nation. The U.S. routinely had trade deficits for its first 100 years. Japan had shortfalls from the end of World War II to the early 1960s — and was growing at 10 percent a year. South Korea had a similar experience in the 1960s and 1970s, as did Thailand, Malaysia and other states in more recent times. Capital inflows are even more important for an expanding economy than trade numbers, which are not very enlightening. For example, A U.S.-owned facility in Malaysia sells a widget to Japan, yet that sale does not show up in our trade data.

Export-led prosperity. This theory holds that the best path to development is through concentrating on promoting exports. In an increasingly global economy, countries will obvi-

ously trade more and more with one another. But many states have gone to the extreme of retarding internal development and lavishing easy credit, tax incentives and other subsidies on businesses that sell overseas. The idea that capital and wealth should also be generated internally is alien to these manic export advocates. In an open market, a sale of a product or service to a fellow citizen is just as valid and valuable as a sale to a foreigner. Mexico's large population could easily create numerous, profitable markets for domestic entrepreneurs. Any gains on exports will be no match for growth lost by Mexico's suppression of internal economic activity. Living standards will be ratcheted down even more.

Price controls. The IMF and other experts endorse Mexico's variant of an approach that has never worked in recorded history: Mexico's wage and profit "restraints" will mean shortages, less (and more expensive) capital, more bankruptcies and, eventually, more political unrest.

Taxes. Mexico will be raising them in the name of balancing its budget, not recognizing that such levies inhibit economic growth. Again, experience is ignored. The United States' recovery from the 1990-91 recession is its slowest since WW II because of the Bush and Clinton tax increases.

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Letters to the editor

Don't let good things go...

Hills Bedminster Press

Fact & 2/1/95

Comment

Green model

Many major environmental organizations, such as the Sierra Club, have become aimless, bloated, self-perpetuating bureaucracies, more interested in raking in contributions to feed themselves than in promoting a better environment. According to a landmark report from the Center for the Study of American Business, these organizations are victims of their own mismanagement, having lost a sound sense of direction in their pursuit of growth for growth's sake.

A happy exception is the National Fish and Wildlife Foundation, which was set up in 1984 to create partnerships with government agencies, universities, individuals and corporations to

MALCOLM S. FORBES JR.



solve specific environmental problems. Unlike most entities that get money from Congress (\$7.5 million this fiscal year), this foundation has been an extraordinarily focused success. Each year it raises at least \$2 for every federal dollar received and uses the money for specific projects. Among its successes, it's involved in a program with Chevrolet to support fisheries projects around the county and with Dow Chemical to protect several "priority" wetland areas. The foundation has become a key player in resuscitating depleted fisheries off the New England coast.

The foundation doesn't so

much reinvent government as it does refocus various programs for maximum impact. It has managed, for example, to get the Forest Service and the Bureau of Land Management, the nation's two largest land management agencies, to transcend jurisdictional jealousies to work together to manage nearly 2,000 miles of river habitat for native fish.

Executive Director Amos Eno, who has little patience for some of his litigations-loving peers, describes the foundation as a "MASH unit treating critical conservation cases swiftly and effectively." Eno has kept the organization lean and result-oriented. "We do not believe in compartmentalizing campaigns up flagpoles. Finding the middle ground between conservation interests and the private sector is axiomatic to workable solutions."

To survive and revive, other environmental groups would do well to adopt a down-to-earth, Eno-like approach, to their own operations.

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Letters to the editor

Involve public in the future

To The Press:

In 1994, the Township of Bedminster submitted a petition to the New Jersey Office of State Planning seeking a review of the Bedminster master plan for

ities services) of the Municipal Land Use Law."

These recommendations are intended to provide Bedminster with ideas for future considerations, and may serve as an agenda for future action. The report

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Hills-Delmar Press

Fact & Comment

2/8/95

MALCOLM S. FORBES JR.



She does it again

New Jersey Governor Christie Whitman has astonished friend and foe alike with her radical new tax-cutting budget. Skeptics were gleefully predicting that Governor Whitman would have to break her pledge to reduce the Garden State's income tax rates 30 percent over three years. Instead, she's doing it in two years. Critics claimed she would flinch from making the necessary budget cuts. She has proven them wrong.

This kind of foresighted fortitude led the GOP to choose her to respond to President Clinton's State of the Union address.

Her budget sets a wonderful example for other states. Now the new, tax-cutting chief executives of New York (George Pataki) and Connecticut (John Rowland) can say to naysayers, "See, it's doable." Moreover, they can argue that they must slash levies if their states are to remain competitive economically. Other governors will soon be receiving heat from voters asking, "Why not us?"

Although in effect only one year, Governor Whitman's tax

program is beginning to heal New Jersey's sick economy. From 1950 to 1990 the state was one of the nation's economic leaders. After draconian tax increases were enacted in 1990, it became an overnight laggard. For the first time in years, New Jersey was doing worse than neighboring New York and Pennsylvania. Now, Governor Whitman proudly notes, the Garden State is performing better than New York, Pennsylvania and Connecticut. If the legislature goes along with her budget, the state should resume its premier place in the nation by the next gubernatorial election, in 1997.

Governor Whitman also deserves hosannas for the careful way she is reducing the scope of state government. Instead of across-the-board cuts, she is pruning or eliminating programs that clearly are outmoded or inefficient. Democrats claim her cuts will mean higher property taxes even though state aid to municipalities will remain stable. As a *New York Times* editorial rightly noted, "There is no clear

proof of a link." The governor has also taken pains to help localities become efficient, by offering in-depth fiscal reviews that will turn up useful menus of budget savings for mayors and municipal councils.

Education unions and other progovernment groups are fighting this budget quietly but ferociously. It'll be interesting to see if the Republican legislature can, in this election year, rise above the pressure of special interest opposition.

Horsing around

Even nonhorsey people, including those of us who have convinced readers that our writings are from the south end of a horse going north, will find these two books stirring, absorbing.

Richard Stone Reeves is by far the foremost painter of champion Thoroughbreds in the world today. His subjects in *Royal Blood* (text by Jim Bolus, The Blood-Horse, Inc., \$75) range from Man o' War, nearly a century ago, to last year's Preakness winner, Tabasco Cat. Reeves brilliantly brings to life each of these extraordinary animals. *In the Irons* by Gary J. Benson (text by Phil Maggitti, Howell Book House, \$50): Benson's four-color photos are more evocative, pack more action than any video or movie. Unlike most coffee table volumes, these are too well done to collect dust.

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Letters to the editor

Hills - Bedminster Press

Fact & Comment

2/15/95

MALCOLM S. FORBES JR.



Argentina is providing ...

... a wonderfully inspiring contrast to Mexico's self-destructive behavior. The hero is Minister of the Economy Domingo Cavallo, who, several years ago, spearheaded President Carlos Menem's drive to turn Argentina from a chronic economic basket case into a regional powerhouse. Yearly inflation has gone from over 2,000 percent to under four percent. Argentina's peso is stable. Internal, competition-stifling cartels are being disbanded. The country has been growing

at an impressive seven percent average since 1991. Cavallo recognizes what the Mexicans and most American officials do not. A currency is a fundamental "contract" between a government and its citizens and manipulating currency value betrays that.

When Mexico, egged on by the United States, began its suicidal devaluations, Argentina promptly declared that it would do anything and everything necessary to preserve the value of its money. The peso up to

then had been pegged within a narrow range to the dollar. Cavallo has fixed it at a rigid 1-to-1 ratio.

Thanks to Cavallo, Argentina's peso promise is money good. The country has a functioning currency board: Every peso is backed by dollars or gold. Buenos Aires had no problem stemming a post-Mexico panic. (We should make our bailout package for Mexico contingent on its adopting a currency board to restore its peso. Mexico should consult Johns Hopkins economist and Forbes columnist Steve Hanke, who has worked closely with Cavallo on this.)

From bitter experience, Argentina knows that sound money is essential for long-term economic growth and individual opportunity. Why do others find that so hard to accept?

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Letters to the editor

Paper readers expect facts

To The Press:

At the minimum, readers should expect factual accuracy in *Courier News* editorials when facts are employed.

The Feb. 7 editorial titled "Keeping a Town Divided," stated that "A member of the Township Committee, one of two who lives in The Hills, recently resigned." The resignation was received from Mrs. Celentano who lives in the Pottersville section of our community, not The Hills. Thus, the current remaining makeup of the Township Committee consists of two who live in The Hills section of our community, one who lives in the central portion, and one who lives in the eastern portion of the western section of our community. A community of one; shared by all.

Another interesting fact is that the Bedminster Republican Municipal Committee that voted on and ad-

sion reached in the editorial, albeit based on a different root cause analysis, one should also conclude that editorials such as *The Courier's* enhance division as opposed to advancing the objective of inclusiveness and bringing our community closer together.

Why doesn't *The Courier* try a positive editorial on how well Bedminster has assimilated a substantial population growth in a short period of time? This community has successfully addressed the needs of this growth through:

1. A new K-8 school facility
2. An expanded library facility
3. A township employee force that continues to outstandingly serve
4. Non-paid volunteers who staff our emergency response organizations
5. Inclusionary staffing of all of our boards, commissions, committees, etc.

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Committee

... merger talks between Somerville and Raritan.

The merging of court systems can be relatively easy to accomplish, if both municipalities are able to twirl the bureaucratic spaghetti the state places on local municipal courts. Both Fair Hills and Peapack-Gladstone owe a good faith effort on the merger to their property taxpayers.

Hills-Bedminster Press

Fact & Comment

2/22/95

MALCOLM S. FORBES JR.



Mexico's self-inflicted economic wounds have temporarily pushed Russia off the front pages. But not for long. Russia is infinitely more important to our future safety, and the country continues to unravel. Because Yeltsin has survived so many crises and because there is no powerfully organized opposition within the military or security services, Westerners are assuming Moscow will somehow muddle through, that its sort-of democracy will somehow stay intact. But this "muddling through" won't be the same British variety.

Russia is fitfully sliding toward dictatorship, not the bloody Stalinist type that slaughtered millions, but more of the old-time Latin-American if-you-are-not-against-us-we-will-leave-you-alone strongman rule. Russia is supposed to hold a presidential election next year, but no Russian will wage even a worthless ruble that will come to pass.

The government is tightening pressure on independent pockets of the media. An article in the Moscow Times "Russia's Creeping Coup," warns "the next blow will be struck against the media-television first. Trial measures have already been taken. We will find ourselves once again feverishly scanning the airwaves for foreign radio stations and listening for footsteps approaching our doors."

Russia's Weimar-like deterioration and the turmoil in neighboring states underscore the importance of preserving U.S. radio broadcasting to that part of the world. In the post-Berlin Wall era, the budgets of Radio Free Europe/

Radio Liberty and the Voice of America have been dramatically cut. There are rumblings in Congress of eliminating them totally.

The GOP must avoid such an isolationist lurch. Having CNN, taxes and information overload, in the West assume those troubled areas have access to all the news they need. The reality is that there is very little independent media in Russia and virtually none on a national-scale. The same is true in almost all of the successor states of the former U.S.S.R. An occasional fax is no substitute for a vibrant, daily free press. To get information about what is going on in these countries, you need on-the-ground networks of reporters and stringers. Radio Liberty is the only Western news organization that has these in place.

Russia and its neighbors are not the only ones needing U.S.-sponsored radio broadcasts. Asia is in a period of political turmoil: China has a long history of political earthquakes; North Korea remains a nuclear enigma; Burma's totalitarian dictatorship is hard at work expanding its drug trade. Yet Congress may kibosh an administration request to set up a Radio Free Asia service.

Ceremonies marking the 50th anniversary of the liberation of Nazi death camps are grim reminders of the price we and world paid for an ostrichlike attitude.

Letters to the Editor

CASE needs more support in legal fight over

To The Press:

As many of you already know from articles written in the newspapers, Environmental Disposal Corporation (EDC) has proposed a 122 percent increase in the sewer fee of a good portion of the Bedminster community. This increase would mean that a \$30 per month fee for condominiums and townhomes would become \$66, while a \$36 per month fee for single family homeowners would become \$80.

In addition, any businesses in Pluckemin would be assessed a rate increase of 122 percent for each sewer line that they use. For example, in the case of Bedminster One, their fee would increase from roughly \$3,000 per month to over \$6,500 per month.

Many of you are aware of the efforts of CASE (Committee Against Sewer Extortion) in our fight against this proposed increase. We held a public information meeting on Jan. 31 which was attended by approximately 200 concerned citizens. At that meeting I reported on our efforts to obtain financial support from the Pluckemin business community in our fight with EDC. I am proud to announce that Bedminster One has contributed \$2,000 to our efforts. With the exception of the Hurley Insurance Agency, we have received no other financial support from the Pluckemin commercial sector.

I have personally walked around twice to every

No split in Bedr

To The Press:

That your editorial and cartoon (Feb. 15 issue) were crafted with the best of intentions is beyond question, however, certain critical errors should be rectified. Mr. Sullivan's first name is James and not Joe, as erroneously used in the editorial, but which is actually Mayor Metelski's first name. Perhaps the confusion stems from there being little to distinguish one from the other in terms of political orientation, leading to a perception of a clonal relationship of interchangeable names.

To portray in the cartoon the selection of the three nominees (Howland, Johnson and Merriam) by the Bedminster Municipal Republican Committee to fill the Celantano vacancy, as somehow shutting out The Hills Republicans, reveals an unfortunate misconception of the committee's structure and the exaggerated media fall out, as reflective of a rift between The Hills Republicans and other Republicans. In the first instance, the committee normally consists of 16 members, two (one female and one male) from each of the eight districts, which are elected biennially. Due to vacancies and absentees, only 12 members, of which six were from The Hills districts and six from other districts, participated in the selection process. Closely supervised by the County Committee, consensus was finally reached after a long series of votes, exemplary of the democratic process. Only those uninformed or

The Hills-Bedminster Press

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Publisher

Rich Borelli
Sports Editor

Michael Deak
Editor

Cheryl Fenske
Chief Copy Editor-Special
Sections Editor

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The following letter was sent to Gov. Christian ...

Hills - Bedminster Press

Fact & 3/1/95

MALCOLM S. FORBES JR.



Comment

He had it right — and still does

Jack Kemp has announced he won't seek the 1996 Republican presidential nomination. Too bad for the GOP and the nation. A spirited Kemp candidacy would have had a wonderfully positive impact on the evolving views of other candidates. As chairman of Empower America, a grass-roots reform organization that Kemp co-founded two years ago, I see firsthand his zeal for promoting economy-expanding, pro-individual opportunity policies.

Republicans are right to focus on downsizing the intrusive, arrogant, incompetent federal government. But they must offer a positive progrowth agenda to first consolidate and then expand its beachhead as the majority party. Cutting budgets, busting bureaucracies, reducing regulations are all means to an end, not ends in and of themselves. If the Federal Reserve continues its misbegotten monetary policy, the economy will experience unpleasant weather. Republicans must respond with more than: "Let's balance the budget."

Kemp himself will, happy-warrior-like, continue to speak out forcefully on issues such as taxes, gold, the peso, immigration, the status of the District of Columbia, etc.

He has already achieved far more in public life than most other public figures, including a number of our presidents. The Kemp-Roth tax-cutting bill of the late 1970s moved the spirit of the Republican Party away from its crabby, root-canal proclivities. Ronald Reagan made Kemp-Roth the centerpiece of his economic program, triggering our longest peacetime expansion. The resultant boom enabled the U.S. to finance its largest peacetime military buildup, while defense spending never absorbed more than 6.5 percent of GNP. This was a contrast to the 1950s, when Pentagon outlays routinely exceeded 10 percent. The buildup, particularly the much maligned "Star Wars" effort, played a critical role in demoralizing the Soviet Union and in our winning the Cold War.

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Letters to the editor

New airport regulation is injustice

To The Press:

Probably the most distressing thing about the recent Bedminster Township Committee's decision to spot zone Somerset Airport as non-conforming is the effect it is having on the airport's 90-year-old founder and manager, George Walker. George has been a hard-working citizen and taxpayer in the Township for 50 years. George has always gone well out of his way to be a good neighbor to the township.

It is a disgrace that the Township Committee has

which the Walker family and their legal representative were excluded. It is outrageous that municipal business is conducted in this manner.

With a one-word zoning change, the Walkers are now required to seek approval from a super majority of the Township Zoning Board of Adjustment if they want to make any improvement to their public use facility. This imposes expensive and unnecessary layers of cost and bureaucracy for the Walkers to contend with. The committee's sole purpose appears to

Hills-Badminton Press

Fact & Comment

Healthy solution

3/8/95
MALCOLM S. FORBES JR.



In a few months, Congress will again take up the contentious topic of health care. To solve most of what ails our system, the national legislature should establish tax-free medical savings accounts.

This simple vehicle would dramatically change the better the whole dynamic of the way we finance American medicine. We would get a free-market, individual-oriented approach. One hundred million consumers would guide this market instead of employers, insurance companies, increasingly arbitrary HMOs and government bureaucrats. The integrity and the constant innovation still characteristic of the current system would be preserved.

To understand the potency of medical savings accounts, ask a simple question: Why is increased demand for automobiles, houses, computers, clothing, etc. considered positive, while increased demand for health care is regarded as a cri-

sis? The answer: a tax code distortion. Companies get a tax deduction for health insurance premiums; individuals do not. Even the self-employed get to deduct only 25 cents of each health care dollar. Not surprisingly, most insurance is bought by employers. People are misled into thinking that somebody else is paying for their medical costs. There is little or no positive reward for individual good behavior. The bulk of private-sector reforms are lots of stick, very little carrot. No wonder costs skyrocketed for decades and are now being controlled by the increasingly heavy-handed strictures of HMOs.

Once you understand the perverseness of our tax code, the answer is simple: Equalize the tax treatment of individuals and corporations for health care expenses. People should be allowed to set up medical savings accounts, which could be fund-

ed with pretax dollars by employers or employees, or both. Any money not spent in a given year for catastrophic insurance and routine medical expenses would remain in the account as the property of the individual and would grow tax-free.

The chief virtue of tax equality and this medical version of an IRA is that it gives people more control over how their health care dollars are spent. Most people would choose a policy with a high deductible, saving enormously on premiums and banking those savings. They would have incentives to get the most value for their money. This is called consumerism and free enterprise, which are more effective cost containers than are bureaucratic decrees.

Medical savings accounts would give individuals insurance portability. If you lost or changed jobs, you wouldn't lose your insurance because the policy would belong to you, just like homeowner's or automobile insurance. Medical savings accounts would also allow consumers to change their coverage as their conditions changed. They would be able to build a nest egg for unforeseen emergencies or to supplement Medicare when they turned 65.

Letters to the editor

Cross deserves Committee seat

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Hills Mayor Carl Torsilieri said Monday night.

The ballfields will be used by the Bedminster/Far Hills Little League throughout the spring and summer. In the fall the fields will be used by youth soccer and lacrosse teams.

The agreement serves two purposes. By utilizing the Far Hills fields, the Little League will have a home for 1995; previously the Little League had used fields at old Pluckemin School but that area is being used to store materials for the renovation of the building as the new headquarters of the Somerset Art Association.

Second, the agreement is proof that neighboring municipalities, by working together, can solve their mutual problems while at the same time saving taxpayer' money. Sharing services and resources can work if elected officials are determined to make it work.

Hills-Bedminster Press

Fact & Comment

3/15/95

MALCOLM S. FORBES JR.



Bringing justice to civil justice

Senators Mitch McConnell (R-Ky.) and Spence Abraham (R-Mich.) are readying legislation that would dramatically turn the tables on the trial lawyers who clog our courts with oft-frivolous, increasingly burdensome lawsuits. Instead of trying to apply the English Rule here — wherein lawsuit-losers must pay the legal expenses of winners — the senators propose a procedure that avoids the charge of "stacking the deck" against the little guy vis-a-vis big corporations and that would bring faster justice to injured plaintiffs. Under the McConnell-Abraham bill, when an injury or accident takes place, the potential defendant can settle the case by immediately offering to pay for the victim's medical expenses and lost earnings. If the victim (potential plaintiff) accepts this offer, his lawyer cannot collect a contingency fee. The injured party can still reject the offer and file suit to collect money for "pain and suffering." Under those circumstances, no payments are made until the case is ultimately settled in the courts. If there are awards for pain and suffering or punitive damages, the plaintiff's lawyer can collect a

contingency fee based only on the difference between the ultimate award and what has originally been offered for actual losses.

The impact of such an approach would be stunningly healthy. Insurers would have an incentive to quickly settle claims for actual losses. The consumer's claim would be made good on right away instead of his having to file a lawsuit that could take years to settle or could end up being unsuccessful. No longer would there be asbestos-litigation tragedies, where some diseased workers received only a few thousand dollars while their lawyers rapaciously raked in millions. Of the \$9 billion spent on asbestos cases, \$3 billion has gone to the victims and \$6 billion to the attorneys.

Trial lawyers would be less inclined to file flaky suits in the hope a defendant would quickly pay off a plaintiff to avoid the expense of a trial. These vultures would have a harder time inducing accident victims to go to court if the victims could recover their actual losses immediately. Opposition to this reform would expose the true motive of the trial bar: not concern for the little person but sheer greed.

Greenways planning

To the Press:

This is a copy of a letter addressed to the Somerset County Board of Chosen Freeholders.

This letter is written on behalf of a concerned group of volunteers who make up the Bedminster Township Greenways Implementation Task Force. We'd like your support with respect to the deliberations on Greenways funding. We believe there is the potential for your upcoming vote to misdirect funding from the original intent of the referendum voted on by the citizens of Somerset County (Nov. 7, 1989). We'd like to call your attention to what we believe is the intent of this tax assessment as explained, in part, in the interpretive statement contained on the ballot: "...insure a specific source of funds for county acquisition of recreational land and general open space..." In addition, we call to your attention the goals and objectives of your own recently adopted Parks, Recreation and Open Space Master Plan. A plan, we might add, which exemplifies the "progressive nature of Somerset County with respect to our "open space tax" as a means of providing funds when other opportunities no longer exist.

In March 1994, a public hearing was held before your body in order to solicit input with respect to this open space plan; we participated and commented on the draft. The plan was subsequently approved and as a document open to public review, contains in part, the following: "...the County has proposed a policy called the County/Municipal Greenways Partnership which would provide financial incentives to municipalities for planning and acquisition of Greenways. The program is intended to use a minor portion of the Open Space and Farmland Preservation Trust Fund for the acquisition of properties in fee-simple or a lesser property interest which are suggested by municipalities and are integral parts of the County's primary or secondary greenway system. Local greenways which are physically removed from primary or secondary greenways may also be eligible for open space trust funding." The purpose of this Greenways Partnership was, we believed, to provide financial incentives to municipalities for planning and acquisition of greenways. We now discover not only discussion and debate but apparent disregard for the wishes of the voters as well as the participants in the opening space planning process and we are appalled.

Greenways planning is an issue of vital importance in Bedminster and we have taken considerable steps toward the implementation, development and completion of our "emerald necklace." We do, however, feel the need to move forward and our next steps will require us to advance with financial assistance. We believe other municipalities in the county find themselves in the same circumstance. We believe the county and municipalities are converging on plans, if only financial issues could be resolved. It would now

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ent company. In all, CASE claims to have found \$11 million of inconsistencies in the sewer utility's accounting techniques. CASE also argues that EDC has been "extremely unreasonable and has refused to negotiate in good faith toward a balanced settlement."

The 80 percent fee increase requested by EDC is unreasonable. It doesn't make much sense to ask for such a large increase after a decade without a hike; that alone would raise questions among reasonable people. Even if its case holds water, EDC should not be allowed to impose the rate hike all at once; that would be an unfair burden to residents of the Hills.

The citizens group is pleading for residents to send letters protesting the increase to the governor, state legislators and BPU officials. Residents and businesses affected by the rate hike should make their opinions known before it's too late.

Hills-Bedminster Press
Fact & Comment

3/22/95

MALCOLM S. FORBES JR.



Specter of the flat tax

Republican presidential candidates would do themselves and the nation well by taking a cue from long-shot Arlen Specter. The Pennsylvania senator noted thus far only as the most outspoken pro-choice GOP White House aspirant, has a chance to leap into the first tier now that he has proposed a variant of House Majority Leader Dick Armey's flat tax proposal.

Republicans have badly underestimated the potency of this issue. I chair Empower America, a citizens' reform organization whose co-founders include Jack Kemp and Bill Bennett. We have done national mailings and run radio spots in Iowa, New Hampshire, Florida and Arizona advocating the Armey flat tax. The results

have been phenomenal. Responses have far exceeded those to any other issue we have been involved with, including health care, welfare and tort reform.

Specter's proposal differs from Armey's plan in that it allows modified deductions for mortgage interest and charitable contributions. Specter also assumes no future budget cuts. Thus, his flat tax rate is 20 percent instead of Armey's 17 percent. But, like Armey, Specter would not impose a levy on dividends, interest, capital gains and estates.

If Phil Gramm, Bob Dole, Lamar Alexander and Pete Wilson want to leap ahead of the Gop presidential pack, they should warmly embrace an undiluted flat tax.

Letters to the
Sullivan lauded

This is an open letter to the mayor and Bedminster Township Committee.
 To The Press:

I am writing to commend the faithful service of Mr. James Sullivan on the Board of Trustees of the Bedminster Hills Housing Corporation (BHHC) during the past three years. In his role representing the Township Committee as well as the Township of Bedminster on the BHHC board, Mr. Sullivan played a major part in the improvement of the affordable housing process in Bedminster. So rarely in this day and age does a community like Bedminster benefit from unselfish, nonpartisan contributions by an individual to a board such as ours, that I feel it is important to recognize these services publicly.

As you know, the BHHC is primarily responsible for administering Bedminster's affordable housing. Over the past few years, control of the BHHC board has been smoothly and properly shifted from The Hills Development Company to the members representing the affordable housing neighborhoods and the township. Mr. Sullivan was a driving force behind this

Zone is consistent v

To The Press:

I was surprised to see your March 8 editorial designating the rescinding of R10 zoning and its reversion to R3 percent, as proposed by Committeeman Howland, as a "hit." May I suggest you carefully read Mr. David Peifer's letter to you, which was published in the same edition as your March 8 editorial.

If your prime basis for declaring a "hit" was the potential for legal suits, then you're off base (and tagged out). The potential for, and/or actual suits, exist regardless of the zoned lot size.

Firefighters displa

To The Press:

I was driving by the New Jersey Savings Bank Saturday, March 11, when I noticed smoke and called the Bedminster police.

After a quick response and brief setup, the members of the Union Hook and Ladder Fire Company of Far Hills-Bedminster entered the bank with black smoke as thick as pea soup and intense heat, which

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The Press is here for you

The Hills-Bedminster Press is here to serve you. The following should help you see your ideas and news in print:

Michael Deak is the editor. Call him directly at 722-3000, Ext. 6320, with any story suggestions, questions or comments. The fax number is 526-2509. Or you can send your news and announcements to us at: P.O. Box 699, Somerville, N.J. 08876.

The Hills Bedminster Press

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Press
3/29/95

Fact &

Comment

Congress should strip ...

... major league baseball of its antitrust immunity. Only the winds of the free market will save the once national pastime. As economic consultant Jude Wanniski wrote in the *Washington Post*, "Baseball is dying because of the dead hand of government of corporate socialism."

Socialism doesn't work economically, and it's becoming a self-evident disaster in professional sports as well. Why should owners engage in revenue-sharing schemes that have given insufficient rewards to successful teams and provided unwarranted subsidies to laggard ones? Why should owners be able to block the sale of a team between a willing seller

MALCOLM S. FORBES JR.



and buyer? Why shouldn't an owner be able to move his franchise from one city to another at will? Why should players' salaries be capped? If a league decides to expand, why shouldn't the wannabe cities be able to bid at open auction?

With the abolition of the antitrust exemption, the immense revenues from the playoffs and the World Series would mostly go to the winning teams instead of being shared with everyone. Success on the field would mean financial success. Such incentives would encourage true team play and generate genuine fan loyalty. Even a seemingly small city could make it financially if it fielded a winning group of players. If a

city cannot support a baseball club, it doesn't deserve to keep it. A baseball free market would put a premium again on innovation and effective marketing.

Sure, there would be problems working out new arrangements, but every American business has been forced to adjust to changing circumstances. To survive, baseball cannot be immune, either. In fact, professional baseball has usually resisted innovations that ended up enriching and enlivening the game, from the livelier ball after World War I to televised games after World War II to racial integration to abolishing the plantation-life reserve clause to colorful uniforms to multi team playoffs.

Even the most mossbacked owner must recognize that using replacement players will make his franchise virtually worthless. All baseball aficionados — owners, players, fans, vendors — should petition Congress to phase out baseball's special status, lest the game be irreparably harmed.

Letters to the editor

Support local WalkAmerica

To The Press:

It was in 1970 when people in Ohio and Texas took the first historic steps.

Thousands of walkers in Columbus and San Antonio hit the road for healthier babies, beginning a tradition that would capture the hearts of American people. With each subsequent year, new communities lifted the WalkAmerica banner.

In 1971, March of Dimes WalkAmerica came to the Garden State. Right here in North Jersey more than 10,000 residents walk year after year, raising much needed funds to help the March of Dimes Birth De-

launched a nationwide pre-pregnancy planning campaign called Think Ahead!

Much work remains in New Jersey, however, to reduce infant mortality, low birthweight births and to prevent birth defects. In the next 25 years, the March of Dimes envisions an America where:

- There is universal access to maternity and infant care.
- A preconception visit is a routine part of prenatal care.
- Interventions exist to prevent low birthweight and prematurity.

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Fact & *Press* Comment

4/5/95

MALCOLM S. FORBES JR.



How to end that April 15 agony

Two Hoover Institution economists, Robert Hall and Alvin Rabushka, have brilliantly updated *The Flat Tax* (Hoover Press, \$14.95), which they originally issued in 1985. This short book succinctly details their plan and effectively deals with the objections and criticisms raised about it.

Hall and Rabushka would do away with all individual deductions but would set up generous personal allowances. For example, a family of four

would pay no income tax on its first \$25,000 of income and could pay only 19 percent on income above that level. There would be no levies on capital gains, interest, dividends and estates.

The business tax rate would also be 19 percent, and the plan would allow immediate write-offs of all capital investments, including land. Any tax loss could be carried forward.

The Hall-Rabushka plan would be revenue neutral.

The most ambitious variant of their approach is that of House Majority Leader Dick Armey (R-Tex.), Armey's proposal includes significant (by Washington standards only) budget restraints to get exemptions of up to \$36,800 for four-member families. Armey would cut down, over three years, his tax rate from 20 percent to 17 percent.

The plan of presidential aspirant Senator Arlen Specter (R-Pa.) is less sweeping than those of Armey and Hall-Rabushka — a 20 percent rate with limited deductions for home mortgage interest and for charitable contributions.

Dick Armey will formally introduce his flat tax bill soon. Contact your U.S. representative or senators, asking them to support the Armey plan and "If not, why not?"

Letters to the editor

Recall law brings accountability

To The Press:

In 1993, voters across New Jersey overwhelmingly approved a referendum allowing them the power to recall elected officials before the end of their terms.

The referendum was to ensure that elected officials, on the federal, state and local levels, are held accountable for their actions. The public would have a chance to correct a mistake.

In developing the recall legislation, which was passed and sent to the governor in early March, the Legislature sought to develop a system that would accommodate groups seeking to recall an elected official. However, it also needed to protect elective democracy from political maneuvering by special interest groups out for themselves and not all the people of a constituency.

Under the rules of this legislation, New Jersey's

cess. When the correct number of signatures are gathered, a recall election is scheduled.

These time limits are among the longest of the 14 states offering public recall of elected officials.

While it is important for those of us supporting the change to allow an adequate time to recall elected officials, we cannot permit a cloud to hang over these individuals for too long. There is a job to be done in Washington, Trenton and our state's localities. Too much delay would negatively effect the functioning of government.

Additionally, this tool could be misused by special interest groups who might be "out to get" a certain public representative. He or she should not be targeted unfairly and the public should not be unjustly persuaded to believing in a special interest's agenda.

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Hills-Bolton Press

Fact & Comment

4/17/95 MALCOLM S. FORBES JR.



Awakening giant

Thanks to Mexico, global investors are casting a skeptical eye at the promising economy of India. But India's emergence is for real. A financial crisis in 1991 spurred the government to fundamentally alter the economic isolation-cum-socialism that the country had practiced, with rare exception, since achieving independence. Foreign investment is now welcomed. Bureaucratic obstacles to both domestic and foreign entrepreneurs are being cut. Tax and tariff rates have been slashed. India's economy has been blossoming, with growth rates now approaching six percent.

These policies will very like survive the politicians who initially implemented them. Most Indians recognize that rapid economic expansion is essential and that socialist-minded governments cannot engineer this. Even the communist-controlled state of West Bengal now embraces investment-minded executives.

With the bloom off the China boom, India's assets are becoming more apparent. The country's ramshackle democracy, once seen as impeding economic efficiency, is now regarded as a virtue. There is no post-Deng-like uncertainty about political successions. India has a functioning parliament and, unlike China, an independent judiciary and a military firmly under civilian control. It has a strong pri-

private sector that survived over 40 years of state socialism. These "houses" know that liberalization means not only major restructurings and consolidations but also enormous growth opportunities.

The government has wisely pursued a policy of privatization that minimizes political dislocations. Instead of shock therapy, New Delhi permits private companies to compete with state-owned ones. At the same time, the government will sell off, say, 10 percent of a nationalized company. That way, management will become accustomed to public shareholders and to having its performance compared with competitors. And company executives, not political ministers, will undertake the downsizings necessary to become competitive, which, in turn, will make further equity sales more feasible and more profitable. The Subcontinent's problems are obvious. India has more poor people than does all of Africa. The country has more ethnic diversity than the former Yugoslavia. Education is still not compulsory because state governments can't afford to pay for it. India's infrastructure — roads, ports, utilities — is utterly inadequate, particularly now that the economy is expanding (both the central government and states

are considering innovative ways for private investors to own and build new roads and electrical plants).

But the country's assets are enormous. Despite the poverty, the personal savings rate is over 20 percent, several times our own. People's holdings of precious metals are estimated to be worth more than \$130 billion. Indians have in overseas bank accounts at least another \$120 billion. If India's economic progress continues, the country will not lack development capital even if foreign investors stay cautious.

India should be able to achieve Pacific Rim-like, double-digit growth rates. Indians are talented. Witness how well they have done in the past when they've left their once-suffocating country. Their individualism and disdain for formal procedures, are strengths in our high-tech era. Today India ranks second only to the U.S. in creating computer software.

The real danger to India's emergence as an economic colossus is what it has always been — government policy. While income taxes have been cut, the maximum 40 percent rate kicks in at the absurdly low level of under \$4,000. India's central bank is still infested with economists too attracted to nostrums like devaluation and to bogus theories such as "rapid growth breeds inflation." Last year, the Reserve Bank failed to adequately sterilize an unaccustomed flow of foreign investment capital — that is, to buy up the rupees created by the foreign money through the sale of government bonds. Result: Inflation temporarily popped to double digits.

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Letters to the editor

Clearing up misstatements

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Last week at a conference in Las Vegas, controversial TV owner and entrepreneur Rupert Murdoch made a revolutionary suggestion to a large audience of this country's broadcasting executives.

Murdoch's message, that television and other media should seriously consider giving free air time to political candidates, got a not unexpected hostile reception from the gathering of TV's high fliers.

Murdoch, who often gets bad grades for his notions, had the public interest in clear focus on this one. Recognizing the major corrupting element in government and politics in the USA is money, Murdoch made his suggestion as one way to help clean up the process. As he so accurately noted, most of the money raised for political campaigns is used to buy TV time.

In New Jersey gubernatorial elections, for example, which are funded by taxpayer dollars, about 90 percent of these public funds goes directly to New York and Philadelphia TV stations. While Murdoch wasn't talking about public funds, the fact is, everywhere in the United States, the campaign funds go primarily to buy TV spots.

Television stations that copy it during election campaigns love to sell the 30-second and one-minute spots. These political TV commercials, more notable for dirty tricks than for factual presentations, dominate the TV campaign coverage. Shallow TV news coverage that focuses primarily on poll results and little else would have to change dramatically if the stations were giving free time for coverage of campaign events, debates, special meetings and other hard news.

No question that the campaign money trees would be cut down, overnight, if the need to pay for expensive TV time were dramatically reduced. Can it happen? Probably not. But a full-blown discussion within the industry of the pros and cons would certainly put the news in a different view.

discretionary spending, the freeholders should request that the constitutional offices such as the sheriff, surrogate and prosecutor be more fiscally prudent in their budgets. Last year, although asked to cut

For the past four years, Hands Across New Jersey has come before the Somerset County Freeholders asking for a smarter, leaner county government. Imagine the shock and dismay after being told that although revenues have increased considerably, the

MALCOLM S. FORBES JR.



Fact & Comment

Relearning to Just Say 'No'

"Why is it," asked Nancy Reagan recently at a congressional hearing, "we no longer hear the drumbeat of condemnation against drugs coming from our leaders and our culture? Is it any wonder drug use has started climbing again and dramatically, so?"

Good questions. By the early 1990s casual drug use in the United States had declined over 50 percent from 1979. Monthly cocaine use had dropped by almost 80 percent from its mid-1980s peak. Now this direction has dramatically reversed. The percentage of eighth-graders who admit to smoking marijuana in the last year, for example, is double 1991's rate. Co-

Office of National Drug Control

Policy, wanting to reduce mandatory minimum drug sentences for drug trafficking, proposing to scale back the number of federal drug prosecutors and trying to stop the U.S. military from providing Colombia and Peru with intelligence gained from radar tracking of cocaine-carrying aircraft. An angry Bill Bennett, former drug czar for President Bush, correctly concluded at the hearing, "It's a disgrace. If present trends continue, by 1996 the Clinton Administration will have presided over the greatest increase in drug use in modern American history."

he must reverse the impression that he and his administration don't put much stock in drug prevention. Otherwise, Republicans will — rightly — hammer him on this issue next year.

The Democrats' dazzling diplomat

One oasis in the Clinton administration's foreign policy and personnel desert is our ambassador to France, Pamela Harriman. She possesses an energy and a sense of direction that are all too rare in U.S. diplomacy today. She has been tireless in Paris, networking American poobahs from Congress, business, academia and the Fourth Estate with various French leaders. She has been an indefatigable promoter of American commercial interests. She was instrumental in facilitating the successful U.S.-French negotiations on GATT. She played a pivotal role in organizing President Clinton's moving visit to Paris last summer.

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Hells - Westminster Press

Fact &

4/26/95

MALCOLM S. FORBES JR.



Comment

How to give peace a chance

On the Origins of War (by Donald Kagan, Doubleday, \$30) is a particularly timely masterpiece for American policymakers in the post-Cold War world. Author Kagan, renowned historian of classical Greece and Rome, brilliantly examines the origins of four major, devastating conflicts, this century's two world wars, the Peloponnesian War which destroyed democratic Athens along with Greece's "Golden Age," and the Second Punic War which nearly extinguished the Roman Empire — as well as the near-nuclear war that was the Cuban Missile Crisis.

However much we may wish it were not so, Kagan's central thesis is irrefutable: Peace is not the natural state of mankind, and great powers must work hard diplomatically and militarily to preserve it. In each of these epochal collisions, a great power, whose prime interest was in avoiding war, failed to take the necessary measures

to do so. Athens acted in ways that it thought were not particularly bellicose but that Sparta interpreted as trying to upset the balance of power. When the confrontation came, the Athenians arrogantly refused to make a minor concession, mistakenly believing that skillful use of their powerful navy would humble Sparta and its allies.

After a long, intensely difficult struggle to defeat Carthage, Rome imposed a peace and then practiced a diplomacy that was harsh enough to fan Carthaginian desires for revenge but not strong or resolute enough to prevent these foes from taking it. The result was Hannibal's legendary elephant campaign across the Alps and a long war that Rome barely survived.

In both World Wars, the major onus for not preserving the peace falls on Great Britain. At the turn of the century, Lon-

don recognized the growing menace of Germany and reluctantly shed its isolationist posture. But it was unable to face the necessity of building a large, conscript army because that would have violated the core of British values. Thus, when the fatal crisis arose, in 1914, Germany wasn't deterred from waging war against France and Russia by the prospect of Britain's entering the conflict against it. Less easy to understand were Britain's actions after WWI. Like the Romans, the British helped impose a peace that the Germans felt was dishonorable, but Britain did not institute a system that would keep Germany from waging war again.

In the early 1960s John Kennedy's signals of irresolution led an adventurous Nikita Khrushchev to try to alter the strategic balance by recklessly placing nuclear missiles in Cuba.

Washington must break its present pattern of drift and take to heart Kagan's concluding words: "A persistent and repeated error through the ages has been the failure to understand that the preservation of peace requires active effort, planning, the expenditure of resources, and sacrifice, just as war does."

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Letters to the editor

Planning Board seeks public input

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Hells-Balmsta Press

Fact & Comment

5/3/8

MALCOLM S. FORBES JR.



Save the sizzle of savings bonds

The U.S. government is removing the four percent minimum interest rate on new U.S. savings bonds. The Treasury Department should restore this safety net.

Previously, faithful bondholders received either 85 percent of the average yield of five-year Treasury securities or that four percent minimum, whichever was higher. While rates are currently above the old floor, they can readily come down again, particularly if the Federal Reserve gets back on the sound money track it was on between late 1991 and the spring of 1993. Small investors deserve a break on these instruments since they don't yield what equivalent marketable securities do.

Washington has made another seemingly technical change that hurts holders. For five years after a bond was bought, interest was credited monthly. Now it is credited semiannually. If a bond is re-

deemed before the six-month crediting date, up to a half-year's worth of interest can be lost — small investors will again be the big losers here.

One other sometimes-talked-about change that should never see the light of day is removing the bonds' tax-deferred status. Currently, no tax is due on accumulated interest until the bonds are cashed in, which makes them great for saving for kids' college.

TV turnoff

Parents who complain about the inordinate amount of time their kids spend watching television should take heart and a cue from what a group of Illinois parents did earlier this year. A community organization called the Winnetka Alliance for Early Childhood spearheaded an experiment with two Chicago suburban communities. It persuaded over 3,000

families to tune in to a TV Tune-Out Week. That's right — no television at all for seven straight days.

The promoters made clear that the purpose was not to ban TV but simply to remind families that there are numerous alternative activities. As the Alliance's Executive Director Blakely Bundy put it, "Watching TV is a passive activity. The time invested in TV, even public TV, means kids are not outside playing, socializing, enjoying their hobbies or spending time with family."

Local merchants enthusiastically participated, offering activities, contests, exhibitions, freebies and discounts. Citibank, for example, gave each child who came in with a parent a free money activity book and a box of crayons. The library had numerous story hours for children.

The move was remarkably successful. Most kids adjusted easily. Parents realized they had counted on TV as a tranquilizer, a babysitter, and that family life thereby had suffered.

Those who would like to try such a program in their communities should contact Ms. Bundy, 1235 Oak St., Winnetka, Ill., 60093; (708) 441-9001.

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Letters to the editor

Howland gives reasons for running

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Hills-Dorchester Press

Fact & Comment

Vietnam

5/10/95

In his new memoir, former defense chief Robert McNamara calls the Vietnam War a tragic mistake. It is vitally important for our understanding and for the guidance of future policymakers to put this war in its proper context.

Vietnam was part of the Cold War, as was the Korean conflict of 1950-53. Vietnam was the equivalent of a major battlefield defeat, which did not prevent us from achieving ultimate victory. The Americans who died in Vietnam no more died in vain than those who fell in previous unsuccessful battles during such great conflicts as the Revolutionary War, the Civil War and World War II. In any lengthy, hard-fought struggle, no one side wins all battles. George Washington had his share of disheartening setbacks. Lincoln's Union armies suffered numerous, catastrophic defeats. The early

days of our participation in World War II were an almost unrelied catalog of disappointment.

The architects of Vietnam, including, of course, Robert McNamara, are rightly criticized for the grievous errors, just as historians routinely scorch those responsible for such Civil War debacles as Fredericksburg, Chancellorsville and the two battles of Bull Run, or such WWII disasters as Anzio and the bulk of the Italian campaign (where Senator Bob Dole almost lost his life).

When looking back, it's easy to find fault with many aspects and episodes of the Cold War. But we should temper our finger-wagging with the realization that we had never before been in a conflict of this kind. What may be clear now was often confusion and fog then.

Our victory over the Soviet Union is a remarkable testament to our underlying strength. Many analysts, historians and foreign leaders have long believed that a democracy is at an inherent disadvantage with a militaristic foe. They question is whether a consumer-oriented society can have the steadfastness and patience for a long, seemingly inconclusive fight. The United States' political and economic life strikes many as

chaotic, messy, noisy, inefficient — especially when set beside a Prussianesque enemy. Hitler wasn't the first nor will he be the last to mistake our individual-oriented society as hedonistic, soft, corrupt.

Vietnam did indeed severely shake American resolve and morale. Our adversaries seemed to triumph everywhere in the late 1970s. But Ronald Reagan's 1980 election victory dramatically ended our malaise. After years of permitting our military might to wane while Soviet strength waxed, the U.S. began its greatest peacetime re-armament. Thanks to Reagan's tax cuts, the U.S. experienced its longest peacetime economic expansion, which enabled us to smoothly finance this impressive military buildup. Despite massive military expenditures, defense never absorbed more than 6.5 percent of GDP, a contrast to the 1950s buildup, in which defense outlays soaked up 9-10 percent of our economic output. The national debt went up, which is no surprise in wartime, hot or cold. What finally counts is that we won the Cold War against an enemy that had murdered tens of millions of people and shattered the lives of hundreds of millions of others.

Letters to the editor

'A shared responsibility'

To The Press:

As we are rapidly approaching the end of another school year, many fun-filled activities are in store. With the end of the school year comes parties, proms and graduations. Sounds wonderful?

For thousands of teens who mix these activities with alcohol and/or other drugs, the results may be short of fun.

The statistics surrounding alcohol use among teenagers with negative consequences are astounding:

- Drinking-related injuries are the leading cause of death for young people.
- One person dies every three hours, on average, in an alcohol-related car crash, and many more are injured.
- Alcohol use is also closely associated with homicide, suicide, drowning and AIDS.

At this time of year in particular, we need to pay careful attention to the kind of activities our teenagers are participating in. Inform your children of the underage drinking facts and consequences. In every state it is illegal to sell or serve alcohol to persons

under the age of 21. New Jersey has placed a strong emphasis in deterring underage drinking.

The Governor's Council on Alcoholism and Drug Abuse for the State of New Jersey has set laws concerning this particular area:

If you enter an establishment licensed to sell alcoholic beverages and you are under 21 years of age and (1) your purpose is to purchase alcohol, or (2) you purchase, consume or attempt to purchase or have someone else purchase an alcoholic beverage for you, or (3) you misrepresent your age or someone else's for the purpose of obtaining an alcoholic beverage, you will be fined a minimum of \$500 and you will lose your driver's license for six months.

Preventing underage drinking is a shared responsibility. For free information about alcohol, tobacco and other drugs, contact the Somerset Council on Alcohol and Drug Dependency Inc., a prevention and education leader. Call 722-4900.

ALIZA MILLER
Somerset Council on Alcohol
and Drug Dependency Inc.
Somerville

A message for Mother's Day

To The Press:

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Hells-Bedminster Press

Fact & Comment

5/17/95

MALCOLM S. FORBES JR.



The winds of change...

...are being felt even in reluctant-to-change Japan. While the near unanimity one hears for deregulation may be more verbal than heartfelt, this fiercely protective economy is increasingly opening up. Last year government mandarins permitted the building of small stores without the owners having to go through the usual red-tape strangling "approval" process. The result is a plethora (by Japanese standards) of discount stores that are doing brisk business. Land regulations have also been eased. Tens of thousands of Japanese are now able to buy homes at almost half the price of a few years ago. Entrepreneurs, while still facing severe cultural, regulatory and tax obstacles, are nonetheless blossoming (see *Forbes Magazine* July 4, 1994).

zine July 4, 1994).

Business leaders are becoming bluntly outspoken in their criticism of the once all-powerful Ministry of International Trade and Industry as well as of the Ministry of Finance.

Japan's two largest prefectures elected anti-existing-party candidates in last month's gubernatorial elections. Politicians disdainfully dismissed the two as former comedians (largely true), but voters wanted a break from the past. The newly installed governor in Tokyo stunned the establishment by not backing off on his promise to cancel a multibillion-dollar, pork-laden construction project beloved of the old guard.

True, Japan is not about to become an American-style economy. But people there are gradually recognizing that gen-

uine change is necessary if their island nation is to compete effectively in the 21st century.

Serve the time the first time

Criticism is growing of the three-strikes-and-you're-out concept applied to habitual violent criminals. Frustrated Americans gave their hearty approval to the idea of meting out life sentences to three-time violent felons. Critics charge that these laws are inflexible and arbitrary, the favorite example being the absurd case of the 27-year-old California man who got a 25-year-to-life sentence for stealing a slice of pizza.

Why not try a different approach? Why give early release from prison to such criminals in the first place? States should simply require these offenders to serve their entire sentences, instead of routinely letting them out when only a third of their time has been served.

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Letters to the editor

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the veteran remembers that awful moment on Omaha Beach when his best buddy stepped on a land mine. A single tear is wiped away before anyone else can notice.

The sizzle of steaks in the first barbecue of the season. The flapping flag in the afternoon breeze. The whirling metal of bicycles gaining speed before the partyers on High Street in Somerville. The long and mournful solitary notes of Taps. The crows has fallen into an anxious quiet. Will he make the high note? The squawk of the loudspeaker when the minister, about to deliver the benediction, taps on the microphone to make sure he can be heard. The joyful noises of late spring.

The silence of the dead.

Hills Bedminster Press

Fact & Comment

5/24/95

MALCOLM S. FORBES JR.



Dynamic doer

Billy Payne, president and CEO of the Atlanta Committee for the Olympic Games, is a wonderful example of American can-do-it-iveness. More than any other person, this real estate lawyer is responsible for Atlanta's hosting next year's Centennial Olympic Games.

When the 1996 Games came up for bids in the late 1980s, almost everyone assumed the hosting honor would go to Athens, where the modern Olympic Games began in 1896. But Payne was seized by the improbable notion that Atlanta could best Athens and other would-be sites, even though Los Angeles had hosted the Summer Games in 1984. No one thought a U.S. city could compete until the next century.

Payne had never before organized anything to do with sports. But in a civic version of a Horatio Alger story, Atlanta's business and political communities, thanks to Payne's promptings, came together to wage a tireless, intensely detailed, individual-oriented campaign. (In 1990 former mayor Andrew Young asked *Forbes Magazine* to host a delegation of committee members for an evening when our board, The Highlander, was in nearby Savannah. We happily said yes.)

Billy Payne gives new meaning to the word workaholic. He routinely arrives at his office before 6 a.m. and works non-stop into the night. Though

only 47, this hard-charger has already had two rounds of coronary bypass surgery.

Despite Payne's relentless physical pace, his fertile mind never seems to tire or stop churning out ideas. While in New York 19 months ago, he heard about a housing renewal program that Washington had just approved for a section of Atlanta. But between this project and a cluster of Olympic facilities lay an array of run-down buildings, garbage-ridden vacant land and barren-looking parking lots. On the plane trip back from New York, Payne sketched out ideas for a Centennial Olympic Park that would have an amphitheater, an Olympic museum, bike paths, a plaza, etc. The park is fast becoming a reality. To help finance the project he came up with the notion of selling more than one million personalized bricks for the park.

After a shaky start, Payne has the Games' preparations, physical and fiscal, on schedule. A visitor to Atlanta quickly feels the growing Olympic fever. Payne could very well give Peter Ueberroth, responsible for Los Angeles' Summer Games, a run for the Olympic-organizing gold medal, though both men epitomize a uniquely American brand of entrepreneurship.

Letters to the

Setting the record

To The Press:

I believe that it is necessary to set the record straight as far as John Howland's candidacy for the Bedminster Township Committee is concerned. I believe that it is necessary to do this in sequential terms, so that hopefully everyone will be able to see the facts and draw their own conclusions as to who is telling the truth, since fortunately there is only one truth.

In response to Leslie Celentano's resignation from the Bedminster Township Committee, the Bedminster Republican County Committee, by law, was asked to recommend to the remaining members of the Township Committee three names of candidates for appointment for the balance of Celentano's term.

A Republican Caucus Committee of people interested and involved in Republican politics in Bedminster held a series of meetings and asked all Republicans interested in being recommended for this list of three to present themselves to this committee and discuss their interest and their credentials. Quite a number of candidates did emerge and did attend these meetings.

In the final vote, seven candidates' names were presented to the Bedminster Republican County Committee as the caucus' offering of prospective candidates for their consideration. The County Committee also advertised that they would hold a meeting and all who wanted to offer themselves for this interim appointment should attend.

John Howland was one of the candidates who was on the list presented by the caucus and as memory serves, he came in fourth in the voting. His name was one of the three names submitted by the Republican County Committee to the Township Committee and for their own reasons, he was the one chosen by that body to fill out Celentano's unexpired term, which, incidentally, ends with the next election.

In the next sequence of events, it became time for the Republican Party to pick candidates to run in the coming November election for the two seats on the Bedminster Township Committee which are up for election. The candidates must file in April for the primary and the election for the primary is in June.

Once again, the Republican Caucus met, in total

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MALCOLM S.
FORBES JR.



Comment

A memo to the GOP:

The '80s worked

Republicans have accepted the notion that the 1980s were a big fiscal mistake, that Ronald Reagan was wrong to insist on tax cuts even in the face of congressional resistance to reducing spending.

Republicans are now in effect saying that no budget cuts mean no tax cuts. The GOP has it backwards. Prop-

erly structured tax reductions would trigger a robust economic expansion, as they did in the 1980s. They should be the center on which budget cuts are structured. Voters would thus see the GOP as the party of opportunity and growth, not as the party of austerity. Growth would also expand government revenues.

Reagan's much-criticized tax cuts were the principal catalyst

of our longest peacetime expansion. Federal income tax receipts grew mightily. Even more impressive was the extraordinary surge in revenues of state and local governments. The federal deficits of the 1980s resulted from our unprecedented peacetime military buildup — which finally won the 40-year Cold War for us — and, more important, from Congress' inability to say no to domestic spending constituencies. If Republicans combine Reagan's pro-growth tax approach with their anti-spending proclivities, they will get credit for reviving the economy and curbing government.

Why should Republicans buy their opponents' bum raps about what actually happened when Reagan ruled?

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Letters to the editor

An investment in state's future

To The Press:

Very few things are more important than preserving New Jersey's natural resources. Without them, we will not survive. That is why it was so important for the Assembly to pass the "Green Acres, Farmland and Historic Preservation, and Blue Acres Bond Act of 1995."

This legislation would provide a \$310 million bond act for farmland, historic and beachfront preservation.

the Green Acres program has helped preserve more than 337,000 acres of land throughout the state. We are looking forward to preserving even more acres this year by using the allotted money to acquire additional acreage.

Another \$50 million of the bond act would be toward farmland preservation.

To date, the Farmland Preservation Program has preserved approximately 22,000 acres. Another 7,500 acres are in the process of being preserved

Hells-Belmont
9/7/95
**Fact & Pseudo
Comment**

**MALCOLM S.
FORBES JR.**



Without him,
there would
have been no
V-E Day

As we celebrate the 50th anniversary of World War II's end, we should give due honor to the man who, more than anyone else, made possible our victory over Nazi totalitarianism.

In the spring of 1940, Hitler and Stalin were active collaborators, and France was quickly shattered by the Nazis' initial offensive. The parlia-

mentary political base of Britain's new prime minister, Winston Churchill, was weak. During the last week of May, as historians have discovered in recent years, Churchill came under intense War Cabinet pressure to begin negotiations with the seemingly invincible Germans. The chief advocate for a separate peace was Churchill's foreign secretary, Lord Halifax. It took all of Churchill's formidable energy and rhetoric, as well as a timely

report from his military chiefs concluding Britain could survive on its own, to turn back Halifax's challenge. No other British leader could have successfully resisted the immense pressures to call it quits during that grim month. If Britain had negotiated an ignominious armistice, as France did, Hitler would have won his war.

This extraordinary behind-the-scenes drama is grippingly told in John Lukacs' *The Duel*: "The greatest crisis in nine centuries of English history was at hand — distrust of Churchill's leadership had appeared at the highest levels, within his own, recently formed government, voiced by his foreign secretary, who had come to believe that, for the sake of England's survival, the attempt to inquire about peace terms from Hitler should not be avoided."

Letters to the editor

Freeholders forced tax hike through

To The Press:

The Somerset County Freeholders recently voted to increase county taxes by \$13 million, or 10.7 percent, despite hearing the cries [against the increase] from hundreds of angry taxpayers who attended the public hearing May 9, made phone calls, or sent in post-cards.

It appears we have a mini Florio administration in our own county, for freeholders Fittipaldi, Biondi, Pappas and McConnell voted for one of the highest tax increases in the history of the county. Biondi voted no, but only because he felt the tax increase wasn't high enough. Only Freeholder Director Fred Hewlett voted against the tax hike, knowing full well the detrimental effect it will have on many of the county's property taxpayers.

Why the tax increase? It's quite simple. The freeholders wanted to use the \$7.3 million the county had in their "cap bank" that they would have lost if not used this year. They also wanted to keep more money in their surplus account instead of using it for property tax relief as they have done in previous years. In

essence, while they are digging deeper into our pockets to support this tax increase, they will be amassing more than \$17 million in their surplus account by the end of the year. A healthy booty to say the least!

However, the most important reason for this tax hike is to increase the tax levy by \$13 million. This way, they will have that much more money to work with in next year's budget, or should I say more money to spend. Surplus will be plentiful. Is it just a coincidence that there are no incumbent freeholders running for re-election this year? Voters tend to have short memories. Will you forget?

It appears that in Somerset County, the Republican freeholders, [who] have cornered the market on the political expression "tax and spend," are crafty little devils and basically don't give a damn about the struggling property taxpayer!

HOLLY FERRARO
County Coordinator
Hands Across New Jersey
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Hills-Bedminster Press

Fact & Comment

The economy is faltering ...

...and it's no secret why: increased interest rates and increased taxes. The tax boost of 1993 has helped make this expansion the slowest of the post-World War II period. The Federal Reserve's raising of the cost of money during the past year, in the name of fighting inflation, is visibly retarding the sales of cars, houses and other products and services. The Fed has also inadvertently hurt the economy by fueling inflationary pressures with its untimely additions of credit to the banking system.

What's to be done? Pass a pro-growth tax cut. The House of Representatives has put forward a measure that would slash the capital gains levy. This reduction would powerfully stimulate the fi-

MALCOLM S. FORBES JR.



...nancial markets and, combined with a more sensible Federal Reserve policy, send interest rates lower. Within a few months the economy would be humming. Alas, Senate Republicans have irresponsibly reduced the chances of a timely tax cut. What do these "deficit hawks" think a sluggish economy will do to revenues, and thus the deficit?

Time to remember

Sixty-five years ago, Herbert Hoover signed into law one of the most destructive pieces of legisla-

tion in American history, the Smoot-Hawley Tariff. The bill substantially increased import excise taxes on thousands of items. Our trading partners angrily retaliated. Trade shriveled, as did the flow of capital. The resulting decline in activity forced countless businesses to repudiate their debts, which, in turn, nearly destroyed the American banking system.

Hoover compounded the catastrophe with a massive income tax increase two years later. Before it was all over, 25 percent of the American workforce was unemployed, and democracies were collapsing all over Europe, including Germany's.

The Great Depression undetermined people's faith in free-market economics, a legacy we are still grappling with today as economists and policymakers justify their meddling by the need to "stabilize" the economy.

The larger lesson of Smoot-Hawley is what happens when the leading nation of the world backs away from its obligations to maintain an environment where democracy, trade and investment can flourish: If we don't act as the catalyst and the enforcer, no one else can or will.

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Letters to the editor

No reason to replace river bridge

To The Press:

This letter was sent to Mayor Joseph Metelski and members of the Township Committee:

It was very sad to see the demise of the wonderful old iron truss bridge which carried Kline's Mill Road over the North Branch of the Raritan River. That bridge has been a pleasant part of the local scene here for a very long time.

In the last century, when farmers had a load of apples or peaches to take from their farm to Pluckemin, there was a significant reason for being able to get from this vicinity to Pluckemin by crossing the

commuter through-traffic which belongs on the county roads and state roads, but which has spilled over onto the local purpose roads, basically because of the traffic congestion in and around Pluckemin.

Accordingly, although we have enjoyed the nice old bridge before it became a commuter bypass, we are now quite happy with the improvement in the vicinity because of the reduction of commuter bypass traffic.

We hope that you will see fit to decide not to replace the bridge at all. Such a decision, would be, we submit, entirely commensurate with the stated objec-

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Hells-Bedminster Press

Fact & Comment

Even if we win, we lose

6/21/95

MALCOLM S. FORBES JR.



The Clinton administration is going to the brink of a trade war with Japan. Alas, politics — the notion that this "stand up to those unfair Japanese" is a good vote-getter — seems to matter here more than free-enterprise economics.

In the name of opening markets, the White House is pushing what is called "managed trade," or socialism lite. Under managed trade, bureaucrats and politicians determine patterns of trade, telling us what we can or cannot buy. In this case, Washington wants to force private Japanese companies to purchase a certain amount of our auto parts, whether they're

wanted or not.

The real issue is not free trade, as the administration alleges. It is who gets to make buying decisions — politicians or private business people. The White House loves the idea of managed trade because it gives more power to the government, less to private enterprise.

Think of the reaction in the U.S. if Tokyo made similar demands upon us. *Forbes* would find it an outrage if Mickey Kantor's Japanese counterpart told us that we had to buy a certain amount of paper from a particular Japanese company. So would virtually all American companies if a foreign govern-

ment demanded that their purchasing decision be governed by bureaucratically imposed quotas.

If Washington were truly interested in opening up markets, it would drag Tokyo before the new World Trade Organization, which exists to arbitrate such disputes. Assuming a favorable ruling for us, we would then be in the moral, legal and economic position to get a fair settlement. But with this administration, headlines matter more than the rule of law or setting constructive, long-term precedents.

Other nations will now use our bad example as an excuse to ignore international trade rules when it's politically convenient. We and the world will suffer grievously in this kind of anarchic environment, where international trade and capital flows are disrupted.

Our shortsighted truculence is reminiscent of the beggarthy-neighbor policies that destroyed world trade.

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Letters to the editor

New speed limit will be welcome

To The Press:

The following letter was sent to Mary Hamilton, mayor of Peapack-Gladstone:

Peapack-Gladstone is considering the establishment of a 25 mph speed limit throughout the borough, excepting for the state highway which is controlled by others.

Although not a resident of Peapack-Gladstone, I'd

behind me and made it quite clear with his red lights that I was to pull over, which I did.

After very politely examining my various credentials and inquiring whether I realized what the speed limit was, he informed me that I was going some certain speed (I don't remember exactly, but over the speed limit). I guess he became satisfied that I might not do it again (maybe because my hair is gray), but he was polite but clearly gave me a warn-

... happened to Washington Rock State Park is a disgrace. There is no excuse for the wanton vandalism. And there is no excuse for the state's neglect of the facility. It seems that both youthful Central Jersey residents and the state have lost their respect for history. And that's a shame as we near the Fourth of July, the day when we all should make a special effort to remember our struggle for independence.

Historic sites throughout Central Jersey are increasingly threatened to be overrun by development and its consequences. But we must never allow the expediency of the moment to overwhelm the importance of preserving our rich historical heritage. The state must play a major role in ensuring that historical sites are not only protected from the ravages of modern time, but also maintained. We must never again let an important monument to our history, such as Washington Rock State Park, fall into such sorry shape.

Fact & Comment

Congress take note

Those who doubt that properly structured tax cuts can stimulate economic activity should take a look at New Jersey. For the first time in years the Garden State's economy is creating more jobs than its neighbors or the nation. Since Governor Christine Whitman took office, job creation is at a record level. In fact, in a reversal of recent trends people are moving to the state because of this robustness (which, ironically, keeps the unemployment rate high, since so many new people are seeking work).

Traditionally, New Jersey's economy has led the nation. But when the previous governor nearly doubled the state's income tax and increased other levies five years ago, the economy dropped like a stone,

MALCOLM S. FORBES JR.



becoming one the country's weakest overnight.

Whitman won an upset victory advocating slashing state personal income tax rates by 30 percent over three years. Those cuts are being enacted one year ahead of schedule and are the core of Governor Whitman's pro-growth policies. Yet many still don't see the connection between what the governor has done and how the state is performing, as this quote from New Jersey's largest newspaper underscores: "Rutgers economics professor James Hughes said the continued job growth is 'hard to explain' in the face of the national downturn."

When will congressional Republicans wake up to the critical importance of enacting pro-growth tax reductions?

To the Press:

On behalf of the Bedminster-Far Hills Little League organization I would like to thank the sponsors, coaches, umpires and parents who helped make this baseball season a successful one.

Also, may I express my appreciation to the Bedminster Public Works facility, Bedminster School, Clarence Dillon Public Library, Bedminster Township Recreation Committee and the Bedminster Township Committee for their services.

Furthermore, I would like to commend the many individuals who helped organize and coordinate the

Bedminster's history

(Editor's note: the following is the essay for the Anne O'Brien History Award at Bedminster School. The essay was submitted by eighth-grader Allie Chas-Bowers)

Guest Comment

By ALLIE CHAS-BOWERS
BEDMINSTER SCHOOL

Graveyards are thought of as gloomy, depressing, sometimes even as haunted. But cemeteries are an important part of history, art, culture and commemoration. They are a source of folk art. The footnotes on a gravestone remind us of a special moment in that person's life. Whether it is something cheerful or sentimental, the gravestone tells us about the deceased. That is what makes cemeteries an important source of information about the past for historians.

There are many graveyards and cemeteries in the Township of Bedminster. Most of them are located in Pluckemin, Lamington and the Lesser Crossroads. It is in looking at the types of cemeteries that exist that it becomes clear just how much has changed in Bedminster since these graveyards were established over 200 years ago. For instance, there are slave cemeteries and cemeteries solely for whites.

The old Dutch Reformed Church of Bedminster near the Lesser Crossroads has quite an interesting history. The old church building was built in 1758 on what is now Route 202/206 South. The building of the church was a community effort. Two very important citizens of the Lesser Crossroads, Jacobus Vanderveer and Guisbert Sutphen, donated oak timber and 50 pounds sterling to the making of the church. Farmers from the countryside loaned their animals and even did some of the work themselves.

Unfortunately, this first church building was not very good. The third pastor was Charles Hardenbergh, in 1808, and it was he who supervised the construction of the Second Dutch Reformed Church. But while the church changed, the graveyard remained the same.

The first grave in the churchyard

wind storm blew the ground and tore the pieces. The people believed that this was God and that God allow his home to be barn.

While the church cemetery stayed. The church grounds stand tree that is 19 feet in height. It was a rest 1700's for stagecoach riders, horses and oxen. Today it is important to see where the original was constructed.

In Pluckemin, a cemetery established near the St. Theran Church in 1750 the number of German that lived in Pluckemin there was an agreement that one half of the service be given in English and half in Hoch Deutsch German. Many of the people in church life were buried in churchyard adjoining. An examination of the few headstones show the German-English of Pluckemin in the

The most famous in the Pluckemin cemetery belongs to an Englishman William Leslie of the E. Leslie was killed in the Princeton on January 3, 1777. A story about Leslie is interesting. In searching the field for survivors, William personal physician, Rush of Pennsylvania. one of the injured English on the Princeton battlefield turned out that Capt. Leslie was an old friend. Rush had studied in Scotland and stayed home while in medical school. Now, just a few weeks later

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6/23/95

The Hills-Bedminster Press

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Fact & Comment

Scapegoating foreigners

The U.S. Commission on Immigration Reform recently released recommendations that are truly bizarre.

One preposterous proposal would have us impose a special fee on employers for each highly skilled legal immigrant they hired, as well as requiring employers to pay these workers 5 percent above the prevailing wage. Supposedly, this would free jobs for native-born Americans. It would actually deal a crippling blow to our future. A critical reason we're far ahead of the rest of the world in numerous high-tech arenas is because of immigrant brain power. Up to half of our Ph.D.s in several critical disciplines are foreign-born. Would these commissioners have wanted us to impose a levy on Albert Einstein when he fled the Nazis?

In an age when people's skepticism about big government has never been higher, the Commission wants to set up a national computer database, a project more in character of the former Soviet Union. Ostensibly, the purpose is to have employers make sure

MALCOLM S. FORBES JR.



they're not hiring illegal aliens. In reality, forgeries, including the computerized kind, will proliferate. Employers who knowingly hire these illegals and who are the principal culprits will continue to do so.

More to the point, do we really want the government pooling extensively detailed data in one place about every American? Talk about invasion of privacy! You can bet that numerous government agencies, all with plausible rationales, would seek access to this treasure trove of intimate information. And do you really believe that all this information would be accurate or that it wouldn't be vulnerable to being accessed by computer hackers? This Orwellian idea deserves a quick trip to the memory hole.

The Commission also proposes ratcheting down legal immigration by one-third. House Majority Leader Dick Armey (R-Texas) rightly labels this as a "misguided attempt to make legal immigrants the scapegoats for American's problems."

Legal immigrants have consistently provided the United States with energetic workers and

entrepreneurs. Yes, there are problems with immigration today that need reform, but this Commission mostly ignores them. Instead, it reflects a pessimistic, crabby view of our future. Such a prejudiced, timorous attitude is as misplaced today as it has been in our past.

He knew where to go and how to get there

Ronald Reagan: *The Wisdom and Humor of the Great Communicator* edited by Frederick J. Ryan Jr. (Collins Publishers, \$17.95) is a remarkable compilation of quotations and photographs of America's most important post-world World War II president. His speeches and messages have always been suffused with his principles, his unswerving faith in America and its people. Reagan's sunny temperament is extraordinary, given his less-than-easy upbringing, his more-than-full share of professional and physical setbacks and the cynicism-generating vicissitudes of political life. A man with a strong core and uncanny knack for getting things done politically, Reagan made the presidency, which always gets the measure of its occupant, almost look easy. One section that will resonate more and more in the years ahead is "We Kept Faith," which is filled with references to the still sensitive subject of prayer.

Letters to the editor

CASE dismayed over decision

To The Press:

The Citizens Against Sewer Extortion (CASE), a consortium of Beckminster homeowner associations, expresses its dismay and outrage at the findings of administrative law Judge William Gural regarding his recommendations to the Board of Public Utilities in the Environmental Disposal Corporation (EDC) rate increase petition.

"officially closed."

Counsel for CASE made motions to reopen the record to allow this key evidence to be introduced — evidence that took months to uncover and assemble, despite the efforts of EDC to conceal and misrepresent material facts. CASE feels this evidence is indeed the "smoking gun" which totally rejects and

freeholders go along with the recommendation, the new speed limit will then need to be approved by the state. If all goes according to plan, the new speed limit should be in place by September or October.

It is heartening to see the system works, though it can be a slow and cumbersome process. Residents understandably upset about the speeders circulated a petition and pressured their elected officials at both the local and county levels for the change. The work of both the residents and Peapack-Gladstone officials has justifiably been rewarded.

Hills-Bedminster Press

Fact & Comment

Stuck in the mud

Western Europe's anemic recovery from its 1990-93 recession is running out of gas. Growth is slowing. Unemployment remains stubbornly high. Policymakers are bewildered.

They shouldn't be. Europe's woes are not cyclical, but structural. There's no secret as to what's blocking Europe's economic arteries: excessive taxes, job-killing labor laws, restrictive regulations, tight money and lavish entitlements that often undermine recipients' work ethics.

Payroll taxes, a direct burden on hiring people, are 50-100 percent higher than our own. Every member of the European Union must impose a value-added tax of 15 percent, which makes the area exceedingly expensive. Income taxes are oppressive. Germany, supposedly the region's locomotive, now has the highest personal income tax rates in the industrial world, approaching 60 percent.

European states make it exceedingly difficult to lay off workers. Not surprisingly, employers are reluctant to bring on new people. Other labor restrictions put Europe at a competitive disadvantage. France, for example, forbids most manufacturers from operating on weekends. Germany mandates that workers receive a minimum of four weeks vacation, plus an array of holidays.

MALCOLM S.
FORBES JR.



Germany's deflationary monetary policy adds to the problems. The EU wants to create a single currency before the end of the decade. To achieve this, most EU countries tie their money to the Deutsche mark. But the Bundesbank has been overly tight, making Europe suffer very stiff real rates of interest, which hurt economic activity.

Single-currency advocates have yet to answer the most basic question: What is the compass for monetary policy? In other words, how does a central bank know in a timely manner whether it is printing too much, too little or the right amount of money? Until that question is effectively answered, Western Europe will lurch from one monetary crisis to another.

Hurting the region further is the EU rule that governments must reduce their deficits to three percent of the GDPs. Politicians are responding by raising taxes, continuing the vicious cycle of less growth, less revenue — and more red ink.

Britain, France, Germany and others must break these shackles. They could start by enacting Reaganesque income tax cuts, which would get their economies moving again, thereby providing an atmosphere where other, more difficult reforms could be realistically considered.

Column was 'un

To The Press:

Regarding Jack Elliot's "Wings over New Jersey" column in *The Star Ledger* June 25, it is apparent to the most casual reader that Mr. Elliot is not enamored with Steve Forbes. The reasoning for his sniping seems at first to be based upon his respect for the late Malcolm Forbes. This reader is sure that all of the gracious statements made by Mr. Elliot in reference to Mr. Forbes Sr. were not only true, but were probably modest in terms of the true greatness of the man.

This reader is equally sure that the venomous statements made about the younger Forbes are not true! Having never met the man, let me set the record straight from an observation made entirely from the printed word of Elliot:

1. Mr. Elliot states that the two 1994 Republican Bedminster Township candidates were "Forbes" candidates.

Fact: As the campaign manager for the Egan/Houser campaign, I can state that Ruth Houser may never have met Mr. Forbes. Mr. Forbes was never a member of the caucus that asked the candidates to run and had no influence on the Republican Municipal Committee that endorsed them.

2. Mr. Elliot states that Steve Forbes, his family and his associates contributed over 50 percent of the campaign funds collected.

Fact: 69 people contributed \$12,039. Mr. Forbes donated \$1,500. I guess if you throw in everyone in Bedminster that knows the Forbes family, you could get to Mr. Elliot's 50 percent. Mr. Elliot should know that there is a limit set for personal contributions.

3. Next, Mr. Elliot maligns Mr. Forbes for buying a piece of land that would keep the "innocent" entrepreneur, Mr. Walker, from lengthening the runway from 2,733 to 3,500 feet. Could it be that Mr. Walker knows that the additional footage would allow a new group of larger aircraft or jets to land and that this would bring his airport under Federal control with neat things like towers and night landing lights and strobes and other things? Learjet claims in its advertising that its new plane can take off from a 2906-foot runway. Mr. Walker runs ads for Jet Charter Flights in trade papers.

Fact: The neighboring Township of Bridgewater, as well as its Planning Board, and the Township of Branchburg passed a resolution asking Bedminster Township to reject the expansion as it would bring added noise and danger to the nearby homeowners living in Bridgewater and Branchburg townships. Is the whole world out of step except for Somerset Airport?

4. Mr. Elliot states the township held a private meeting with Forbes lawyers to draft an ordinance at a Planning Board work session.

Fact: Private meetings are illegal. This was an open meeting where anyone could attend. The Township Committee may hold closed sessions to discuss litigation and personnel. It is also interesting to note that in the last three visits to the township meetings by

The Hills-Bedminster Press

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Malcolm S. Forbes Jr.

Vote for...

Hills-Redminster Press

Fact & Comment

7/19/75

MALCOLM S. FORBES JR.



Saving our schools

The anti-education, to-heck-with-the-kids National Education Association is blocking meaningful school choice proposals. It recently derailed, in Pennsylvania's lower house, Governor Tom Ridge's substantive school reform program for fear that the plan would undercut the union's monopolistic, bureaucratic stranglehold on the Keystone State's public school system. Mercifully, however, the tide is turning.

Michigan's reforming governor, John Engler, is already demonstrating the positive impact of charter schools, where parents and community leaders are allowed to design and operate schools free of most state education rules and regulations. Over 30 have been created; hundreds more are on the drawing boards. These new schools will turn in vastly better performances than their bureaucracy-bound brethren.

Governor Ridge is pledging to fight the school-choice battle again. He needs to change only a handful of votes to win. His plan, in fact, is a model for other pro-education governors. It will start giving families the means to place their children in schools of their own choice, be they public, private or parochial.

When the plan is fully implemented (over six years), parents who wish to send a child to a

school outside their district will receive an "educational opportunity grant" of up to \$1,000, as well as the greater amount of the per pupil state aid of their district or, of the new district. Parents will be liable for only one-third of any remaining tuition. Parents who make more than the taxable income limit (ultimately, \$70,000 a year) won't receive the grant but will get the per pupil state subsidy. Students going to non-public schools will still be eligible for the grant. (The Governor is also pushing for the creation of charter schools.)

The Ridge plan could truly bust the public education monopoly and make schools again what they once were — vibrant, effective institutions responsive to the values and concerns of local parents.

Right pricing Rx

Growing numbers of both independent and chain pharmacies are complaining that they are suffering pricing malpractice when it comes to wholesale purchases from drugmakers. Even though drugstores buy comparable or larger volumes, they must pay significantly more for their wares than many major HMOs do.

Pharmacists have a point. HMOs can extract significant discounts by promising manu-

facturers exclusivity on their lists of permitted prescriptions, thereby keeping out like drugs of competitors, but drugstores are obliged to carry virtually all the medicines that local doctors might prescribe.

Pharmacies, which are already reeling from the growing clout of mail-order houses, face another hurdle — a 1938 amendment to a federal law requiring manufacturers to set uniform prices that allows exemptions, ostensibly for charitable organizations such as hospitals. The exemptions, however, have been interpreted to include HMOs, mail-order companies and nursing homes.

The solution is twofold: Scrap that ancient law and allow drugmakers to provide discounts to any large buyer, including pharmacy chains and cooperatives. In addition, Congress should pass legislation establishing medical savings accounts, which would empower 100 million consumers in the health care marketplace. Currently, companies get to buy health insurance with pretax dollars; individuals must pay with after tax dollars. Medical savings accounts could receive tax-free contributions from employers, employees or both. Money not used for health insurance premiums or for routine medical expenses would remain the property of the individual and grow tax-free. Individuals could thus buy insurance fitting their particular needs, instead of having to accept the one-size-fits-all policies most employers offer.

People would have genuine choice instead of being effectively forced into some sort of managed care system.

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 - NANCY VADIMSKY
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Letters to the editor

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Hello Redmunster
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Fact & Comment
7/26/95

Reductio ad absurdum

One small example of why quotas are under heavy attack in this country is seen in the recent court case against Brown University.

A federal judge has ruled that Brown is guilty of sex discrimination in its athletic programs. The accusation is preposterous. Few universities have done more than Brown in providing women with opportunities to play a variety of varsity and intramural sports. In fact, Brown's offerings are so extensive that several of its women's teams have a hard time attracting sufficient numbers of players.

But all this made no impression on that quota-minded judge. His sole criterion in making his decision was that there were proportionally more men than women playing on Brown's teams. That women at Brown are not as interested in sports as are their male coun-

MALCOLM S. FORBES JR.



terparts was deemed to be irrelevant. If the percentage of women and men involved in athletics is not proportionate to enrollment, then the whole athletics program will have to be scrubbed.

Fortunately, Brown is appealing this absurd decision. But the case underscores why so many Americans have turned so emotionally against quotas. They firmly support equality of opportunity, but they recognize that we are all too varied in our interests and in our abilities to guarantee equality of results.

We benefit from diversity

The death last month of Dr. Jonas Salk should remind us of the importance of diverse approaches to fighting diseases and to tackling other medical problems.

Until Salk's vaccine, parents dreaded the summer outbreaks of polio, mostly a childhood disease. While kids liked to swim, parents associated the activity with contracting this crippling, sometimes fatal, affliction.

Salk's vaccine just about eradicated polio and made him an international hero. Yet the hosannas from the medical community were rather muted. He was never awarded the Nobel Prize and was never elected to the National Academy of Sciences in the United States. The reason: Salk's approach was not the favored one of the medical establishment. Most were partial to the type of vaccine that was eventually developed by Dr. Albert Sabin and has largely replaced the Salk version. (Sabin's method is taken orally.)

But the establishment's arcane preferences hardly justified the underlying hostility. Salk perfected his inoculation some six years before Sabin did. Literally millions of children worldwide thus escaped the horrors of polio.

With so much medical research now being funded by the federal government, there is the constant danger the maverick, Salk-like approaches will never see the light of day.

Letters to the editor

Engine maintenance helps our breathing

To The Press:

critical to the proper operation of the emissions con-

Fact & Comment

8/9/95

COLM S. FORBES JR.



Zoning for growth

Michigan Governor John Engler recently unveiled an exciting proposal that should be emulated by his gubernatorial peers and by Congress. His tax-free zones are designed to rejuvenate economically distressed urban and rural areas in his state. For years Congress has considered Jack Kemp's national version but has never passed an effective variant of it.

Under Engler's plan, a tax-free zone would be relieved of all state and local levies (except for the state sales tax, so as not to penalize businesses bordering the zone). Unlike other proposals, the governor's

would have no restrictions on usage, be it residential, industrial or commercial. As Engler put it, "This concept recognizes that jobs, housing and neighborhood commercial services make for a vital community." The big lure, of course, is the waiving of local property taxes. The state would make up lost revenues for local school districts.

Republicans should embrace the idea of Engler-like enterprise zones to counter criticism from advocates of affirmative action that the Party isn't interested in enhancing opportunities for all Americans.

She also has given up her time to represent this board on the picket line.

- Several members of Fieldstone, including board members, have written to the appropriate authorities each time CASE has asked as well as on their own.
- Several residents sent additional contributions to CASE.
- You did not verify your allegations with any member of our board before you went to the newspapers.

After our contribution to CASE, we informed our residents of our actions; it is, after all, their money. Your letter implies that we misled our residents. We are not concerned with your opinion of this board

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Solve problems lik

To The Press:

How gratifying it must be for the Somerset Air Service Inc., to have such wonderful, caring friends such as R. Lyons (Basking Ridge) and Linda Burton Ricks, their advertising manager (Clinton) who will rise to the occasion and engage in Bedminster, Bridgewater and Branchburg local concerns. I find their attack, while predictable, short of addressing the issues as stated in my letter to the editor July 8. It may interest R. Lyons to know that I did indeed send copies of my letter to all newspapers. Once again, predictably, *The Star-Ledger* failed to print a rebuttal of the scurrilous article by Mr. Elliott. Insofar as my spelling of Mr. Elliott's name with a missing 'T', I sometimes err. The article had both spellings. Mea culpa! It is more interesting to note that Forbes Newspapers printed both of these air lobby diatribes. I guess that means that Mr. Forbes believes in "free press" and the First Amendment. Let's see the air lobby attack him on that issue!

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I would be pleased to supply R. Lyons and L.B. Ricks copies of the documents I have from Somerset Air Service and Learjet. They are as I reported.

Now let's address the real issue! Mr. Elliott made groundless assertions about two fine people who are giving countless hours in public service to make Bedminster a better place to live. I note that R. Lyons fails to mention that! I also hear the oft repeated refrain, "Allow the Walkers to run their business." No problem. I even applaud their creativity in getting 90 percent of their improvements paid for by the overburdened taxpayer. That's the American way! I do get a little put off, however, when a township makes a decision to follow its master plan and a leading citi-

(The write ster Towns

Invitation to join the

To The Press:

Let's make a difference! Let your voice be heard!

For the past weekends several concerned citizens have been actively picketing The Hills sales office in the Gatehouse community. The reason being, of course, because EDC is closely connected to HDC. We wanted to make sure the correct information was being disclosed to prospective homebuyers about our sewer increase. Publicity, as alleged by the sales office, was not our purpose.

I am making a plea to all those residents who have voiced outrage and disgust. You will not receive a handwritten invitation or phone call; but instead we have relied on our TV cable station, the newspaper, neighborhood representatives, and so forth, to get the word out on our picketing efforts.

It is bey residents h and seen so admit that borhoods. This will together wi two on bel sales repres not aligne going to efi already cau our directio Help us c

The Hills-Bedminster Press

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Hills-Bedminster Press

Fact & Comment

8/16/95

MALCOLM S. FORBES JR.



Send it to the Smithsonian

Congress should do to the Federal Communications Commission what it did to the Civil Aeronautics Board 17 years ago: Abolish it.

The FCC has outlived its usefulness. The days when airwaves were thought of as a scarce resource that had to be allocated and regulated by a federal authority and when telephones were thought of as a "natural" monopoly are long gone. In fact, this agency has become an obstacle to our gaining the full fruits of the exciting changes sweeping through

the communications field. The FCC delayed competition in long distance telephony by a decade and did the same with cellular phone service. It hobbled development of cable TV.

Breakneck technology has obliterated natural monopolies and is increasing airwave capacity — the so-called spectrum — almost exponentially. There is no way the FCC can keep up to speed on the implications of

new technological developments. By getting rid of the FCC, we will get a fantastic surge of innovation and competition. Why shouldn't license-holders of spectrum capacity be able to use it for whatever good purpose they wish? Communications companies should be free to compete in any market. And telephone companies should be able to compete against cable companies.

Price controls on interstate telephone prices are anachronistic. Growing competition will do the job better. Any anti-competitive activities could be handled by the Justice Department.

The FCC and its apologists claim the agency is essential to preserving the public interest. Instead, the FCC has become an instrument of special interests shackling competition.

This dinosaur should be put to sleep.

Letters to the editor

Don't wait to be asked to contribute

To The Press:

As requested, I am responding to Debbie Taglieri of the Fieldstone Neighborhood in her letter to the editor in last week's paper. My letter of the prior week was intended only to try and raise consciousness and obtain monies needed by the Coalition Against Sewer Extortion (CASE) in order to help all of us — nothing more.

To me, rather than go back to those who had already made full contributions, it seemed reasonable to focus on those households and neighborhood associations who had either not contributed at all or had fallen over \$500 short of the suggested \$20 per household.

Despite the "spin" you put on your letter, I obtained the "facts" at the CASE meeting of July 6 and re-verified them later with a CASE spokesman. Your

In that context, I hope you (and any other households and neighborhoods) will be encouraged to send to CASE any remaining monies owed based on the \$20 per unit benchmark.

Rather than continue an unproductive back-and-forth exchange in the media with points/counterpoints, I am truly sorry if I hurt anyone's feelings and sincerely apologize. I guess I was just angry to hear about some communities who have given only token amounts (not Fieldstone!) or households who have sent nothing.

While I'm at the word processor, in a recent conversation, Mark Hartman of CASE advised me that the Cortland neighborhood (which was not mentioned in my last letter) had paid "in full" at \$20 per unit. Also, thanks should go out to the Hills Village Master Association, who contributed...

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Hells-Redminstra Press

Fact & Comment

For once, will
United States
be positively
decisive?

The United States must
move forcefully to stop the Bal-
kan war. The Croat offensive
against the Serbian enclave of
Krajina may provide the op-
portunity. Otherwise, after a
lull, both the fighting and the
Serbs' mass murder of Muslims
will resume. More dangerous,
the war will widen with a full-
scale conflict between Serbia
and Croatia and, eventually,
other states.

The West must demonstrate
that it will take forceful mea-
sures to halt Serbian genocide
and aggression. How? Bomb
Serbian military staging areas
used against Bosnia.

What then? Take the Serbs
up on their offer. Let them
have the city of Gorazde in

MALCOLM S.
FORBES JR.



eastern Bosnia in exchange for
territory in Sarajevo that would
connect that part of the city
with Muslim-controlled central
Bosnia. The essential part of
the agreement would be the
safe and peaceful evacuation of
Muslims to central Bosnia from
Gorazde and other isolated, in-
defensible enclaves. The Croats
should allow a peaceful popula-
tion movement from Krajina.
(In the annals of the bloody
Balkans, the negotiated move-
ments of populations are not
unprecedented. It happened in
the early 1920s, after ferocious
fighting between the Greeks
and Turks.) The Serbs should
give up their Croatian con-
quests. The economic embargo
against Serbia would then be
lifted.

These steps should end the
fighting. The Serbs would have
control of eastern Bosnia,

which they've long coveted. To
avoid the temptation of a re-
turn to Serbian aggression,
Muslim central Bosnia would
have to be made more militar-
ily defensible by the United
States' showering Bosnian
troops with all the tanks, artil-
lery and munitions they would
need to construct a credible
force. Such a well-armed, well-
motivated army, having the
support of NATO air power,
would make central Bosnia a
viable haven. We should simi-
larly bolster the Croats.

After passions cool, push for
a Swiss-like, Serbian-Croatian-
Bosnian confederation. That is
do as Switzerland did for cent-
uries — set up an assembly to
promote trade and other forms
of mutually beneficial coopera-
tion, but have no national
standing army, just local ones

Partitioning Bosnia is a woe-
fully unsatisfactory solution,
but it is the only viable one
now. Ghastly mistakes have re-
peatedly been made by the U.S.
and by the West over the past
four years. This tragedy could
easily have been prevented; but
what might have been will do
us little good now.

Letters to the editor

CASE thanks its supporters

To The Press:

A thank you goes out to every fax, phone call, letter
and \$20 a household donation received by Citizens
Against Sewer Extortion (CASE). We are pleased that
the entire sewer matter has been remanded back to
Judge Gural.

and present a united front.

A special thank you to those businesses in our
community that have financially supported our
efforts. Once we've completed our last efforts through
the business community, we will send a list of con-
tributing establishments to the newspaper.

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Letters to the editor

Hills Bedminster
Fact & Press

MALCOLM S.
FORBES JR.



Comment

8/30/95

In a move reminiscent of the old USSR...

...California decreed in 1990 that, starting in 1998, auto manufacturers have to offer electric vehicles for sale in the state, totaling two percent of all new cars. That government-ordered share ratchets up to 10 percent by 2003. Other states, such as New York and Massachusetts, have issued similar decrees, ostensibly to reduce air pollution.

These hubristic, misbegotten measures must be removed. Their flaws are overwhelming. Few people are going to buy these contraptions costing at

least twice as much as their gas-powered equivalents. Since electric cars are too expensive, manufacturers will have to raise the prices of their other vehicles to subsidize them. These increased costs will induce people to keep older, more polluting cars longer. The mileage range of electric cars is short, between 50-70 miles. And it takes hours to recharge the battery each day, which brings up an even more fundamental flaw.

Electric vehicles may cut certain emissions, but they will increase other forms of pollution. Even if lead is recycled, not

mined, to produce batteries, lead emissions will increase five-fold. And when involved in accidents, electrics can leak gallons of toxic battery acid. A massive switch to electric vehicles will also increase pollution from electric utility plants, over half of which use coal as their primary fuel.

There are more practical ways to fight undesirable automotive excretions. The major polluters are aged cars. New autos spew only a fraction of the pollutants of their clunky predecessors. Tailpipe emissions of hydrocarbons, for example, are down 96 percent from the 1960s. Technology is being developed that will further reduce undesirable emissions. Since 10 percent of the dirtiest cars produce 50 percent of the pollution, why not offer big cash incentives nationwide to turn in these belching dinosaurs, and then scrap 'em?

Thank you for demonstrating

To The Press:

An open letter to all Bedminster residents and businesses:

As you are all aware, the recent BPU (Board of Public Utilities) decision that remanded the EDC (Environmental Disposal Corporation) sewer case back to the Administrative Law Judge was a victory in our fight to prevent EDC from imposing an 80 percent (originally 122 percent) increase in our rates. Many individuals are responsible for this outcome. This letter is meant to be a thank you to those Hills and Timberbrooke residents who gave their time on one or more of the four successive weekends from July 22-23 through Aug. 12-13 to picket The Hills Develop-

ments as well. During every one of the eight days we picketed, at least one nearby resident supplied our group with some sort of cool refreshment. This not only satisfied the obvious purpose but was symbolic of the united nature of the community's support. I would like to personally thank each and every one of the individuals who participated in the picketing. The names are listed below (hopefully spellings are correct).

Who knows, we may need to do this again since our fight is far from over. One thing is for sure — HDC knows that we will do it again if we have to.

Barbara McConville, Carlisle
Joyce Larkin, Crestmont

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Hello Redmond Press

Fact & 8/6/95

MALCOLM S. FORBES JR.



Comment

Sadly, a right-on question

A well-known talk show host frequently puts this question to guests on his program: "Can you think of one issue on which President Clinton hasn't changed his position?" No one has been able to come up with one yet. Can you?

The great flaw ...

... in the different telecommunications bills passed by the House and Senate is that neither does away with the major obstacle to realizing our full po-

tential in this dazzling area: regulations preventing telephone and cable companies from jointly providing a single high-capacity line. We'll miss enormous opportunities unless this is changed. Regulators unreasonably fear that allowing the fiber lines of phone companies to be linked to the coaxial lines of cable operators would somehow be anticompetitive, monopolistic.

Right now, computers can process millions of bits of information per second. Regular copper telephone wires can

handle only a few thousand bits per second, a major reason the graphics of on-line computer services are so slow and primitive. Fiber, by contrast, can handle computer-like amounts of information. So can coaxial cable, although not on the scale of fiber. Fiber is too expensive to string directly to homes, but in most households coaxial cable is already in place. Link that cable with a fiber optic line, and your personal computer will have infinitely faster access to infinitely more individuals and services on the Internet. All the promises of interactivity — and then some — would be quickly realized. As long as there is open access to the fiber-cum-cable line, the real competition will come from vendors filling this large pipeline to the computer.

Congress is not addressing this basic issue.

Letters to the editor

Cigarette tax should be raised

To The Press:

I have been following the recent debate concerning federal regulation of tobacco products with great interest. The Food and Drug Administration's study on childhood smoking was very disturbing to me, as it pointed to a rising number of adolescents smoking. Although there has been a noticeable drop in smoking among adults, there has been a 19 percent increase in the number of adolescents smoking.

In a recent study of adult smokers, 90 percent reported that they began smoking as teenagers. This statistic has lead the Surgeon General to label smok-

I have recently drafted legislation that would increase the sales and use tax on cigarettes, as well as the wholesale sales and use tax on other tobacco products. The revenues raised would be dedicated to comprehensive childhood education and for funding additional enforcement power for the municipalities to combat underage tobacco sales. The U.S. Surgeon General has stated that raising the price of cigarettes is the most direct and effective way to reduce smoking, particularly among young, first-time smokers.

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Hello Redmond Press

Fact & Comment

Magnificent Mayor

9/13/95

MALCOLM S. FORBES JR.



New York Mayor Rudolph Giuliani is compiling an extraordinarily successful record combating crime.

Under the leadership of Giuliani-appointed Police Commissioner William Bratton, the Big Apple's finest have slashed the murder rate almost 40 percent over the past 18 months.

Few other American cities come remotely close to this achievement. Other categories of crime, such as robbery, have also shown dramatic declines.

Good management is the key. Instead of being reactive, the department is now proactive. Precinct commanders are held directly responsible for what happens in their territories. Each week top police officials meet before war-room-

like maps to see what areas are experiencing an upsurge in, say, drug dealing. The police then immediately throw in "resources" to fight the problem.

If a suspected dealer is not found with drugs, he can certainly be frisked for an illegal weapon or some other contraband. There is effective coordination among patrolmen, detectives and the narcotics division.

New York's amazing turnaround dispels several debilitating myths, especially the notion that there isn't much law enforcement can do about crime. Sure, demographics (young people commit a disproportionate number of violent acts), the nature of preferred drugs (heroin use breeds passivity, while crack does the opposite) and other macro-factors play a role. But, as in business and in other

activities, management is the most important factor.

What is remarkable is how little attention the media is paying to Giuliani's phenomenal success.

The Mayor is also making impressive progress fighting welfare fraud. By effectively checking claims, New York is rejecting 60 percent of those who apply for welfare. Auditors are discovering that claimants have jobs or are collecting benefit checks from Connecticut, New Jersey or even other parts of New York State. The Mayor is convinced that when the same audits are applied to current recipients there will be substantial reductions in those receiving welfare.

Mayor Giuliani is in the Republican doghouse for having endorsed Governor Mario Cuomo against his successful Republican challenger. The GOP should welcome the Mayor back into the fold. His is a powerful demonstration of how effective local government can be.

Letters to the editor

Independent pharmacies in jeopardy

To the Press:

Driven by concern for my patients' health — and fear for the survival of independent pharmacies — on Sept. 20 this pharmacy and thousands of others will stage a national day of protest. Called "High Noon for Your Local Pharmacy," this dramatic step reflects my deep concern about the impact of many health insurance companies' ill-conceived practices on my patients and on my neighborhood pharmacy.

In just the past year, about 4 million consumers

Although some patients may not know it, independent pharmacists routinely make interventions on their behalf, such as when patients are given the wrong dosage or are given prescriptions by two different doctors that will interact and harm the patient, possibly fatally. Beyond these concerns, most patients value highly the personal attention they receive from their local independent pharmacist.

For years, independent pharmacies have been protesting the growing practice of health insurance plans

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the oversight responsibility to make sure property taxpayers' money is being spent wisely. And the chief has the responsibility to make sure township residents receive the best possible police coverage. What's disturbing is Chief Cummings's comment that he had little input in the study. The chief was not invited to a meeting where the mayor and Ms. Celentano reviewed their findings with William E. Pierson Sr. of the state Department of Criminal Justice. However, the chief did meet with the mayor and Township Committeeman James Egan, the police commissioner, before the release of the report.

The disagreements between the Township Committee and the police chief should have been ironed out in private. The best interests of Bedminster residents are not served by an open airing of a management disagreement. Perhaps better communications and a greater willingness to compromise could have resolved these differences in private.

Fact & Comment

9/20/95

There they go again

The International Monetary Fund recently reminded us once more why it needs a fundamental overhaul. IMF officials are now urging developing countries to consider imposing "temporary" controls on inflows of foreign capital when they might be "disruptive."

Empowering politicians to determine who can bring money into their country — and how much — is ostensibly being done to avoid another Mexico crisis. But using that as an example is simply an excuse for another bureaucratic power grab that will do these nations more harm than good.

Naturally, the Clinton Administration applauds this destructive step. "The absolutist religion that some have had against capital controls anywhere, anytime, we have learned, mistaken" declared Deputy Treas-

ury Secretary Lawrence Summers.

Like wage and price controls, exchange controls invariably breed corruption and economic disruption. Malaysia tried them over a year ago but has had to back off.

Mexico is a poor example, anyway. That crisis occurred not because of an "excessive" inflow of foreign money but because of a government decision to devalue the peso instead of defending it by tightening money. If authorities are worried that foreigners find their country too attractive, there's a simple way to respond: Don't block the money; soak up that capital by having the central bank sell bonds or other assets. This would remove the money from circulation since the central bank doesn't deposit the receipts from those sales into a bank account but, instead, lets them disappear.

MALCOLM S. FORBES JR.



Ridge line must

To The Press:

I have lived in Bedminster (Stone Edge) for five years, and Sept. 13, I attended my first Planning Board meeting. I attended because of the Hills Development Corporation's proposed plot plan for "Area G," which is located just to the northwest of Mount Prospect Road along and behind the line of tree tops of the "forest" in the northeast and southeast part of Bedminster.

These trees not only provide an aesthetic and environmental resource for the township but also divide Bedminster from Bernards Township. HDC's construction of 65-foot-high homes will most likely deform this area — Bedminster's somewhat unblemished environmental, historical, archaeological and aesthetic resource (termed the "ridge" or "ridge line") — visible from any section of the community.

HDC through its attorney and engineer along with some comments from its president professionally presented their plans for the development of "Area G," some of which comes within 200 feet of Stone Edge. Of course, as they presented it, there will be no adverse effect to the ridge line because the 5,000-square-foot, 65-foot-high houses would be set back from it and, thus, hidden by it. They strongly relied on the fact that this was according to a settlement agreement between the Bedminster Township Committee and HDC to stop one of the latter's lawsuits.

After HDC presented its case, Chairman Edward Russo opened the meeting to questions from the Planning Board members. Was I impressed! Chairman Russo, Mayor Metelski, Ray Genero, Allan Schreck, and Paul Henderson made it clearly known that they will do whatever they could — as long as it is legal — to protect the ridge line.

Using his "raw memory," Mayor Metelski responded to HDC's attorney's statement that the development of "Area G" was in accordance with the settlement agreement by noting what the actual intentions of the Township Committee and HDC were during the settlement negotiations a few years ago. Also, Paul Henderson read the entire section of the 1994 municipal master plan which stated that the

CASE: Thanks for

To The Press:

This letter's purpose is to update the entire community with regard to the latest collection of monies from the Pluckemin business community in the continuing fight to oppose the petition of Environmental Disposal Corporation (EDC) for a massive sewer fee increase.

Listed below are the names of the businesses who have supported this cause along with the amounts of their contributions. Since many of the businesses are not aware of the exact monthly sewer fee that they pay, we only asked for a \$20 contribution from each business with two exceptions; those exceptions are the Bedminster One and Crossroads Business Complexes, both of whom have contributed in direct proportion to their much higher monthly sewer rates.

In approximately one month's time, I will write a "final" letter that will summarize all participating businesses and will represent the final tally of the monies collected from the commercial sector. At that time I will summarize all aspects of the tremendous

The Hills-Bedminster Press

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MALCOLM S. FORBES JR.



Comment

9/6/95

Cut the tax rate — increase the tax take

Senate Republicans will soon demonstrate whether the GOP is truly a self-confident, forward-looking, growth-oriented party or whether it is still the defensive, reactive, aimless entity of old.

The defining issue is reducing the capital gains tax. Welfare will dominate the headlines, but everyone already agrees the system is a disaster. By contrast, the capital gains issue has no such consensus. Most Democrats are adamantly, ideologically opposed to reducing that levy. Republicans have been so beaten up by the "helping the

rich" charge that they have lacked the internal fortitude to argue and push the matter effectively.

A high capital gains tax is destructive, blocking the flow of money from those who have it to those with the entrepreneurial ideas that enable people to progress. Contrary to what demagogic Democrats say, a high capital gains exaction hurts those who don't already have assets or high incomes. Only a vibrant, growing economy provides opportunities for people to get jobs and to move into better-paying ones. A stagnant economy means we're all pretty much stuck where we are — a disaster or disappointment for

those who want to move ahead, which includes most Americans.

Every time this opportunity-blocking barrier has been reduced, America has benefited. The reductions of 1978 and 1981, for example, set off the high-technology boom, helping us to regain our position as the strongest, most innovative country in the world.

A high capital gains tax rate hurts the overall collection of government revenue because the economy isn't as expansive as it would otherwise be; the high tax rate also hurts direct receipts. Despite a booming stock market, collections from the capital gains tax have yet to reach the levels they did almost a decade ago, before the levy was boosted by 40 percent. In fact, a critical reason equities have been so ebullient is precisely that the markets anticipate the Senate's following the lead of the House of Representatives, which voted to reduce the rate from 28 percent to 19.8 percent.

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Letters to the editor

More changes needed on Route 206

To The Press:

The following is a copy of a petition signed by about 100 Bedminster residents. A copy of this petition has been sent to the Township Clerk:

The several residents of Bedminster signed below believe we are in need of a major change on Route 206 to control traffic. Our goal is to implement changes that would make driving on Route 206 and turning on and off Route 206 safer. We feel the current conditions that exist are extremely dangerous.

Making a left hand turn from Old Dutch Road, Berkshire Court, Ski Hill and private drives along 206 onto Route 206 is our biggest concern. Visibility is limited and the traffic motoring on the 50 mph road is often traveling much faster than the speed limit. This leaves us little time to pull out of our roads and driveways safely.

Some suggestions to rectify the problem have been as follows:

1. A traffic light on 206 somewhere between the Lamington Road intersection and the Holland Avenue light. A regular traffic light would be preferable, but even yellow blinking lights would help.

2. Significantly lowering the speed limit along Route 206, and patrolling the area so that the speed limit is strictly enforced. Even strictly enforcing the 50 mph speed limit would be an improvement. Suggestions such as heavy fining and constant radar detectors have been brought up.

3. Improving the visibility by clearing the trees out that bend into the road and block our view of oncoming traffic.

Some of us have already written to Gov. Christie Whitman, however, we feel we need the support of the committee to stress the need for a change.

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Fact & Comment

10/4/95

MALCOLM S. FORBES JR.



Bad idea begets bad economy

The U.S. economy is bogged down because of a misbegotten idea. One of the most destructive, durable theories is the notion that growth causes inflation, that there's a "natural" level of expansion that can be exceeded only at the high risk of a resurgence of rising prices. Economists call this tradeoff the Phillips

Curve: If you want more growth, you have to accept more inflation; if you want less inflation, you have to accept a semi-sluggish economy.

The Federal Reserve in early 1994 began raising interest rates with the avowed goal of slowing down the economy to fight inflation. The resulting torpor has meant that at least a million new jobs that could have been created were not. It has meant that personal incomes that could have

gone up did not.

Prosperity is not the fueler of inflation. We had our longest peacetime expansion in the 1980s, and inflation plummeted from 13 percent to four percent. Yet Republicans and Democrats implicitly accept the restraints of the Phillips Curve. Both accept the uninspiring assumption that the economy can only grow around 2.5 percent annually. The Federal Reserve becomes horrified when economic growth approaches three percent. How in the world do these people know what our economy is capable of doing? Past averages are very interesting, but they are not predictive of the future.

Given the fundamentals — strong productivity, strong investment, technological leadership, plentiful capital — there is no reason we can't do significantly better than the Federal

Reserve and its passive, political co-conspirators seem to think.

Simplify census

Congress should tell the Census Bureau to get back to basics as the Bureau prepares for counting us in the year 2000. Instead of sending out ever-more-complicated, intrusive, multi-page questionnaires to millions of people, the agency should substitute a simple postcard. The Constitution requires only an enumeration of how many of us there are in the United States and where we live. It does not require the government to collect reams of data for the convenience of social scientists and corporate marketers. The private sector has enough resources and ingenuity to get all the marketing data it needs. That we must answer so many non-germane questions under penalty of law is truly an outrage. The postcard approach would save us billions of dollars. More important, it would do away with an absolutely unnecessary government intrusion into our lives.

Letters to the editor

The art of passing the buck

To The Press:

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Comment

MALCOLM S. FORBES JR.



Teacher diversity

Here's an idea that will help re-energize our public schools: Expand the traditional pool from which teachers are drawn. Most districts rely on resumes that come in from about-to-be graduates of teaching colleges. No effort is made to actively solicit people from other walks of life who might consider teaching.

The great obstacle to seeking out nontraditional candidates is, of course, state licensing laws that emphasize time spent — usually years — taking teacher education courses. There is little correlation between these certification requirements and true effectiveness in the classroom.

Wendy Kopp has a better way. She is the founder of

Teach For America, which has taken over 3,000 outstanding college graduates, put them through rapid training and sent them to work in distressed urban or rural school districts for two years. This version of the Peace Corps has been immensely successful and widely praised.

Instead of trying to reform the current system, Kopp proposes a parallel, alternate one, TEACH!, which she launched in 1994. Districts would provide intense, extensive training to all beginning teachers, regardless of their previous education credentials. The alternative certification would be based on actual on-the-job performances over two years — not on time spent in a college classroom.

Kopp and her colleagues have ongoing demonstration projects in Oakland and Compton, Calif., Baltimore, Seattle and rural areas of North Carolina. The results are very encouraging. A new pilot partnership is starting this fall in Houston. TEACH! hopes to get all school districts to vigorously recruit teachers from non-traditional sources. Schools will have no excuse not to have top-notch people in classrooms.

As Kopp puts it, "We want to insure that school districts have the freedom to recruit individuals from all walks of life, regardless of their prior experience of course-work in teacher education. Teachers would be licensed on the basis of individualized evaluations of their classroom teaching performance." Of course, there is no reason that nonpublic schools couldn't use Kopp's evaluation tools as well.

The need for an alternate system is great. Experts estimate that half of America's public school teachers will be leaving the system over the next decade.

Letters to the editor

Moderation is not the cure

To The Press:

There is a lot of confusion surrounding "moderate drinking" in the treatment of alcoholism and I do not want people to get mixed messages. The idea that alcoholics can moderate their drinking, stay in control, and enjoy life just like everyone else seems attractive, but guess what. According to the National Council on Alcoholism and Drug Dependence (NCADD), "Alcoholics beware! Moderation doesn't work!"

According to the National Council on Alcoholism and Drug Dependence, the idea of moderation

being hit and killed by drunken drivers. The consequences surely outweigh the benefits.

"What's important to remember is that there are people who simply should not drink: anyone in recovery (alcoholic), pregnant women, anyone under 21, anyone driving or operating heavy machinery, people on medications such as antibiotics or psychoactive medication, or anyone whose family has a history of alcoholism," said Ernest P. Noble, Ph.D., M.D., who is affiliated with the Neuropsychiatric Institute at the University of California at Los Angeles.

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MALCOLM S. FORBES JR.



Stop this strong-arming

Republicans are toying with the idea of having the IRS farm out the collection of delinquent taxes to private-sector bill collectors who would receive sensitive information about taxpayers that normally remains within the confines of the government.

The idea is a bad one. Sure, enforcers outside the federal government might be more "efficient" and cheaper, but any savings are not worth the price of this gross invasion of privacy.

Unquestionably, compliance with the tax code is declining. Self-compliance was once a characteristic that sharply distinguished us from other nations. But the real villain here is the sheer complexity of the tax code itself. It is axiomatic in history that the more complicated tax law becomes, the less revenue is paid and the more nasty — or corrupt — tax collectors become.

For almost 20 years Washington and the states have been obsessed with tightening the rules and increasing resources to bring in more money. Result: growing resentment from tax-

payers. And no wonder — some 40 percent of the delinquent notices the IRS sends out are mistakes.

The answer is to junk the current code and enact the flat tax. The resulting simplicity would enormously increase compliance, would remove the major sources of political corruption in Washington, would set off an economic boom because people could keep more of each dollar they earned, and would eliminate barriers to job-creating investment.

Simple way to save \$\$\$

One quick way to reduce the deficit is to index government bonds for inflation. Uncle Sam could then sell long-term debt with coupons as low as two percent. Britain began indexing its government paper in the early 1980s. London now issues bonds with maturities for almost 40 years, with interest rates averaging around 3.5 percent.

After an indexed bond is sold, interest and principal are geared to reflect inflation. Since

investors know that they will earn a "real" return, they don't expect a premium in interest rates as compensation for unknowable levels of future inflation.

Our Treasury Department has resisted the idea since the Brits started it nearly 15 years ago. Too bad. In the early 1980s we were issuing long-term, fixed-rate bonds with coupons of up to 15.75 percent. If we had started indexing them, we would have saved literally tens of billions of dollars in interest payments, as inflation plummeted from 13 percent to four percent.

The Clinton administration has been shortening the average length of our debt as a gimmicky way to reduce the budget deficit. This is a dangerous trend, the most extreme example being Mexico, which relied almost entirely on short-term maturities and was thus extraordinarily vulnerable to financial shocks.

Indexing would also reduce the temptation of the Federal Reserve to engage in inflationary policies, knowing that the government would immediately face higher costs.

Ultimately, of course, the best lower-interest-rate policy is re-fixing the dollar to a fixed measure such as gold. In the meantime, indexing is a sensible bridge.

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MALCOLM S. FORBES JR.



Economic malpractice — again

Argentina's free market finance minister, Domingo Cavallo, recently survived an assault from his country's retrograde political forces. But the economic slump that has been fueling the attacks against him underlines yet again how destructive the economic medicine and advice are that we and the International Monetary Fund administer to other nations.

Starting in 1991 — and with the full support of President Carlos Menem — Cavallo began liberating a nation that was suffocating under excessive inflation, taxation and regulation. By strictly tying

the value of the peso to the dollar via a currency board (no peso can be issued unless it is backed by hard currency), Cavallo quickly reduced inflation from over 2,000 percent to under four percent. Tax rates were cut; stifling regulations were eased; and state-owned companies, including telephone and oil, were privatized. Until last December's Mexico crisis, Argentina was enjoying an impressive annual growth rate of almost eight percent.

Now, thanks to IMF-imposed austerity, Argentina is writhing in recession. When Mexico abruptly devalued its own peso, speculators attacked Argentina's, figuring it would quickly succumb. Foreign capital was withdrawn from Argentina,

sharply reducing the money supply and bringing on a devastating credit crunch. Knowing the huge costs of inflation-causing devaluations, Cavallo fought back, impressively cutting government spending.

But Argentina needed temporary loans to ease the credit shortage. Alas, with our connivance, the IMF provided the necessary funds but demanded higher, anti-growth tax increases in return. If the Clinton Administration knew what it was doing, it would have told the IMF to extend the money and require Buenos Aires not to boost such growth-inhibiting exactions.

The peso was saved, but the unnecessary economic slowdown is making it extraordinarily difficult for the government to introduce another round of needed reforms — particularly with regard to onerous labor laws and a hemorrhaging health care system — to stimulate further growth.

Once more, Washington has gratuitously hurt the cause of democratic, free-market capitalism.

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Letters to the editor

One-party politics breeds contempt for the system and for the people

To The Press:

What's wrong with one-party politics? It breeds contempt for the system which translates, in my book, to contempt for the people served by that system.

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Fact & Comment

11/1/95

Bloody dumb idea

President Clinton is adamant that the United States put 25,000 ground troops in Bosnia as part of a peace settlement. The proposal is murderously preposterous.

Have we learned nothing from our experiences in Lebanon and Somalia? What, exactly, would be our soldiers' mission? For how long? Under whose command?

These Americans would quickly become targets of anti-peace, anti-American factions, which are numerous in that part of the world. Instead of preserving peace, our presence would goad those who want

MALCOLM S.
FORBES JR.



conflict.

Presidential apologists point to Haiti, where U.S. troops have suffered virtually no harm. But Haiti isn't the Balkans, where war is being waged by determined armies. Moreover, Haiti sadly appears to be headed for another dictatorship as President Aristide methodically eliminates his foes. Our previous occupation (1915-1934) didn't make Haiti safe for democracy. This episode won't either.

President Clinton calls opponents of his ill-conceived scheme isolationists. The real fanners of isolationist senti-

ments are those who, like the President, would put our troops in harm's way without systematic, careful consideration as to how this will help our long-term national interests.

At the same time, the administration still balks at the idea of removing the arms embargo on Bosnian Muslims. Instead, the White House prattles about providing defensive weapons. In the real world, only armaments of the scope and scale of the Serbs' will suffice.

A settlement that has any chance of lasting should involve NATO air power, not U.S. ground forces; should supply the Bosnian Muslims with sufficient arms and munitions; and should require Western Europeans, particularly the Germans, to forcefully tell the Croats that their hopes of joining the European Union are zilch if Croatia tries to cut a deal with Serbia and divvy up the rest of Bosnia.

Letters to the editor

Vote 'yes' for better transportation

To The Press:

The voters of New Jersey on Nov. 7 will make a decision that will profoundly affect our state's future economy and overall quality of life.

Ballot Question No. 2 asks whether the State Constitution should be amended to dedicate to transportation more of the revenues from the existing state motor fuels (gas) tax. I stress the word existing because approval of the referendum would not increase the tax — not even one penny.

A "yes" vote would assure a stable, dependable and long-range source of funding to meet New Jersey's transportation needs for highways, bridges, and train and bus mass transit services.

This translates into direct economic (including 250,000 jobs), environmental and quality-of-life benefits for everyone in our state. We are completely dependent on a sound, balanced and efficient transportation system. We use it to do business, get to

sense to guarantee that the revenues go to transportation because highway users pay the tax each time they gas up. Forty-eight of the 50 states dedicate such revenues to transportation. Only New Jersey and Alaska do not.

If the referendum is approved, nine cents of the current tax will be dedicated to transportation in gradual annual steps by the year 2000. This would insulate tax money, now paid by the public at the gas pump from being siphoned away from transportation programs such as road and mass transit by the political pressures of the moment in Trenton.

What makes a "yes" vote so crucial is that the motor fuels tax is the main source of funding for the Transportation Trust Fund, which has provided such tremendous benefits to New Jersey over the past decade.

It would provide \$700 million a year over five years in state funding for transportation. This \$75 billion

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Fact & Comment

11/3/95

MALCOLM S. FORBES JR.



Bad theories lead to throttled growth

Brazil is an example of obsolete economic thinking throttling a country that is ready for explosive rates of economic growth.

Until recently, the country seemed consigned to perpetual hyperinflation, to forever filling that jocular but pessimistic forecast: Brazil has a great future and always will. But in 1994 former finance minister (now president) Fernando Henrique Cardoso instituted a dramatic anti-inflation

plan that has been sensationally successful. From a level just shy of 2,500 percent, the annual inflation rate is now down to 22 percent. Brazil's long-shackled economy began to blossom and seemed ready to become the world's fastest-growing one.

Alas, the government and the central bank are now starting to choke the economy because of two wrongheaded ideas. One is that a developing country should have a trade surplus in order to "generate" capital for internal expansion. When im-

ports mushroomed earlier this year, Brasilia responded by slapping on tariffs and quotas for automobiles and other items.

The Central Bank of Brazil is guilty of the other toxic theory: Fast growth breeds inflation. The bank imposed a credit squeeze that has been especially damaging to small entrepreneurial companies. Neither central bankers nor government planners nor economists can possibly know how fast the Brazilian economy can grow. Growth doesn't destabilize a currency; excessive credit creation does. In short, if the central bank kept its currency permanently fixed to the dollar and announced this as its policy, real interest rates would fall and the economy would grow even more.

As it is, Brazil's potential is so extraordinary that the economy is still expanding at a 5-6 percent pace.

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Letters to the editor

Residents should stay on C.A.S.E.

To The Press:

The purpose of this short letter is to communicate with all Hills and Timbrooke residents.

Recently we wrote letters to each of the individual neighborhood associations with three particular purposes in mind.

First of all, we provided a financial statement that summarized all of our collections and disbursements to date of monies involved in our legal battle against Environmental Disposal Corp. (EDC).

Secondly, we informed each association of the amount of money that our records show have been collected from that particular neighborhood toward our cause; these individual monies were either totally derived from an association contribution, or from

Included in this information was that neighborhood's allotted monetary portion based on a \$20 per household figure. For example, the Signal Point Neighborhood has 182 units and thus their monetary allotment would be 182 X \$20 or \$3,640.

Lastly, the letter provided an update on where we are in the case at this point in time.

We urge all residents in the 22 neighborhoods who are affected to stay in touch with this ongoing situation. We hope that the information provided to your neighborhoods is helpful. If any of the data provided is inaccurate, please call your local C.A.S.E. representative.

MARK HARTMAN
C.A.S.E. Committee
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MALCOLM S. FORBES JR.



Policymakers and economists still make a mistake that costs us dearly: They continue to confuse a rise in prices resulting from increased demand with a rise resulting from the currency's being debased. The distinction may appear arcane, esoteric, but its cost in lost jobs and incomes are all too real. When politicians print too much money, the worth of the dollar goes down. Interest rates go up. That's a very different phenomenon from say, the boost in the price of paper that results from newspapers, magazines, catalogers, etc., wanting to buy more than papermakers can make.

Economists, of all people, should understand that such pricing changes are essential in a free market. In the case of paper, increased demand tells suppliers that it might be time to add capacity. Buyers are told to try to increase productivity, and perhaps, to print fewer cat-

alogs (which is what is happening today).

This inability to separate currency debasement from healthy supply and demand has given us the pernicious theory that prosperity causes inflation. The way to keep inflation low is not by depressing the economy, which is what the Federal Reserve has been doing since last year, to the applause of both Democrats and Republicans — but simply by avoiding churning out more dollars than the economy can use productively.

Between 1954 and 1965, the American economy grew at a rate almost 50 percent higher than the current expansion, and consumer prices rose around 1 percent annually. In those days, of course, the Federal Reserve operated under a monetary system called the gold exchange standard. When John Kennedy took office, he stated that the dollar must al-

ways be as good as gold. His policies of sound money and lower taxes made possible a long-lived boom. But Johnson was unsure, and Nixon did not believe in a sound dollar and destroyed the gold exchange standard. The United States paid dearly. A debilitating decade of inflation, oil shocks, rising taxes, high interest rates and falling wages was the result. Even today, despite a Federal Reserve extremely sensitive to inflation, interest rates remain historically high.

Ronald Reagan understood the need for a sound dollar from political interference, but no others in his administration quite knew how to make that happen. Actually, the process is simple: Use gold as a compass. If its price were to go much above \$385 an ounce (its current cost), the Fed would know it's printing too much money and would withdraw dollars from the banking system. If the yellow metal were to fall below \$385, the Fed would do the opposite — add dollars. With this as the proclaimed approach, interest rates would fall to the levels we had before the mid-1960s, and we would again have 30-year fixed-rate mortgages at 4.15 percent.

Letters to the editor

Winning candidates thank voters

To The Press:

As the newly elected team chosen to serve the residents of Bedminster as Township Committeepersons for the next three years, we would like to say, "Thank you very much!"

In the last days of our campaign, we were constantly asked the same question: "Can you really make a difference?" All we can promise is to try our very best to earn the trust you have demonstrated in us so far. We will work hard to represent the interests

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Fact & Comment

11/22/95

MALCOLM S. FORBES JR.



Dump it

That the GOP, even for a moment, considered jettisoning its attempts to ease the Social Security earnings penalty was astonishing, given the increasing heat Republicans are taking from the elderly over the party's ill-understood, incredibly detailed changes in Medicare. Social Security recipients between ages 65-69 face a ferocious tax on earnings above \$11,280 which, when combined with other taxes, becomes a marginal tax rate of over 60 percent.

The House of Representatives earlier this year approved only slight modifications. Deficit hawks are acting like dodo birds here. The

earnings penalty should not be fiddled with; it should be scrapped altogether. It punishes productive work, which means that the government ends up with less revenue.

This tax punishment, moreover, applies only to wages and salaries. Investment income has no such cap. By abolishing the earnings penalty, GOPers would win credit among a group of people with whom they badly need it.

Subsidized place at trough

Congress should limit

groups that receive Federal largess on how much they can spend to lobby Washington for more money. But legislation proposed by Representatives Ernest Istook (R.-Okla.) and David McIntosh (R.-Ind.) to do just that may well be blocked by — you guessed it — fierce lobbying from the affected parties.

Thousands of organizations, such as the American Association of Retired Persons, that receive federal funding spend considerable sums to persuade Congress to pony up additional dough. True, under current law, government grants aren't supposed to be used for political purposes, but money in fungible. Beneficiaries can claim that their lobbying dollars came from nongrant sources.

Why should taxpayers pay for groups to badger Congress for more taxpayer money?

The harvesting of the mind

Editor's Note: Charles Scribner, Jr. wrote a column, "After Thoughts," for this newspaper in 1989 and 1990. Invited to write a weekly column by his great friend, the late Malcolm Forbes Sr., Mr. Scribner produced an essay every seven days with wit, insight and intelligence. Though Mr. Scribner called the column a "maiden effort in journalism," he brought to these pages a distinctive style and grace. Here is a sample of Mr. Scribner's thoughts about the act of writing. As he wrote in his farewell column, "Writing provides the most affective

Guest commentary

self-discovery as the result of his writing was the 16th Century French philosopher Montaigne. Like so many educated men of his time, Montaigne was deeply influenced by the authors and especially the moral philosophers of the ancient world.

But in his case this enthusiasm

interesting examples drawn from his own experience. He began to develop characteristic style and to speak with what was clearly his own voice. His writing was leading him to authentic creativity. He found that he had written a book of extraordinary richness and impressive length. In fact, this was Montaigne's own view of his literary career. He spoke of a book being consubstantial with its author. As he put it very simply, "I have made more my book than my book has made me."

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IN THE

Hells-Bedminster
Press
11/24/95

Fact & Comment

MALCOLM S.
FORBES JR.



Phony progress

The Food and Drug Administration is touting a new report by the General Accounting Office that the FDA is approving new drugs far faster than it did a few years ago.

Don't believe it. The FDA's "improvement" is only for the last phase of a long regulatory process. The major hurdle is the so-called clinical development period, during which the FDA over the years has been demanding more and more data that outside experts feel are unnecessary. The mean clinical testing time has increased two-and-a-half-fold since the 1960s, from an average of 2.5 years to six years. Only after this process is com-

pleted can a pharmaceutical company formally file a new drug application with the FDA.

As a result of this needless bureaucratic expansion of clinical study time, the cost of developing a new drug is almost \$300 million, up from \$130 million (inflation-adjusted) in 1976. Other major nations with respected, reputable testing procedures, such as Britain, Germany and Japan, take significantly less time to allow a new drug to come to market. That's why only 27 percent of recently approved new drugs in the United States were first marketed here. Some 12 percent of new medicines were

available for more than 10 years in a foreign market prior to U.S. approval.

The FDA hopes that this GAO study will derail congressional legislation that would speed up the agency's sluggish drug-approval process. (Under the legislation being drafted, if the agency did not act within a given period, the review would be turned over to a private group — and even better, the drug could go on the market if it had already been approved for use in another reputable testing nation, such as Britain.)

The FDA is becoming an increasingly destructive obstacle to the development of new medicines and is wreaking increasing havoc in the field of medical devices. Its director has already undermined the agency's integrity by playing politics with a number of issues.

The time is long past for bringing the FDA to account.

Letters to the editor

District responded 'sensitively'

To The Press:

I am writing in response to an article published by your newspaper Nov. 22, with the headline: "Parents critical of turnover in class teachers."

As a parent who attended the Board of Education meeting referenced by Mr. O'Reilly, I'd like to share with you what has occurred as a result of the board meeting.

First, I don't believe the focus of our criticism was directed toward the "high turnover rate" as described by Mr. O'Reilly, but rather it was directed at the way the administration chose to inform and communicate with the parents the many changes taking place in

the parents the school would introduce Ms. Ruth Clark, the school's reading specialist, to Mrs. Kryston's class for one period each afternoon. Ms. Clark will assist Mrs. Kryston in observing and evaluating the students needs. Ms. Clark will provide assistance to any student to ensure he/she is working up to his/her potential. After a brief discussion between the parents present (only one-third of the parents attended) and those representing the school, all concurred and agreed with Mrs. Doyle's suggested plan.

Also discussed were the inherent difficulties in appraising each student's academic standing and/or grading for the present marking period. It became

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Hells-Bedminster Press

Fact & Comment

Personal memories of a great man

MALCOLM S. FORBES JR.



I first met Yitzhak Rabin 15 years ago, when I visited Israel with my father and *Forbes* magazine editor Jim Michaels.

At that point Rabin's political career seemed over, after a tough stint as prime minister. The underacclaimed architect of Israel's spectacular Six-Day War victory impressed us with his candor, his perceptive appraisal of the issues and personalities of the day, his direct approach and his underlying humanity, which had not been warped or extinguished by years of military and political warfare. The three of us remarked afterward how regrettable it was that such a down-to-earth, obviously able man would not be in harness again in the service of his country.

My next meeting with Rabin took place 10 years later and was strictly business: He was defense minister and I was chairman of the board for International Broadcasting which

oversaw Radio Free Europe and Radio Liberty. At the time, we were trying to implement an agreement with Israel to build a major transmitter station in the Negev desert. The Israeli Air Force had raised obstacles that threatened to scuttle the project. We felt the objections could easily be overcome, but realized the military didn't want to be bothered with what it thought was an unnecessary nuisance.

My colleagues and I conferred with the Defense Minister and key Air Force leaders. Rabin listened carefully to our presentation and to our interchanges with the Air Force brass. He then asked straightforward, penetrating questions. To the discomfort of his associates, he concluded that the project should not be stopped. He was that kind of man — he could weigh information and wasn't afraid to make a difficult decision.

Because of the transmitter project (ultimately nixed by the Clinton administration) I met

with Rabin a third time when he was prime minister (he was a man of too high a stature to be called the comeback kid) in 1992. Despite noisy domestic opposition, Rabin said Israel would honor its commitments. What was noteworthy again was his trust-inspiring, businesslike manner.

I was fortunate to see Rabin one more time, last spring, when I had the opportunity to host a small group of American executives for a visit to Israel in order to size up investment opportunities in that extraordinary country.

The Prime Minister and his wife Leah invited us to their apartment for dinner. While obviously fatigued, he spent the evening answering our questions and sharing with us his unshakable conviction that Israel must continue to pursue the peace process. The dinner underscored what everyone already had known: Without Rabin's vision, determination and ability to quickly win the trust of others, those breakthrough agreements would never have happened.

Rabin was no know-it-all, doubts-are-for-others leader. He had deep convictions, tempered by a personal, Lincolnesque appreciation of the strengths and frailties of human nature. That humanity is why so many of us genuinely grieve his loss.

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Letters to the editor

Teachers should attend convention

Hills Bookminster Press 12/13/95

Fact & Comment

The stunning defeat...

MALCOLM S. FORBES JR.



...of Poland's President Lech Walesa by a neo-communist, Aleksander Kwasniewski, is another reaping of the whirlwind sown by wrongheaded Western economic advice foisted on former communist nations.

Dubbed shock therapy, these policies recommended by the United States, the IMF and others for newly liberated nations of the former Soviet Empire were supposed to bring about a sudden transformation to a vibrant free-market economy. Subsidies would end; government-owned entities would be hastily privatized; taxes would stay high so budgets could be balanced; credit would be tightened to curb inflation.

While the goals were laudable, the results were appalling. Rapidly rising unemployment put a quick end to the notion of eliminating subsidies. In Russia, hasty privatization turned into a corruption feast for old-line communist officials who rigged the process so they could acquire assets cheaply. High taxes forced many entre-

preneurs into the informal economy (in Poland, payroll taxes approached 70 percent). Tight credit put an enormous burden on new businesses. Incredibly, while interest rates were made high, money was pumped into dinosaur industries to preserve employment; thus many of these countries experienced hyperinflation.

The Chinese did it better economically. They established free-enterprise zones, attracting massive foreign investment and energetic local entrepreneurs. While privatization occurred at a much slower pace, China did allow new entities to compete with state-owned companies, whose bloated cost structures made them easy targets. China's tax structure is not punitive, so growth has been in double-digits. Inflation — high by Western standards — has never exceeded, in its worst years, the monthly rates Russians experienced routinely. People's savings in China have not been

destroyed, as they were in Poland, Russia and elsewhere. Former Red lands could have had less painful transitions had they been urged to follow a few sensible policies:

- **Curb inflation.** The Baltic states are now doing this with currency boards. Russia could have achieved the same goal by fixing the ruble's value to the dollar and by selling dollar-denominated bonds back by government-owned assets for rubles. This would have soaked up excessive credit.

- **Slash or scrap taxes, tariffs, numerous licenses and restrictions.** Again, the Baltic states have demonstrated that reasonable tax rates fatten budget receipts.

- **Respect property rights.** Russia's capricious, ever-changing rules governing foreign investment have severely damaged the inflow of capital while making local entrepreneurs prey to powerful Mafia-like gangs.

- **Stop bureaucratic interference in the setting-up and running of private businesses.** In too many countries, entrepreneurs have to go through mazes of red tape to legally establish their businesses.

Democratic forces are on the defensive in Russia because of unnecessary economic distress.

The U.S. and its allies blew it here, big time.

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Letters to the editor

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Fact & Comment

MALCOLM S. FORBES JR.



Ban this barbaric surgery

The U.S. Senate should be ashamed for not passing the Smith bill outlawing a late-pregnancy procedure known as partial-birth abortion. In this hideous operation the baby's live body, except the head,

is delivered. While the head is still in the birth canal, the abortionist undertakes an unconscionable act, collapsing the skull and destroying the brain. Tragically, many partial-birth abortions are elective — with no medical necessity for them.

The House of Representatives overwhelmingly passed a similar measure. Several senators blocked a Senate vote, ostensibly for hearings but more likely to kill the bill by delay. Carefully crafted by physicians, the bill makes no reference to other late-term abortion procedures.

Morally there is no justification for what might be called a hospital divided: In one room doctors struggle (with increasing success) to save premature babies who have been in the womb for as little as 24 weeks. In another room physicians are at work to end pregnancies of similar duration.

Discovering the heart's treasures

By DAVE ALLENA

Guest commentary

In the past, I have tried to share what I believe to be the meaning of Christmas. Lately, however, I'm beginning to think there are two meanings to Christmas.

Nothing, of course, should distort the overall meaning of this holy day, which is Jesus and his birth — His coming as man among men when no one expected it and few accepted it.

But I think there exists for each of us an individual meaning to Christmas, one shaped by our past experiences, our values and our hopes. I want to, however, hold up my personal meaning of Christmas to the light of that first Christmas morning.

Part of my personal meaning comes from the memory of the sacrifices my parents always made to ensure their brood of six boys always had a wonderful Christmas. Another part comes from my belief in God and that the saving grace of the infant Jesus was meant for all people. Yet another comes from my hope for peace and that all

mentarily, by the reflection of God's love through me to that person.

A plaque in a Christian book store caught my eye last week. Its message was simple and yet so profound and I know I need to incorporate it into the way I look at others and myself. The message was: "God danced the day you were born." And He did — for each and every one of us.

Each of us is a treasure — everyone from that one person you know who is always smiling, always cheerful to that homeless man asleep on the street. The difference is simply the treasure has yet to be discovered. But it is there because God created it.

And I think Jesus came to show us this, to reveal the immense value in each of us. I think he gave up His divinity so we could understand how important each of us is to God, with value, worth, importance, specialness. Each of us is worth God's coming as a child.

More than anything, I would like to get the opportunity to tell some-

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Fact & Comment

MALCOLM S. FORBES JR.



So-so '96

The sluggish pace of the U.S. economy will continue in 1996. Consumers are indeed heavily in credit card debt. Retail and auto sales will not be stellar. Business investment has had a fabulous four-year period of impressive growth. That pace, too, will slacken. The Federal Reserve has kept short-term interest rates too high for too long in the mistaken belief that vigorous growth will ignite inflation. Congress's failure to enact a sweeping deregulatory bill and to promote widespread tort reform will also be a burden. The stock market will be unimpressive until after the election. In the meantime, short-term interest rates will decline.

To the south, Latin America is ready for a Pacific Rimlike boom, but it remains hobbled

by bad economic thinking. Mexico, for example, still can't decide whether it should shore up the peso. Unless it does, its depression will deepen.

Elsewhere in the world, Western Europe continues to be hobbled by excessive, anti-growth labor laws and taxes. Japan is only beginning to recover from a devastating deflation. China remains a question mark because of poor monetary policy and uncertainty about how reforms will fare in the post-Deng era. India faces critical elections that will determine whether its initial free-market reforms can survive a hypernationalistic counteroffensive. Russia, as usual, remains a mystery wrapped in an enigma.

The U.S.'s fundamental strengths are real. The faster we remove the fiscal, monetary and regulatory barriers to realizing our full potential, the faster we will astound ourselves and the world with our opportunities and achievements.

Where's the growth?

France has been braving strikes to cut its deficit and to trim a bloated, insolvent social welfare system. But the approach lacks the most critical elements needed to get France growing again: slashing punitive payroll and income taxes and removing job-killing labor regulations. Worse yet, France is raising exactions instead of reducing them. If pro-growth reforms were implemented, government revenue would increase, political support for the difficult changes ahead would be won and the country's double-digit unemployment would be cut.

Letters to the editor

HomeSharing thanks all its 'elves'

To The Press:

Every Thanksgiving and Christmas the HomeSharing Program of Somerset County provides holiday food baskets to its clients along with a selection of clothes and household goods. We ask county residents

contributing gifts and those receiving them. There were so many contributors that we have no way of thanking them individually and would like to thank them publicly through this forum. We would also like to thank our "HomeSharing Elves" that...

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We Deliver The Deal You Want



Ads are sold in "column-inches", sometimes just called "inches", which are one column wide and one inch deep.

forget to take a discount if you buy more than one paper!

To figure out how much your ad will cost, simply multiply the number of columns in width by the number of inches in depth. Then multiply by your rate. Don't

Save even more with a bulk contract, which specifies the number of inches you'll run in a year, or a frequency contract, which specifies the number of times you'll run in a year.

Newspaper Rates

	Open or 1x	50" or 6x	100" or 13x	250" or 26x	500" or 52x	1,000"	2,000"	4,000"	6,000"
Somerset Messenger/Gazette	12.52	17.77	16.95	16.52	15.67	15.26	14.42	14.02	13.61
Hills-Bedminster Press	10.48	9.53	9.09	8.86	8.42	8.20	7.75	7.53	7.30
Bound Brook/Middlesex Chronicle	11.04	9.55	8.86	8.50	7.80	7.45	6.74	6.30	6.04
Franklin Focus	10.12	8.58	7.87	7.50	6.78	6.42	5.69	5.33	4.97
The Journals	5.91	5.38	5.13	5.00	4.75	4.63	4.37	4.25	4.12
Piscataway Review	10.93	9.95	9.50	9.16	8.70	8.47	8.00	7.77	7.54
South Plainfield Reporter	9.52	8.65	8.27	7.98	7.59	7.40	6.99	6.80	6.60
Metuchen-Edison Review	10.05	9.20	8.81	8.50	8.19	7.99	7.58	7.39	7.19
Highland Park Herald	7.01	6.42	6.15	6.00	5.71	5.57	5.29	5.16	5.02
Cranford Chronicle	15.00	13.65	13.02	12.69	12.05	11.73	11.09	10.77	10.45
Scotch Plains/Fanwood Press	5.91	5.38	5.13	5.00	4.75	4.63	4.37	4.25	4.12
Westfield Record	12.63	11.37	10.81	10.35	9.76	9.47	8.89	8.60	8.32

Buyer's Guide Rates

	Open or 1x	50" or 6x	100" or 13x	250" or 26x	500" or 52x	1,000"	2,000"	4,000"	6,000"
Somerset	16.47	16.01	15.76	15.44	15.15	14.72	14.27	13.81	13.49
Middlesex Zone 1 (Piscataway/S. Plainfield)	12.36	12.01	11.82	11.58	11.37	11.04	10.70	10.36	10.12
Middlesex Zone 2 (Metuchen/Edison)	12.36	12.01	11.82	11.58	11.37	11.04	10.70	10.36	10.12
Central	8.24	8.01	7.88	7.72	7.58	7.36	7.13	6.90	6.75

Discounts

2 Newspapers or Guides	20%	5 Newspapers or Guides	35%
3 Newspapers or Guides	25%	6 Newspapers or Guides	40%
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	Open or 1x	50" or 6x	100" or 13x	250" or 26x	500" or 52x	1,000"	2,000"	4,000"	6,000"
Somerset County Newspapers	37.09	33.03	31.14	30.15	28.22	27.27	25.34	24.39	23.43
Middlesex County Newspapers	28.26	23.96	22.91	22.22	21.13	20.60	19.51	18.98	18.44
Union County Newspapers	25.16	22.80	21.72	21.03	19.92	19.37	18.26	17.72	17.17
Full Run - Newspapers	57.66	51.95	49.32	47.77	45.08	43.75	41.04	39.72	38.38
Full Run - Newspapers with Guides	71.02	65.39	62.75	60.99	58.26	56.55	53.60	51.88	50.31

Spot Color Charge: Under 31.5" - \$50, 31.5-63" - \$100, Over 63" - \$200.

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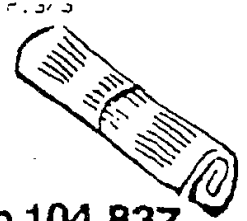
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Forbes
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Somerset County Total Circulation 49,379

Somerset Messenger-Gazette: 12,467 paid circulation every Thursday in Somerville, Branchburg, Bridgewater, Raritan, Hillsborough and Manville.

Hills-Bedminster Press: 6,216 free circulation every Wednesday in Bedminster, Far Hills, Pottersville, Pluckemin, Peapack and Gladstone.

Bound Brook Chronicle: 2,166 paid circulation every Thursday in Bound Brook and South Bound Brook.

Green Brook-North Plainfield Journal: 2,103 paid circulation every Wednesday in Green Brook and North Plainfield.

Warren-Watchung Journal: 1,305 paid circulation every Wednesday in Warren and Watchung.

Franklin Focus: 2,350 paid circulation every Thursday in Somerset and Franklin Park.

Somerset Buyer's Guide: 16,102 free circulation every Thursday in Somerville, Branchburg, Bridgewater, Raritan, Hillsborough, Manville, Somerset and Franklin Park.

Central Buyer's Guide: 6,670 free circulation every Thursday in Bound Brook, North Plainfield, Warren and Watchung.

Middlesex County Total Circulation 42,078

The Chronicle: 2,716 paid circulation every Thursday in Middlesex and Dunellen.

South Plainfield Reporter: 3,140 paid circulation every Thursday in South Plainfield.

Piscataway Review: 3,040 paid circulation every Friday in Piscataway.

Metuchen-Edison Review: 4,900 paid circulation every Friday in Metuchen and Edison.

Highland Park Herald: 1,374 paid circulation every Friday in Highland Park.

Middlesex Buyer's Guide Zone 1: 11,244 free circulation every Thursday in Piscataway and South Plainfield.

Middlesex Buyer's Guide Zone 2: 13,128 free circulation every Thursday in Metuchen and Edison.

Central Buyer's Guide: 2,536 free circulation every Thursday in Middlesex and Dunellen.

Union County Total Circulation 13,380

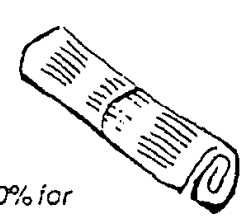
Cranford Chronicle: 6,241 paid circulation Wednesday in Cranford, Garwood and Kenilworth.

Scotch Plains-Fanwood Press: 2,349 paid circulation every Thursday in Scotch Plains and Fanwood.

Westfield Record: 4,790 paid circulation every Thursday in Westfield.

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Source: 1994 Reader Survey.

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NEWSPAPERS

Forbes

Preliminary

ABC Publisher's Statements	Dec-96	Jun-96	Dec-95	Jun-95	Dec-94	Jun-94	Dec-93	Jun-93
Issues in Period	15	12	14	13	14	13	14	13
Issues per Year	27	27	27	27	27	27	27	27
Basic 1 year rate	\$57.00	\$57.00	\$57.00	\$57.00	\$57.00	\$57.00	\$54.00	\$54.00
\$/copy	\$2.111	\$2.111	\$2.111	\$2.111	\$2.111	\$2.111	\$2.000	\$2.000
Subscriptions	738,983	737,422	730,887	737,831	730,820	739,103	723,384	730,419
Newsstand	50,005	46,034	49,014	39,019	46,533	40,022	46,624	37,363
Total	788,988	783,456	779,901	776,850	777,353	779,125	770,008	767,782
Rate Base	765,000	765,000	765,000	765,000	765,000	765,000	750,000	750,000
Unpaid	43,809	63,575	59,964	65,551	66,733	61,924	57,513	56,462
Unpaid as % of subs.	6%	9%	8%	9%	9%	8%	8%	8%
Subscriptions Sold	355,954	389,938	505,214	386,770	525,986	343,182	527,338	338,868
Sold - Less than Basic	133,188	240,087	350,252	262,808	326,696	210,672	329,672	225,689
Sold - Basic Rate	222,766	149,851	154,962	123,962	199,290	132,510	197,666	113,179
% Sold at Basic	63%	38%	31%	32%	38%	39%	37%	33%
1 to 6 months *	978	1,619	8,607	3,232	1,864	533		
% 1-6 months	0%	0%	2%	1%	0%	0%		
7 to 11 months *	84,718	182,433	250,780	245,205	273,955	181,544		
% 7-11 months	24%	47%	50%	63%	52%	53%		
1 to 11 months *	85,696	184,052	259,387	248,437	275,819	182,077	286,397	197,764
% 1-11 months	24%	47%	51%	64%	52%	53%	54%	58%
12 months	214,843	163,033	208,412	106,626	192,963	119,379	181,381	101,065
% 12 months	60%	42%	41%	28%	37%	35%	34%	30%
13 to 24 months	9,341	6,995	6,299	2,358	2,445	2,995	2,921	3,252
% 13 to 24 months	3%	2%	1%	1%	0%	1%	1%	1%
25 months or more	46,074	35,858	31,116	29,349	54,759	38,731	56,639	36,787
% 25 months or more	13%	9%	6%	8%	10%	11%	11%	11%
Ordered by Mail/Request	322,006	350,650	445,415	369,274	487,052	320,233	489,231	320,185
% ordered by mail/req.	90%	90%	88%	95%	93%	93%	93%	94%
Catalog Agencies	10,000	4,726	9,091	4,433	10,048	3,791	9,619	3,041
Publisher's/Independent Sales	6,908	14,400	17,645	8,946	12,630	13,517	13,277	11,312
Schools & organization sales	17,040	20,162	33,063	4,117	16,256	5,641	15,211	4,330
% ordered thru salespeople	10%	10%	12%	5%	7%	7%	7%	6%
No Premium	338,790	349,298	381,179	222,888	321,147	221,902	327,316	191,259
Reprint Premium	17,164	40,640	124,035	163,882	204,839	121,280	200,022	147,609
Other Premium	0	0	0	0	0	0	0	0
Collection Stimulants		7,702	3,083	6,078	3,580	8,334		
% USA	0%	98%	98%	98%	98%	98%	98%	98%
USA	0	762,160	761,296	762,926	758,998	756,539	753,154	751,100
Total	0	779,049	779,438	776,902	777,192	770,400	771,145	767,015

* ABC changed the analysis of duration of subscriptions sold at the end of 1993. Current reports do not include a single 1 to 11 month period, but I have retained the subtotal for consistency of our reporting.

FORBES NIHONBAN

Average Circulation for the First Six Month, 1996:

81,923

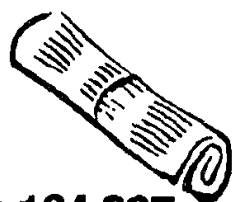
As Certified by the Japanese ABC

Circulation Breakdown By Prefecture

Analyzed Issue: The June 1996 Issue

Prefecture	%	No. of Copies	Prefecture	%	No. of Copies
Hokkaido	3.61	2,957	Shiga	0.54	442
Aomori	0.91	745	Kyoto	1.16	950
Iwate	0.99	811	Osaka	12.65	10,363
Miyagi	1.77	1,450	Hyogo	2.00	1,638
Akita	0.57	467	Nara	0.54	442
Yamagata	0.57	467	Wakayama	0.25	205
Fukushima	0.92	754	Tottori	0.41	336
Ibaraki	1.15	942	Shimane	0.44	360
Tochigi	0.94	770	Okayama	1.11	909
Gunma	1.09	893	Hiroshima	1.93	1,581
Saitama	4.08	3,342	Yamaguchi	1.08	885
Chiba	3.53	2,892	Tokushima	0.47	385
Tokyo	30.16	24,708	Kagawa	0.47	385
Kanagawa	5.84	4,784	Ehime	1.18	967
Niigata	1.45	1,188	Kouchi	0.30	246
Toyama	0.52	426	Fukuoka	1.79	1,466
Ishikawa	0.66	541	Saga	0.20	164
Fukui	0.71	582	Nagasaki	0.57	467
Yamanashi	0.51	418	Kumamoto	0.63	516
Nagano	1.97	1,614	Ooita	0.47	385
Gifu	0.92	754	Miyazaki	0.84	688
Shizuoka	2.31	1,892	Kagoshima	0.48	393
Aichi	3.92	3,211	Okinawa	0.44	360
Mie	0.95	778	Overseas	0.00	0

We Deliver The Homes You Want



Combine Our Paid and Free Circulation To Reach Up To 104,837 Homes and Up To 100% Of The Communities You Choose!

Somerset County Total Circulation 49,379

Somerset Messenger-Gazette: 12,467 paid circulation every Thursday in Somerville, Branchburg, Bridgewater, Raritan, Hillsborough and Manville.

Hills-Bedminster Press: 6,216 free circulation every Wednesday in Bedminster, Far Hills, Pottersville, Pluckemin, Peapack and Gladstone.

Bound Brook Chronicle: 2,166 paid circulation every Thursday in Bound Brook and South Bound Brook.

Green Brook-North Plainfield Journal: 2,103 paid circulation every Wednesday in Green Brook and North Plainfield.

Warren-Watchung Journal: 1,305 paid circulation every Wednesday in Warren and Watchung.

Franklin Focus: 2,350 paid circulation every Thursday in Somerset and Franklin Park.

Somerset Buyer's Guide: 16,102 free circulation every Thursday in Somerville, Branchburg, Bridgewater, Raritan, Hillsborough, Manville, Somerset and Franklin Park.

Central Buyer's Guide: 6,670 free circulation every Thursday in Bound Brook, North Plainfield, Warren and Watchung.

Middlesex County Total Circulation 42,078

The Chronicle: 2,716 paid circulation every Thursday in Middlesex and Dunellen.

South Plainfield Reporter: 3,140 paid circulation every Thursday in South Plainfield.

Piscataway Review: 3,040 paid circulation every Friday in Piscataway.

Metuchen-Edison Review: 4,900 paid circulation every Friday in Metuchen and Edison.

Highland Park Herald: 1,374 paid circulation every Friday in Highland Park.

Middlesex Buyer's Guide Zone 1: 11,244 free circulation every Thursday in Piscataway and South Plainfield.

Middlesex Buyer's Guide Zone 2: 13,128 free circulation every Thursday in Metuchen and Edison.

Central Buyer's Guide: 2,536 free circulation every Thursday in Middlesex and Dunellen.

Union County Total Circulation 13,380

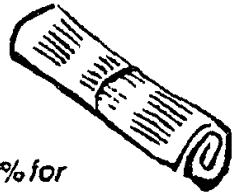
Cranford Chronicle: 6,241 paid circulation Wednesday in Cranford, Garwood and Kenilworth.

Scotch Plains-Fanwood Press: 2,349 paid circulation every Thursday in Scotch Plains and Fanwood.

Westfield Record: 4,790 paid circulation every Thursday in Westfield.

CAC 8/93

We Deliver The Customers You Want



• 78% have made a purchase from one of our advertisers within the last month... 48% within the last seven days!

• 65% have annual household incomes of over \$40,000... 43% in excess of \$60,000!

• 82% own their homes.

• 97% read us every week... 80% for 15 minutes or more!

• 62% do not read The Courier News;
72% do not read The Home News & Tribune.

Source: 1990 Reader Survey.

Forbes
NEWSPAPERS

99.04.391.3187

CAPITALIST TOOL

Forbes

CAPITALIST TOOL[®]

FORBES Magazine • 60 Fifth Avenue • New York, NY • 10011

Rate Card 76

Effective January 1, 1996

Rate Base: 765,000

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99 "04" 391 "2188

A Trend of Leadership

FORBES continues to provide the most thought-provoking business editorial in the marketplace—boldly reviewing management performance and challenging conventional wisdom. It is this commitment to journalistic excellence that earned FORBES the distinction of being named one of the top five magazines of 1995 by *Advertising Age*.

In late 1994, FORBES' long-time editor James W. Michaels received the Gerald Loeb Lifetime Achievement Award for Excellence in Business and Financial Journalism. Further proof that FORBES' mission—to provide information to managers that they can't find anywhere else—is our number one priority.

FORBES distinguishes itself from the other business magazines because it is a trusted, reliable, dependable brand. Its image as a quality product is consistent among the FORBES supplements, FORBES ASAP and FORBES FYI. FORBES ASAP had a banner year in 1995, being called a "...must-read for the smart technology executive" by the Computer Press Organization. Author and futurist Alvin Toffler suggested to the Joint Economic Committee that ASAP could provide more information on the Third Wave Revolution than most other publications. And FORBES FYI celebrated its fifth anniversary in 1995 with the highest number of ad pages ever, continuing its tradition of providing the best in travel, sports, fashion, automobiles and collectibles for the affluent executive. *USA Today* even went so far as to call FYI "the magazine that *GQ* and *Esquire* want to be."

FORBES' international partnership publications, Zibenjia in Chinese and Nihonban in Japanese, continue to spread the FORBES Global Advantage offering greater penetration of the world's most dynamic markets. Worldwide circulation for all FORBES publications totals almost one million.

You'll find a description of our discount plans, rates and other pertinent facts about all FORBES publications in the following pages.

FORBES offers two rate structures. The Dollar Discount rates, below (used in conjunction with the Dollar Discount Plan) and General rates, pages 4-5 (used in conjunction with either the Bonus Page Plan or Space Credit Plan). A full description of both plans appears on pages 6-8.

Dollar Discount Rates

Black and White	
Paid Pages	Rate
4-7	\$28,380
8-11	\$23,460
12-17	\$23,070
18-25	\$22,700
26-38	\$22,320
39-51	\$22,130
52-64	\$21,940
65-77*	\$21,750

2 Color (Black + 1C)	
Paid Pages	Rate
4-7	\$35,750
8-11	\$29,550
12-17	\$29,060
18-25	\$28,600
26-38	\$28,120
39-51	\$27,880
52-64	\$27,640
65-77*	\$27,400

Four Color Process	
Paid Pages	Rate
4-7	\$43,140
8-11	\$35,660
12-17	\$35,070
18-25	\$34,510
26-38	\$33,930
39-51	\$33,640
52-64	\$33,350
65-77*	\$33,060

* Higher frequency discount rates available upon request from your FORBES representative

SOTC "TEC" HQ "66

General Advertising Rates

Black and White Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
1 Page	\$37,480	\$36,920	\$36,170	\$35,420	\$35,040	\$34,670	\$34,290	\$33,920
2/3 Pg.	26,990	26,590	26,050	25,510	25,240	24,970	24,700	24,430
1/2 Pg.	22,110	21,780	21,340	20,890	20,670	20,450	20,230	20,010
1/3 Pg.	14,240	14,030	13,740	13,460	13,310	13,170	13,030	12,890
1/6 Pg.	7,500	7,390	7,240	7,090	7,010	6,940	6,860	6,790
1/2 Pg. Horiz. Spread	40,850	40,240	39,420	38,600	38,190	37,790	37,380	36,970

Two Color (Black and One Color) Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
1 Page	\$47,220	\$46,510	\$45,570	\$44,620	\$44,150	\$43,680	\$43,210	\$42,730
2/3 Pg.	34,000	33,490	32,810	32,130	31,790	31,450	31,110	30,770
1/2 Pg.	27,860	27,440	26,880	26,330	26,050	25,770	25,490	25,210
1/3 Pg.	17,940	17,670	17,310	16,950	16,770	16,590	16,420	16,240
1/6 Pg.	9,440	9,300	9,110	8,920	8,830	8,730	8,640	8,540
1/2 Pg. Horiz. Spread	51,470	50,700	49,670	48,640	48,120	47,610	47,100	46,580

Four Color Process Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
Inside Page, 2nd and 3rd Covers	\$56,970	\$56,120	\$54,980	\$53,840	\$53,270	\$52,700	\$52,130	\$51,560
2/3 Pg.	41,020	40,400	39,580	38,760	38,350	37,940	37,530	37,120
1/2 Pg.	33,610	33,110	32,430	31,760	31,430	31,090	30,750	30,420
1/3 Pg.	21,650	21,330	20,890	20,460	20,240	20,030	19,810	19,590
4th Cover	68,930	67,900	66,520	65,140	64,450	63,760	63,070	62,380
1/2 Pg. Horiz. Spread	62,100	61,170	59,930	58,680	58,060	57,440	56,820	56,200

* Higher frequency discount rates available upon request from your FORBES representative.

Bleed: Add 15% to the unit rate.

DATE: FEB 10 1986

Discount and Incentive Plans

Qualifying advertisers may choose one of the three FORBES discount plans:

1. Dollar Discount Plan
2. Bonus Page Incentives
3. Space Credit Incentives

All advertisers within a controlled group (i.e. associates, parent company, etc.) must be on the same plan. Plans apply to FORBES, FORBES FYI and FORBES ASAP.

1. Dollar Discount Plan

Advertisers running four or more pages (or fractional units equivalent to four or more pages) can earn significant discounts off the FORBES open rate by taking advantage of the Dollar Discount Plan.

Advertisers choosing the Dollar Discount Plan are not entitled to additional frequency discounts or bonus pages. The Dollar Discount Plan cannot be combined with Bonus Page or Space Credit Incentives. All other available discounts apply.

FORBES Dollar Discount Rates appear on page 3.
FORBES ASAP Dollar Discount Rates appear on pages 24-25.
FORBES FYI Dollar Discount Rates appear on pages 28-33.

2. Bonus Page Incentives

A. Bonus Page Plan

Advertisers running three or more paid pages will be entitled to at least one bonus page at no extra charge. Additional bonus pages will be based on the number of paid pages scheduled, up to a maximum of five bonus pages. The number of bonus pages can be determined by using the table below.

Advertisers must run all bonus pages within their contract year or calendar year 1996. All bonus pages are based on the number of paid pages. Dollar Discount Plan does not apply.

Paid Pages	Bonus Pages
3-6	1
7-10	2
11-14	3
15-18	4
19+	5

B. Bonus Issue Incentive Plan

Advertisers running at least one paid unit in each of three bonus issues in a one-year period earn one comparable unit free in any of the remaining bonus issues published within the same one-year period. Dollar Discount Plan does not apply.

Advertisers running at least one paid unit in each of two bonus issues in a one-year period earn one-half of a comparable unit free in any of the remaining bonus issues published within the same one-year period.

All earned free units must be taken in the comparable unit size and coloration of paid advertising units appearing in the bonus issues considered part of the Bonus Issue Incentive Plan. The bonus issues are:

January 1	June 3	October 21
February 12	July 15	December 16
March 11	August 12	December 30
April 22	September 9	

Bonus Issue Incentive Plan applies to Bonus Page Plan and Space Credit Incentive Plan.

C. Bonus Page for Exclusive and Preferred Advertisers

Advertisers who run four or more paid units in FORBES can earn one additional bonus unit over and above pages earned through the Bonus Page Plan or Space Credit Plan. Dollar Discount Plan does not apply. Advertisers qualify by placing at least one additional unit in FORBES compared to paid schedules in either *Fortune* or *Business Week*.

A unit can be smaller than a page; maximum bonus is two pages.

Determination of additional bonus units will be the predominant unit of paid advertising units.

All earned bonus units must be taken in the predominant coloration of paid advertising units.

FORBES "40" '96

3. Space Credit Incentives

All fractional unit advertisers or those running fewer than three pages who increase their paid schedule by a minimum of one unit in 1996 are entitled to a space credit equal to 20% of all paid advertising space placed in FORBES in 1996.

The space credit allowance will be applied toward additional insertions after eligibility is achieved.

All space credits earned in 1996 must be run in 1996.

Any advertiser who does not qualify on the basis of space but who adds to coloration or bleed in the current year may qualify on the basis of total gross dollars. Contact your FORBES representative for details.

Other Incentive Plans

Frequency Discounts

Rates are determined by the number of paid insertions used within a 52-week period. Each unit of a multiple unit advertisement counts as an insertion.

No rate holders accepted. Schedules composed of mixed space units are entitled to standard frequency rates except when the use of the smaller units lowers the total cost of the campaign below the amount of the larger units reached at their earned rate.

Financial Services Direct Response

25% discount off open rate. Positioning is opposite FORBES' financial columnists. No other incentive discounts apply.

Charitable Rate

Nonprofit organizations (as defined by section 501(c)(3) of the Internal Revenue Code) such as universities, hospitals and charitable associations will receive a 50% discount off the FORBES open rate. No further discounts such as the 15% agency discount (see pg. 11) or the 1% cash discount (see pg. 9) apply.

Advertising Agency Rate

Advertising agencies advertising in FORBES will receive a 50% discount off the FORBES open rate. No further discounts such as the 15% agency discount (see pg. 11) or the 1% cash discount (see below) apply.

Government Agency-Mandated Copy Rate

Advertisers required by government agencies to include disclaimer copy as part of their advertisement, such as FDA-mandated copy for prescription drug advertising, as well as other government-mandated announcements, such as "tombstone" advertising for the financial industry, will receive a 25% discount off the earned rate. Discount applies to disclaimer copy space only.

Cash Discount

A 1% discount off the net is allowed for payment on or before due date. All other payments are due in 30 days from due date. In lieu of 1% cash discount, advertisers that prepay their entire current year's advertising schedule (minimum three insertions) are allowed a 5% cash discount off the net.

Due date: Fifteen days following the date of invoice.

Multiple Page Discounts

Multiple page advertisements of four or more consecutive paid pages or four or more pages that are

No. of Pages	Discount
4-7	8%
8-11	10%
12-15	15%
16 or more	20%

not consecutive but are separated only by editorial are entitled to discounts on the left. (Each page is considered a separate insertion

toward earning a frequency discount.) Discount given on full-page advertising only. Does not apply to single-sponsored sections.

99.04.31.92

FORBES/AMERICAN HERITAGE

Group Plan

Advertisers buying space in the following two FORBES Inc. publications can earn additional discounts on matching paid units:

1. FORBES
2. AMERICAN HERITAGE—the magazine of the American experience.

For purposes of the Group Plan, FORBES, FORBES FYI and FORBES ASAP count as the same publication.

For any combination buy, the discounts are listed in the box to the right.

These additional discounts apply only to matching paid units in each publication, not to the entire schedule.

No. of Units	Discount
4-7	6%
8-11	8%
12 or more	10%

**International Publications Discount—
The "Global Advantage"**

FORBES advertisers can earn discount rates based on participation in FORBES and the FORBES Global Advantage Network:

FORBES Zibenjia

FORBES Nihonban

Advertisers can apply their highest earned frequency discount for a schedule appearing in FORBES (or any of its international publications) to earn the corresponding frequency discount for their paid schedules appearing in any publication that is included in the FORBES Global Advantage Network. Dollar Discount Plan does not apply. See page 38 for information on international publications.

Contact your FORBES representative for further details.

Policies

Commission

Agency commission to recognized advertising agencies: 15% of the gross. Any advertising agency that has been referred to a collection agency is not entitled to the 15% discount and that agency will be responsible for gross billing not remitted.

Credit Policy & Terms

All AAAA agencies are extended credit after a review of the MCA (Media Credit Association) problem account list. Insertion orders from non-AAAA agencies or directly from the advertiser must be accompanied by payment with the first insertion. Credit may be extended after a detailed credit review.

Special Availabilities

Split-Run Advertising

Available to national advertisers on a limited basis using full-page or larger units.

1. Geographic splits following state lines are available on a limited basis.
2. Alternate copy or random splits are available for four-color advertisements. Available for black and white and two-color full-page units on a limited basis.
3. Closing date is six weeks prior to issue date.

Supplied Inserts

Preprinted inserts accepted in units of two pages for all issues. Rates, specifications and availabilities for standard and nonstandard supplied inserts, including booklets and gatefolds, are available upon request. Space closing is five weeks prior to issue date.

Note: In all cases, allow 1/2" (13mm) safety margins from the belled size for live matter not intended to bleed on trim, and 1/2" (13mm) across the gutter—1/4" (7mm) on each side of the gutter.

Insert Cards

Accepted on a limited basis when accompanied by a minimum of one full page of advertising. Rates and specifications available upon request. Space closing is six weeks prior to issue date.

Gatefolds

Half-page and full-page gatefolds as well as other special size advertisements are available. Mechanical specifications should be reviewed with FORBES' Advertising Production Department prior to preparation of material. Prices on request. Space closing is eight weeks prior to issue date.

Five-Color Advertisements

A fifth color, including metallic-base sheen and special inks, may be added to the four-color process by special arrangement with the publisher. Prices on request. Space closing is five weeks prior to issue date.

Nonstandard Units

Odd-lineage units greater than 1/6 page (68 lines) may be accommodated by special request. Contact your FORBES representative for rates and details.

Second Color

Any second color, except metallic-base-sheen and special inks (i.e. Day-glo), will be closely matched at two-color rates.

Selective Binding*

Available on a national basis only, offering advertisers the ability to direct ads to specific market segments.

Ink Jet Imaging*

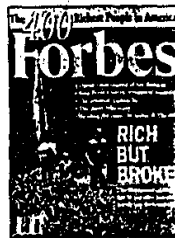
Capability to customize ink jet messages on supplied inserts, printed R.O.P. advertising pages and business reply cards, on a national basis only.

* Not available in FORBES ASAP or FORBES FYI.



Eleven key rankings and resources designed to evaluate the quality of business

and the performance of management



FORBES "1996" 40" 65



April 22, 1996

**The FORBES 500s—
America's Leading Corporations**

FORBES compares and contrasts four vital categories—sales, profits, assets and market value—to rate America's top performing companies. As an added bonus, FORBES ranks the corporate giants that most influence the American business market in *The Super 50*.



May 20, 1996

**The Power and the Pay—
Executive Compensation**

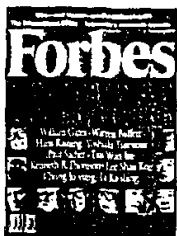
To keep on top of the competition, it helps to know how well companies are compensating their top executives. This issue of FORBES provides our management readers with the compensation packages of 800 CEOs (taken from the FORBES 500s rankings), as well as their education and tenure.



June 17, 1996

The FORBES Money Guide

FORBES provides managers with concrete strategies addressing a broad range of personal finance topics including trading, estate planning, real estate, taxes, insurance and international investing. Readers learn to preserve their capital, as well as enhance it.



July 15, 1996

**The FORBES International
500 Survey**

Identifying growing, well-managed international companies is critical to the business management audience. FORBES ranks foreign companies according to revenue, net income, assets and market value. In addition, FORBES lists the World's Wealthiest People, informing readers where wealth is accumulating fastest in private hands.

Mutual Funds Survey

In this best-selling issue, FORBES surveys nearly 2,000 mutual funds including stock, bond, junk, international, taxable and money-market. We give our readers the tools to help them make sense of all the fund investment options available.



August 26, 1996

**The Top 40—
The World's Highest-Paid Entertainers**

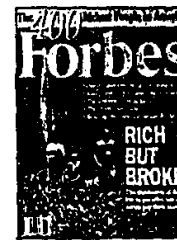
There's no business like show business, and the FORBES Top 40 shows just how big it can be. Our business review of top-performing entertainers reminds managers that the global community comprises many diverse special interest groups.



September 23, 1996

**The FORBES 400—
The Richest People in America**

FORBES tells the colorful stories of those who have accumulated wealth, what they're doing with it, how (or if) they share it, and how it sometimes disappears. This issue is a newsstand best-seller—a boon for savvy marketers and advertisers.



October 14, 1996

**The FORBES Up & Comers—
The Best Small Companies**

As new technology spurs the entrepreneurial spirit, it's clear that the best hope for future job creation and economic health lies in fast-growing, small companies. In this special issue, FORBES identifies the 200 Best Small Companies according to return on equity, five-year growth and recent stock price.



November 4, 1996

Note: Closing dates appear on inside back cover.

56789 1011 1213 1415 1617 1819 2021 2223 2425 2627 2829 3031 3233 3435 3637 3839 4041 4243 4445 4647 4849 5051 5253 5455 5657 5859 6061 6263 6465 6667 6869 7071 7273 7475 7677 7879 8081 8283 8485 8687 8889 9091 9293 9495 9697 9899 10000



December 2, 1996

The Largest Private Companies

There are roughly 10 million private companies in the U.S. and they're the breeding stock for corporate giants. To inform our investment-minded readers, FORBES rates these potential corporate colossi according to net and operating incomes, as well as annual revenues.



December 16, 1996

The Super 40— The World's Highest-Paid Athletes

FORBES' readers look to the Super 40 issue to find out which athletes are scoring the most money and whether they are earning more through immediate involvement in the sport itself, or, a la Michael Jordan, through strict management of their celebrity status. This issue is a unique opportunity for advertisers involved in sports on any level to capture the attention of the affluent FORBES reader.



January 13, 1997
(1997 rates apply)

Annual Report on American Industry

A great way to kick off the new year, this annual report puts American industry into perspective for our executive readers. We gauge the performance of 21 industry groups and 785 subgroups and rank them according to return on equity, growth in sales, earnings per share, sales, net income and profit margin. We also choose the "Performer of the Year"—the company that, as editor Jim Michaels puts it, "has gotten big without becoming swollen; become older without losing its youth."

Note: Closing dates appear on inside back cover.

Special advertising sections are highly effective, cost-efficient promotion vehicles. They combine advertising with supporting text and graphics to highlight specific themes or geographical regions.

Section text is prepared by leading writers with relevant expertise. Supplements are designed and published in FORBES by the Special Sections and Programs Group in coordination with the sponsoring organization or client.

Over the years, the FORBES Special Sections Group has built a strong tradition of producing high-quality advertising supplements that cover a broad range of industries and themes. In addition, many city, state, regional and international economic development organizations have made FORBES supplements an integral part of their marketing efforts.

Multi-Sponsored Sections—feature a variety of topics relevant to the specific interests and concerns of our readers and advertisers. Contact your FORBES representative for a schedule.

Single-Sponsored Sections—offer customized text environments consisting of either advertising and text combinations or 100% sponsored text.

For rates and further information on theme advertising sections, contact Arnold Prives, Director of Special Projects, (212) 620-2229, or Susan D. Toscani, Director of Special Section Sales, (212) 620-2269.

For information on economic development sections, contact Peter Malloy, Director of Economic Development, (212) 620-2224.

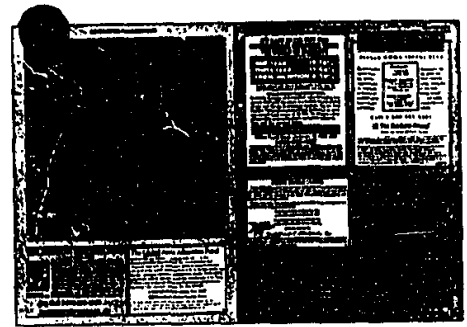
Or contact your FORBES representative.

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FORBES brings together policymakers, thought leaders and business executives to discuss special opportunities and important business issues. Conferences offer sponsorship programs that often result in a special advertising section published in FORBES. The following is a list of the 1996 FORBES conferences:

- **The FORBES Chief Financial Officers Forum**
February 25-27, 1996
The Phoenician, Scottsdale, AZ
- **The FORBES Forum on Management and Policy**
March 27-30, 1996
Loews Coronado Bay Resort, San Diego, CA
- **The Federal Facilities Waste Management Conference**
May 1-3, 1996
The Capital Hilton, Washington, DC
- **Innovative Strategies for the 21st Century**
Cosponsored by the American Stock Exchange
May 14-16, 1996
The Waldorf-Astoria, New York, NY
- **The FORBES Chief Executive Officers Forum**
June 19-22, 1996
The Four Seasons Hotel, Toronto, Canada
- **The FORBES Emerging Growth Companies Summit**
Cosponsored by the State of Ohio and the City of Cleveland
September 29-October 2, 1996
The Ritz Carlton Hotel, Cleveland, OH
- **Latin America Conference III**
November 6-8, 1996
The Waldorf-Astoria, New York, NY
- **The FORBES Technology Summit**
December 12-14, 1996
The Ritz-Carlton Hotel, San Francisco, CA

For more information, call William DeGraff, Director of Partnership Development, (212) 206-5151.



Mutual Funds Portfolio sections issue and closing dates:

Mutual Funds Update—February 12 Issue.
Closing date is January 5, 1996.

FORBES Money Guide Issue—June 17 Issue.
Closing date is April 22, 1996.

Mutual Funds Survey Issue—August 26 Issue.
Closing date is July 1, 1996.

Fall Mutual Funds Portfolio—November 4 Issue.
Closing date is September 9, 1996.

Costs for this special section include typography, separations and reader service card listing.

Rates	
1/8 Page B/W unit	\$5,450
1/8 Page 4/C unit	\$5,600
1/4 Page B/W unit	\$10,900
1/4 Page 4/C unit	\$11,200

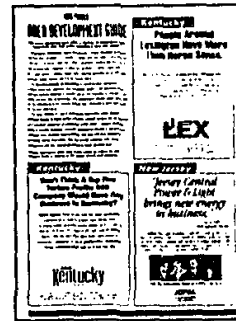
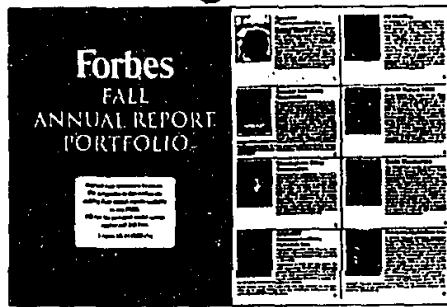
Mutual Funds Portfolio Discounts

An advertiser running the same size unit in more than one Mutual Funds Portfolio section will receive:

- 20% off second placement
- 25% off third placement
- 30% off fourth placement

For more information or space reservations in FORBES Mutual Funds Portfolios, contact Donna Tarr, (212) 620-2339; fax (212) 620-2472.

2025 "FORBES" #10 "66



Spring Annual Reports Portfolio—May 20 Issue.
Closing date is March 25, 1996.

Fall Annual Reports Portfolio—November 18 Issue.
Closing date is September 23, 1996.

Costs for this special section include typography, separations and reader service card listing.

Rates	
1/8 Page B/W unit	\$5,450
1/8 Page 4/C unit	\$5,600
1/4 Page B/W unit	\$10,900
1/4 Page 4/C unit	\$11,200

Annual Reports Discounts

An advertiser running the same size unit in two consecutive Annual Reports Portfolios (i.e. Spring and Fall or Fall and Spring) will receive a 35% discount on the second advertisement.

For more information or space reservations in the FORBES Annual Reports Portfolios, contact: Donna Tarr, (212) 620-2339; fax (212) 620-2472.

Economic Development Section—July 15 Issue.
Closing date is May 31, 1996.

Rates	
1/8 Page B/W unit	\$5,450
1/8 Page 2/C unit	\$5,530
1/8 Page 4/C unit	\$5,600
1/4 Page B/W unit	\$10,900
1/4 Page 2/C unit	\$11,060
1/4 Page 4/C unit	\$11,200

Also available, 1/2 Page and Full-Page Units.

Costs for this special section include typography, separations and reader service card listing.

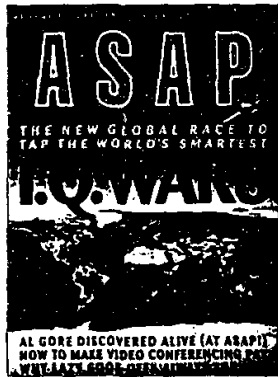
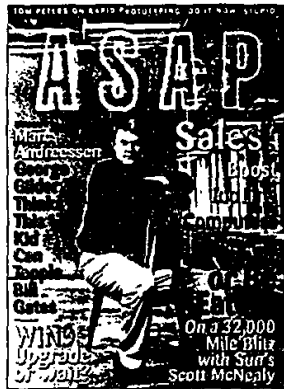
For more information, contact Linda Loren, (212) 620-2440; fax (212) 620-2472.

Classified Advertising

FORBES Market/Classified listings are accepted at the discretion of the publisher. The line rate for a regular classified listing is \$58.40. Minimum size per ad is 1 inch (14 agate lines) costing \$831.60. Line rate for display classified advertising is \$58.40. The minimum size for display advertising is 2 inches (28 agate lines), costing \$1,635.20. Additional space over specified minimums is sold at the appropriate agate line rates.

FORBES Market/Classified is published in every issue and closes one month prior to the date of issue. For information on rates, frequency discounts, copy and other specifications, contact Linda Loren, FORBES Market/Classified, 60 Fifth Avenue, New York, NY 10011, (212) 620-2440; fax (212) 620-2472, lloren@forbes.com.

06121634066



FORBES ASAP is a technology supplement mailed six times a year with FORBES to 730,000 subscribers.

ASAP's motto is "Business at Warp Speed"—which basically describes commerce today: the race is increasingly to the swift. The first and foremost information source for managers on implementing and profiting by technology, FORBES ASAP delivers cutting-edge analysis of industry and technology trends. ASAP provides interviews with technology visionaries and case studies that detail how companies have successfully used technology as a competitive tool.

ASAP also features regular contributions from information technology's front line such as George Gilder, Tom Peters and Michael Malone.

"Indeed, if you've ever tried to wade through a piece on microchips in any computer magazine, it's clear why FORBES ASAP offers a real alternative. It deals with technology issues but is written for the general reader, not the technophile."

—Advertising Age, March 6, 1995

"FORBES ASAP is a must-read, cover to cover, for the smart technology executive. Its interviews and case studies focus on the vital information that its readers want and need, while managing the difficult task of being an excellent read at the same time."

—Computer Press Organization, April 1995

Plus, ASAP features a lower general rate and combination discounts with FORBES. All FORBES Discount and Incentive Plans apply to ASAP.

DATE " 1995 " 40 " 66

ASAP Advertising Rates

ASAP Dollar Discount Rates

Black and White	
Paid Pages	Rate
4-7	\$18,820
8-11	\$15,560
12-17	\$15,300
18-25	\$15,060
26-38	\$14,800
39-51	\$14,680
52-64	\$14,550
65-77*	\$14,430

2 Color (Black + 1 Color)	
Paid Pages	Rate
4-7	\$23,720
8-11	\$19,600
12-17	\$19,280
18-25	\$18,970
26-38	\$18,650
39-51	\$18,490
52-64	\$18,330
65-77*	\$18,170

Four Color Process	
Paid Pages	Rate
4-7	\$28,610
8-11	\$23,650
12-17	\$23,260
18-25	\$22,890
26-38	\$22,500
39-51	\$22,310
52-64	\$22,120
65-77*	\$21,930

- New advertisers earn 25% off earned rate for first insertion.
- Free ASAP unit (up to 2 pages) after four paid units.
- New advertiser discount and bonus unit incentive are over and above all other earned discounts.

Black and White Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
1 Page	\$24,860	\$24,490	\$23,990	\$23,490	\$23,240	\$23,000	\$22,750	\$22,500
2/3 Page	17,900	17,630	17,270	16,920	16,740	16,560	16,380	16,200
1/2 Page	14,670	14,450	14,160	13,860	13,720	13,570	13,420	13,280
1/3 Page	9,450	9,310	9,120	8,930	8,840	8,740	8,650	8,550
1/6 Page	4,970	4,900	4,800	4,700	4,650	4,600	4,550	4,500
1/2 Pg. Horiz. Spread	27,100	26,690	26,150	25,610	25,340	25,070	24,800	24,530

Two-Color (Black and One Color) Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
1 Page	\$31,320	\$30,850	\$30,220	\$29,600	\$29,280	\$28,970	\$28,660	\$28,340
2/3 Page	22,550	22,210	21,760	21,310	21,080	20,860	20,630	20,410
1/2 Page	18,480	18,200	17,830	17,460	17,280	17,090	16,910	16,720
1/3 Page	11,900	11,720	11,480	11,250	11,130	11,010	10,890	10,770
1/6 Page	6,260	6,170	6,040	5,920	5,850	5,790	5,730	5,670
1/2 Pg. Horiz. Spread	34,140	33,630	32,950	32,260	31,920	31,580	31,240	30,900

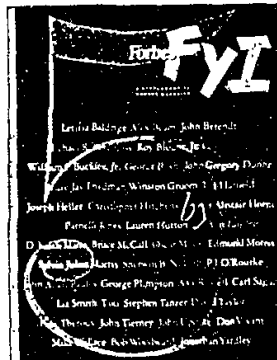
Four-Color Process Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
Inside Page, 2nd and 3rd Covers	\$37,790	\$37,220	\$36,470	\$35,710	\$35,330	\$34,960	\$34,580	\$34,200
2/3 Page	27,210	26,800	26,260	25,710	25,440	25,170	24,900	24,630
1/2 Page	22,300	21,970	21,520	21,070	20,850	20,630	20,400	20,180
1/3 Page	14,360	14,140	13,860	13,570	13,430	13,280	13,140	13,000
4th Cover	45,730	45,040	44,130	43,210	42,760	42,300	41,840	41,390
1/2 Pg. Horiz. Spread	41,190	40,570	39,750	38,920	38,510	38,100	37,690	37,280

Bleed: Add 15% to the unit rate

* Higher frequency discount rates available upon request from your FORBES representative

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FORBES FYI, the lifestyle supplement to FORBES magazine, was created in recognition of the many passions and pastimes that inspire FORBES readers. The 730,000 FORBES subscribers who receive FORBES FYI lead active professional lives, and this venturesome spirit carries over into their personal lives as well.

FYI provides FORBES subscribers with an eye-catching, humorous and highly informative forum to explore their leisure pursuits. It presents the finest in travel, outdoor adventure, fashion and accessories, dining and dining, luxury cars and 4-wheel-drive vehicles, home entertainment, antiques and new technology. Exotic locales, witty columns and cutting-edge graphic design complete the award-winning FYI blend of wit and function, art and journalism.

Entering its sixth year, FYI continues to take its mission seriously—to provide the information necessary for readers to join in the fun or to purchase enticing goods and services. Almost every article is followed by addresses and 800 numbers for fast access to further information. And FYI readers do get involved. Responses to FYI articles—and advertisers—have been outstanding.

FYI celebrated its biggest year ever in 1995—our fifth anniversary. And all records indicate that FYI is only growing stronger. So strong in fact, that *USA Today* called FYI, "the magazine that *Esquire* and *GQ* want to be."

FYI General Advertising Rates

FYI Dollar Discount Rates (General)

Black and White	
Paid Pages	Rate
4-7	\$21,160
8-11	\$17,490
12-17	\$17,200
18-25	\$16,930
26-38	\$16,640
39-51	\$16,500
52-64	\$16,360
65-77*	\$16,220

2 Color (Black + 1 Color)	
Paid Pages	Rate
4-7	\$20,670
8-11	\$22,040
12-17	\$21,680
18-25	\$21,330
26-38	\$20,970
39-51	\$20,790
52-64	\$20,620
65-77*	\$20,440

Four Color Process	
Paid Pages	Rate
4-7	\$32,170
8-11	\$26,590
12-17	\$26,150
18-25	\$25,730
26-38	\$25,300
39-51	\$25,080
52-64	\$24,870
65-77*	\$24,650

* Higher frequency discount rates available upon request from your FORBES representative

Bleed: Add 15% to the unit rate.

Black and White Standard Rates

	1X	7X	13X
1 Page	\$27,950	\$27,530	\$26,970
2/3 Page	20,120	19,820	19,420
1/2 Page	16,490	16,240	15,910
1/3 Page	10,620	10,460	10,250
1/6 Page	5,590	5,510	5,390
1/2 Pg. Horiz. Spread	30,470	30,010	29,400

	18X	26X	39X	52X	65X*
	\$26,410	\$26,130	\$25,850	\$25,570	\$25,290
	19,010	18,810	18,610	18,410	18,210
	15,580	15,420	15,250	15,090	14,920
	10,040	9,930	9,820	9,720	9,610
	5,280	5,230	5,170	5,110	5,060
	28,790	28,490	28,180	27,880	27,580

Two Color (Black and One Color) Rates

	1X	7X	13X
1 Page	\$35,220	\$34,690	\$33,990
2/3 Page	25,360	24,980	24,470
1/2 Page	20,780	20,470	20,050
1/3 Page	13,380	13,180	12,910
1/6 Page	7,040	6,930	6,790
1/2 Pg. Horiz. Spread	38,390	37,810	37,050

	18X	26X	39X	52X	65X*
	\$33,280	\$32,930	\$32,580	\$32,230	\$31,870
	23,970	23,710	23,480	23,200	22,950
	19,640	19,430	19,220	19,010	18,810
	12,640	12,510	12,380	12,240	12,110
	6,650	6,580	6,510	6,440	6,370
	36,280	35,890	35,510	35,130	34,740

Four-Color Process Rates

	1X	7X	13X
Inside Page,			
2nd and 3rd Covers	\$42,480	\$41,840	\$40,990
2/3 Page	30,590	30,130	29,520
1/2 Page	25,060	24,680	24,180
1/3 Page	16,140	15,900	15,580
4th Cover	53,100	52,300	51,240
1/2 Pg. Horiz. Spread	46,300	45,610	44,680

	18X	26X	39X	52X	65X*
	\$40,140	\$39,720	\$39,290	\$38,870	\$38,440
	28,910	28,600	28,300	27,990	27,680
	23,680	23,430	23,180	22,930	22,680
	15,250	15,090	14,930	14,770	14,610
	50,180	49,650	49,120	48,590	48,060
	43,750	43,290	42,830	42,360	41,900

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FYI Travel Advertising Rates

FYI Dollar Discount Rates (Travel)

Black and White		2 Color (Black + 1 Color)		Four Color Process	
Paid Pages	Rate	Paid Pages	Rate	Paid Pages	Rate
4-7	\$15,870	4-7	\$20,000	4-7	\$24,120
8-11	\$13,120	8-11	\$16,530	8-11	\$19,940
12-17	\$12,900	12-17	\$16,260	12-17	\$19,610
18-25	\$12,700	18-25	\$16,000	18-25	\$19,300
26-38	\$12,480	26-38	\$15,730	26-38	\$18,970
39-51	\$12,370	39-51	\$15,590	39-51	\$18,810
52-64	\$12,270	52-64	\$15,460	52-64	\$18,650
65-77*	\$12,160	65-77*	\$15,330	65-77*	\$18,490

* Higher frequency discount rates available upon request from your FORBES representative.

Bleed: Add 15% to the unit rate.

Black and White Standard Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
1 Page	\$20,960	\$20,650	\$20,230	\$19,810	\$19,600	\$19,390	\$19,180	\$18,970
2/3 Page	15,090	14,860	14,560	14,260	14,110	13,960	13,810	13,660
1/2 Page	12,370	12,180	11,940	11,690	11,570	11,440	11,320	11,190
1/3 Page	7,960	7,840	7,680	7,520	7,440	7,360	7,280	7,200
1/6 Page	4,190	4,130	4,040	3,960	3,920	3,880	3,830	3,790
1/2 Pg. Horiz. Spread	22,850	22,510	22,050	21,590	21,360	21,140	20,910	20,680

Two Color (Black and One Color) Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
1 Page	\$26,410	\$26,010	\$25,490	\$24,960	\$24,690	\$24,430	\$24,170	\$23,900
2/3 Page	19,020	18,730	18,350	17,970	17,780	17,590	17,400	17,210
1/2 Page	15,580	15,350	15,030	14,720	14,570	14,410	14,280	14,100
1/3 Page	10,040	9,890	9,690	9,490	9,390	9,290	9,190	9,090
1/6 Page	5,280	5,200	5,100	4,990	4,940	4,880	4,830	4,780
1/2 Pg. Horiz. Spread	28,790	28,360	27,780	27,210	26,920	26,630	26,340	26,050

Four Color Process Rates

	1X	7X	13X	18X	26X	39X	52X	65X*
Inside Page, 2nd and 3rd Covers	\$31,860	\$31,380	\$30,740	\$30,110	\$29,790	\$29,470	\$29,150	\$28,830
2/3 Page	22,940	22,600	22,140	21,680	21,450	21,220	20,990	20,760
1/2 Page	18,800	18,520	18,140	17,770	17,580	17,390	17,200	17,010
1/3 Page	12,110	11,930	11,690	11,440	11,320	11,200	11,080	10,960
4th Cover	39,830	39,230	38,440	37,640	37,240	36,840	36,440	36,050
1/2 Pg. Horiz. Spread	34,730	34,210	33,510	32,820	32,470	32,130	31,780	31,430

FORBES "1991" 2203

FYI Retail Advertising Rates

FYI Dollar Discount Rates (Retail)

Black and White		2 Color (Black + 1 Color)	
Paid Pages	Rate	Paid Pages	Rate
4-7	\$13,760	4-7	\$17,330
8-11	\$11,370	8-11	\$14,330
12-17	\$11,180	12-17	\$14,090
18-25	\$11,010	18-25	\$13,860
26-38	\$10,820	26-38	\$13,630
39-51	\$10,730	39-51	\$13,510
52-64	\$10,640	52-64	\$13,400
65-77*	\$10,540	65-77*	\$13,280

Four Color Process	
Paid Pages	Rate
4-7	\$20,910
8-11	\$17,290
12-17	\$17,000
18-25	\$16,730
26-38	\$16,450
39-51	\$16,310
52-64	\$16,170
65-77*	\$16,030

* Higher frequency discount rates available upon request from your FORBES representative.

Bleed Add 15% to the unit rate.

Black and White Standard Rates

	1X	7X	13X
1 Page	\$18,170	\$17,900	\$17,530
2/3 Page	13,080	12,880	12,620
1/2 Page	10,720	10,560	10,340
1/3 Page	6,900	6,800	6,660
1/6 Page	3,630	3,580	3,500
1/2 Pg. Horiz. Spread	19,810	19,510	19,120

	18X	26X	39X	52X	65X*
1 Page	\$17,170	\$16,990	\$16,810	\$16,630	\$16,440
2/3 Page	12,360	12,230	12,100	11,970	11,840
1/2 Page	10,130	10,020	9,920	9,810	9,700
1/3 Page	6,520	6,450	6,380	6,310	6,240
1/6 Page	3,430	3,390	3,360	3,320	3,290
1/2 Pg. Horiz. Spread	18,720	18,520	18,320	18,130	17,930

Two Color (Black and One Color)

	1X	7X	13X
1 Page	\$22,890	\$22,550	\$22,090
2/3 Page	16,480	16,230	15,900
1/2 Page	13,510	13,310	13,040
1/3 Page	8,700	8,570	8,400
1/6 Page	4,580	4,510	4,420
1/2 Pg. Horiz. Spread	24,950	24,580	24,080

	18X	26X	39X	52X	65X*
1 Page	\$21,630	\$21,400	\$21,170	\$20,940	\$20,720
2/3 Page	15,570	15,410	15,240	15,080	14,910
1/2 Page	12,770	12,630	12,500	12,380	12,230
1/3 Page	8,220	8,130	8,050	7,960	7,870
1/6 Page	4,330	4,280	4,240	4,190	4,140
1/2 Pg. Horiz. Spread	23,580	23,330	23,080	22,830	22,580

Four Color Process Rates

	1X	7X	13X
Inside Page, 2nd and 3rd Covers	\$27,620	\$27,210	\$26,650
2/3 Page	19,890	19,590	19,190
1/2 Page	16,300	16,060	15,730
1/3 Page	10,500	10,340	10,130
4th Cover	34,530	34,010	33,320
1/2 Pg. Horiz. Spread	30,110	29,660	29,060

	18X	26X	39X	52X	65X*
Inside Page, 2nd and 3rd Covers	\$26,100	\$25,820	\$25,550	\$25,270	\$25,000
2/3 Page	18,800	18,600	18,400	18,200	18,000
1/2 Page	15,400	15,240	15,080	14,910	14,750
1/3 Page	9,920	9,820	9,710	9,610	9,500
4th Cover	32,630	32,290	31,940	31,590	31,250
1/2 Pg. Horiz. Spread	28,450	28,150	27,850	27,550	27,250

FORBES MAGAZINE

Contract Conditions

- a. All copy is subject to approval of FORBES Inc. (publisher). Publisher reserves the right to reject or to cancel any advertisement at any time.
- b. Neither the advertiser nor its agency may cancel (or make changes in) insertion orders after closing date. Cancellations or changes in insertion orders must be in writing, and are not considered accepted until confirmed in writing by publisher.
- c. All advertisements are accepted and published by publisher on warranty of the agency and the advertiser that both are authorized to publish the entire contents and subject matter of the advertisement.
- d. In consideration of publication of an advertisement, the advertiser and the agency, jointly and severally, agree to indemnify and hold harmless publisher, its officers, directors, agents and employees against expenses (including legal fees) and losses resulting from the publication of the contents of the advertisement, including, without limitation, claims or suits for libel, violation of privacy, copyright infringement, plagiarism or violations of any federal or state law, statute, act or regulation.
- e. Publisher shall not be liable for any failure to print, publish or circulate all or any portion of any issue in which any advertisement accepted by publisher is contained if such failure is due to acts of God, strikes, accidents or other circumstances beyond publisher's control.
- f. All advertisements must clearly and prominently identify the advertiser by trademark or signature. Advertisements that in the opinion of publisher simulate the editorial format of FORBES are not acceptable. Advertisements prepared in editorial style of any kind may be subject to the inclusion of the word "advertisement" at the top.
- g. Any reference to FORBES in advertisements, promotional material or merchandising by the advertiser or the agency is subject to prior written approval by publisher for each use.
- h. All advertising contract position clauses are treated as requests. Since editorial requirements change as issue production progresses, publisher cannot guarantee fixed positioning.

- i. Publisher is not responsible for errors in printing key numbers.
- j. Publisher may change the rates published herein at any time provided that no increase in rates will apply to advertisements whose closing date precedes the announcement of increased rates.
- k. Publisher will not be bound by any condition, printed or otherwise, appearing on order blanks, proofs or copy instructions when such conditions conflict with the conditions set forth in this rate card.
- l. In the event publisher does not receive payment, advertiser and/or its agency agree they shall be jointly and severally liable for such monies as publisher is entitled to receive.
- m. In the event publisher does not receive payment or advertiser otherwise breaches the terms of this contract, advertiser and/or its agency shall pay all of publisher's costs and expenses in connection with enforcement and/or collection proceedings.

Circulation

- a. Member of Audit Bureau of Circulations.
- b. Character: Executives in business, industry and finance.
- c. How obtained: Principally by mail solicitation of management and high-income prospects and newsstand sales.
- d. Location: Worldwide.
- e. U.S. subscription prices: \$57.00 per year; two years, \$90.00; three years, \$114.00; single copy, \$4.00 (FORBES Mutual Fund and FORBES 400 issue, \$5.00). Foreign prices upon request.
- f. Rates are based on an average net paid circulation of 765,000 ABC for the period covered by this rate card.

Mechanical Requirements

Printing: Web Offset

Trim Size: 8" x 10 3/4" (203mm x 273mm)

Type Page: 7" x 10" (178mm x 254mm)

There are 140 agate lines per column, 3 columns per page, making a total of 420 lines per page.

Standard Units

1 page	7" x 10" (178mm x 254mm)
2/3 page (on 2 cols.)	4 5/8" x 10" (117mm x 254mm)
1/2 page (on 2 cols.)	4 5/8" x 7 1/2" (117mm x 191mm)
1/2 page (on 3 cols.)	7" x 4 7/8" (178mm x 124mm)
1/3 page (on 1 col.)	2 1/4" x 10" (57mm x 254mm)
1/3 page (on 2 cols.)	4 5/8" x 4 7/8" (117mm x 124mm)
1/6 page (on 1/2 col.)	2 1/4" x 4 7/8" (57mm x 124mm)

Bleed Units

Spread	16 1/4" x 11" (413mm x 279mm)
1 page	8 1/8" x 11" (206mm x 279mm)
2/3 page (on 2 cols.)	5 1/8" x 11" (130mm x 279mm)
1/2 page (on 3 cols.)	8 1/8" x 5 3/8" (206mm x 136mm)
1/3 page (on 1 col.)	2 3/4" x 11" (70mm x 279mm)
1/2 page spread	16 1/4" x 5 3/8" (413mm x 136mm)

Gutter Bleed

Spread	15" x 10" (381mm x 254mm)
1 page	7 1/2" x 10" (191mm x 254mm)
1/2 page	15" x 4 7/8" (381mm x 124mm)

In all cases, allow 1/2" (13 mm) safety margins from the bleed size of the material on all sides for live matter not intended to bleed and 1/4" (7 mm) across the gutter (1/8" or 3.5mm on each side of gutter).

NOTE: Furnish film for spreads in one piece, not split.

Black and White and Two-Color Material

Preferred Material: Film negatives, .004 base, right reading, emulsion side up*. Halftone screen 110 (120 acceptable). Minimum dot value 5% highlights; maximum dot value 85% shadows. Submit 3 proofs made from supplied film.

For two-color, maximum density combined not to exceed 160%, 2nd color not to exceed 85%.

* Effective with the July 1, 1996 issue of Forbes, the August 26, 1996 issue of ASAP, and the September 23, 1996 issue of FYI, all film supplied should be negatives, right reading, emulsion side down.

Four-Color Advertising

Refer to the Recommended Specifications for Advertising Material for Web Offset Publication Printing (SWOP Specifications revised April 1993). All offset forms are printed on multicolor presses utilizing deep-etched plates. Colors are printed wet on high speed web-fed equipment with heatset inks.

For the best reproduction, material furnished should be complete negatives, screened 133, right reading, emulsion side up, specifically prepared for offset printing. Three sets of progressive and three finished proofs are also requested. If off-press proofs are submitted, 3 proofs on publication #70 brightness stock is requested for FORBES and ASAP. For FYI, a commercial or catalog stock is requested. Proofing should be four-color wet, head to foot, on the recommended specifications for web offset 60# machine coated stock, 70 brightness. Color rotation: yellow, red, blue, black. SWOP recommended color bars and exposure control element should appear on all color proofs.

Selection of Inks

1. Black and one-color R.O.P.: Publisher will match any second color at no charge. (Except metallic-base sheen inks and special inks, i.e., Day-glo colors. Prices on request.)
2. Four color: Publisher uses the recommended offset specifications for material for web offset, four-color process inks. Gold, aluminum and other sheen inks available. Prices on request.

Miscellaneous

1. If supplied material does not conform with requirements of SWOP Specifications, new material will be requested.
2. All material will be scrapped if not claimed within six months after publication.
3. All material should be sent to:

Advertising Production Department
FORBES Magazine, 60 Fifth Avenue,
New York, NY 10011
Attn: Ms. Patricia Deckelnick.

FORBES "1993" 40" 66

FORBES Zibenja

Rate base: 50,000. Now four years old, this monthly Chinese-language business magazine is circulated principally in Hong Kong, Taiwan, Singapore and Malaysia.

For more information, contact the advertising sales manager at FORBES Zibenja, Capital Communications Corporation, 7/F Paramount Building, 12 Ka Yip Street, Chai Wan, Hong Kong. Phone: (852) 2557-9332. Fax: (852) 2556-1744, or contact your FORBES representative.

FORBES Nihonban

Rate base: 100,000. In March 1992, on the occasion of FORBES 75th anniversary and Gyosei Corporation's 100th anniversary, the two companies launched a Japanese-language version of FORBES. The monthly magazine offers Japanese executives unique insights and analysis of U.S., European and Japanese corporations.

For more information, contact Shisho Matsushima, International Marketing Director, Gyosei Corporation, 4-2, Nishi-Gokencho, Shinjuku-ku, Tokyo 162, Japan. Phone: (813) 3222-5461. Fax: (813) 3222-5879, or contact your FORBES representative.

See page 10 for details on the FORBES "Global Advantage" discount program.

Director of Advertising

William L. Hatley
(212) 620-2232

NEW YORK
60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2200
Fax: (212) 620-1857

Russell Cherami
Manager

Christopher Y. Clark
Associate Manager

George C. Clissold
Consumer Advertising Manager

Michael McCormack
Joseph A. Gutherz
Rick Johnson
Kelly Emery
Avery Stirratt
Evelyn Mitchell
Linda Loren
Donna Tarr

ATLANTA
3200 Windy Hill Road
Suite 1050 West
Atlanta, GA 30339
Phone: (770) 951-1303
Fax: (770) 951-1210

John Reock
Manager

Timothy Carney

BOSTON
The Park Square Building
31 St. James Avenue
Suite 961
Boston, MA 02116
Phone: (617) 338-5081
Fax: (617) 350-4040

Jean-Nicolas Carter
Manager

Lisa M. John

CHICAGO
435 North Michigan Avenue
Suite 1312
Chicago, IL 60611
Phone: (312) 467-5000
Fax: (312) 467-9019

William J. Powers Jr.
Manager

James Wall

DALLAS
1470 Two Lincoln Centre, LB 9
5120 BJ Freeway
Dallas, TX 75240
Phone: (214) 770-2626
Fax: (214) 770-2652

Fred H. Wellington
Manager

DETROIT
3331 West Big Beaver Road
Suite 112
Troy, MI 48064
Phone: (810) 643-0105
Fax: (810) 643-0592

David Forgione
Manager

Michael Woods

LOS ANGELES
2425 Colorado Avenue
Suite 206
Santa Monica, CA 90404
Phone: (310) 453-4888
Fax: (310) 453-5650

Eric Rucker
Manager

Jill Harris

SAN FRANCISCO
100 Spear Street
Suite 505
San Francisco, CA 94105
Phone: (415) 882-9600
Fax: (415) 882-9614

Candace Alexander
Manager

Ted Gramkow

WASHINGTON, DC
1901 L Street, NW
Suite 711
Washington, DC 20036
Phone: (202) 833-3374
Fax: (202) 789-1107

Jessica Sibley
Manager

99-04-391-3207

Advertising Programs
60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2200
Fax: (212) 620-2472

Arnold Prives
Director of Special Projects,

Susan D. Toscani
Director of Special Section Sales

Peter Malloy
Director of Economic
Development

FORBES FYI
60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2244
Fax: (212) 620-2472

Evelyn Mitchell
Advertising Manager, FYI

Jill Harris
Advertising Manager, West, FYI
Phone: (310) 453-4888

FORBES ASAP
100 Spear Street,
Suite 505
San Francisco, CA 94105
Phone: (415) 882-9600
Fax: (415) 882-9614

Ted Gramkow
Director of Advertising, ASAP

Michael McCormack
Advertising Director, East, ASAP
Phone: (212) 620-2375
Fax: (212) 620-1857

International Advertising
60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2380
Fax: (212) 620-2472

James W. LaCirignola
Director of International
Advertising The Americas/Asia

Christian Frost
International Advertising Liaison

LONDON
Malta House
36/38 Piccadilly
Mayfair, London, W1V 9PA,
England
Phone: (44-171) 930-0162
Fax: (44-171) 930-1085

Peter M. Schoff
Director of International
Advertising

Steven A. Rau
European Manager

TOKYO
Tokai Nihonbashi Building
4-3-4 Nihonbashi-Honcho,
Chuo-ku
Tokyo 103, Japan
Phone: (813) 3242-3501
Fax: (813) 3242-3503

Hirowo Itow
Japan Regional Advertising
Director

Hiroyuki Nakagawa
Japan Advertising Sales Manager

HONG KONG
Room 203, Baskerville House
13 Duddell Street
Central Hong Kong
Phone: (852) 2877-8050
Fax: (852) 2523-9154

Pamela Fung
Director of International
Advertising, Southeast Asia

Issue Dates	Covers & Four-Color	Black & White & Two-Color	Subscriber Delivery Dates
▲●● JANUARY 1	November 27	November 27	December 18
Annual Report on American Industry			
JANUARY 22	December 18	December 26	January 8
● FEBRUARY 12	January 8	January 15	January 29
■ FEBRUARY 26	January 22	January 29	February 12
■ FORBES ASAP	January 8	January 8	February 12
● MARCH 11	February 5	February 12	February 26
■ FORBES FYI	January 22	January 22	February 26
■ MARCH 25	February 19	February 26	March 11
APRIL 8	March 4	March 11	March 25
■ FORBES ASAP	February 19	February 19	March 25
▲●● APRIL 22	March 18	March 18	April 8
The FORBES 500s—Annual Directory of America's Leading Companies			
MAY 6	April 1	April 8	April 22
■ FORBES FYI	March 18	March 18	April 22
▲■ MAY 20	April 15	April 15	May 6
The Power and the Pay—Executive Compensation			
● JUNE 3	April 29	May 6	May 20
■ FORBES ASAP	April 15	April 15	May 20
▲■ JUNE 17	May 13	May 13	June 3
The FORBES Money Guide			
▲●● JULY 1	May 27	June 3	June 17
▲●● JULY 15	June 10	June 10	July 1
The FORBES International 500 Survey—including the World's Billionaires			
JULY 29	June 24	July 1	July 15
● AUGUST 12	July 8	July 15	July 29
▲■ AUGUST 26	July 22	July 22	August 12
Mutual Funds Survey			
■ FORBES ASAP	July 8	July 8	August 12
● SEPTEMBER 9	August 5	August 12	August 26
■ SEPTEMBER 23	August 19	August 26	September 9
The Top 40 World's Highest-Paid Entertainers			
■ FORBES FYI	August 5	August 5	September 9
● OCTOBER 7	September 3	September 9	September 23
■ FORBES ASAP	August 19	August 19	September 23
▲■ OCTOBER 14	September 9	September 9	September 30
The FORBES 400—The Richest People In America			
● OCTOBER 21	September 16	September 23	October 7
▲■ NOVEMBER 4	September 30	September 30	October 21
The FORBES Up & Comers 200—The Best Small Companies in America			
NOVEMBER 18	October 14	October 21	November 4
■ FORBES FYI	September 30	September 30	November 4
DECEMBER 2	October 28	November 4	November 18
The 500 Largest Private Companies			
■ FORBES ASAP	October 14	October 14	November 18
●● DECEMBER 16	November 11	November 18	December 2
The Super 40—The World's Highest-Paid Athletes			
● DECEMBER 30	November 25	December 2	December 16

KEY

FORBES, ASAP, and FYI are all perfect bound.

▲ indicates issues where partial pages close six weeks prior to issue date.

■ indicates a general reader service card available to all advertisers in the issue.

● Qualifies for Bonus Issue Plan

FORBES MAGAZINE

Code	Company Name	Market	High	GFI	Subsector
▲▲▲	Subsector: Defense/Police
●	December 19
●	January 1
●	January 16
●	February 13
●	February 13
●	February 27
●	February 27
●	March 7
●	March 14
●	March 27
●	March 27
●	April 10
●	April 24
●	April 24
●	May 3
●	May 27
●	May 27
●	June 5
●	June 19
●	July 1
●	July 17
●	July 31
●	August 11
●	August 14
●	August 28
●	September 11
●	September 11
●	September 25
●	September 25
●	October 7
●	October 9
●	October 21
●	October 21
●	November 6
●	November 6
●	November 20
●	November 20
●	December 4
●	December 4

▲ indicates a public bond issue
 ▲ indicates issues where partial payoffs have been paid prior to issue date
 ● indicates a general purpose issue; separate and available to all investors in the issue
 by BNA

SPENDING FOR

Five January 2, 1995

76F

Forbes
CAPITALIST TOOL
 Forbes Magazine 60 Fifth Ave., N.Y. 10011

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FORBES: A TREND OF LEADERSHIP

A dedication to serving the business information needs of its management audience has made FORBES the No. 1 magazine in advertising pages in America for the third year in a row. FORBES also achieved record increases in both its circulation and newsstand sales.

The distinction and quality set forth by FORBES is shared by its supplements, FORBES ASAP and FORBES FYI. Each showed their own impressive gains in ad pages.

FORBES international partnership publications, *FORBES in German*, *Zibenjia in Chinese* and *Nihonban in Japanese*, continue to spread the Global Advantage. Worldwide circulation for these publications totals more than 1 million.

All FORBES publications share the same mission, to give managers information they can't find anywhere else, whether it be for general business application, high technology implementation or leisure pursuits. This commitment makes FORBES essential and enjoyable reading for America's business decision makers.

You'll find a description of our discount plans, rates and other pertinent facts about all of FORBES publications in the following pages.

Forbes
CAPITALIST TOOL®

EDITORIAL STATEMENT

FORBES is a biweekly business magazine edited for top management and those aspiring to positions of corporate leadership.

FORBES offers thought-provoking reporting that reviews management performance and challenges conventional wisdom. Every story presents a sophisticated view of the business world for successful executives who are looking for ways to better manage their companies, as well as their corporate and personal capital.

A typical issue offers more than 50 concise, hard-hitting stories. FORBES' "Management/Corporate Strategies" stories continue to be the core of the magazine. Other sections include marketing, law, taxes, technology, computers/communications, international business and finance. New sections have been added such as "Starting Your Own Business" and "Interactive Media" to accommodate the growing information needs of today's managers.

Based on rigorous research and the most extensive fact-checking process in the business magazine field, FORBES boldly states its position on business issues and recommends a course of action.

Whether they're just starting their careers or have already achieved a leadership position, FORBES readers share an intense interest and enthusiasm for the business world. They see FORBES as a constant ally at each career stage, a resource for cutting-edge developments in business and a trustworthy reference that's as enjoyable and entertaining as it is informative.

FORBES is gutsy and to the point. FORBES is the quintessential Capitalist Tool® for those who are serious about business.

*"When people get serious about business,
they start reading FORBES."*

GENERAL ADVERTISING RATES

DISCOUNT & INCENTIVE PLANS

Black and White

	1x	7x	13x	18x	26x	39x	52x	65x*
1 Page	\$35,760	\$35,040	\$33,790	\$33,080	\$32,720	\$32,360	\$32,010	\$31,650
2/3 Pg.	25,750	25,240	24,330	23,820	23,560	23,300	23,050	22,790
1/2 Pg.	21,100	20,680	19,940	19,520	19,310	19,100	18,880	18,670
1/3 Pg.	13,590	13,320	12,840	12,570	12,430	12,300	12,160	12,030
1/6 Pg.	7,150	7,010	6,760	6,610	6,540	6,470	6,400	6,330
1/2 Page Horiz. Spread								
	38,980	38,200	36,840	36,060	35,670	35,280	34,890	34,500

Two-Color — Black & One Color

	1x	7x	13x	18x	26x	39x	52x	65x*
1 Page	\$45,060	\$44,160	\$42,580	\$41,680	\$41,230	\$40,780	\$40,330	\$39,880
2/3 Pg.	32,440	31,790	30,660	30,010	29,680	29,360	29,030	28,710
1/2 Pg.	26,590	26,060	25,130	24,600	24,330	24,060	23,800	23,530
1/3 Pg.	17,120	16,780	16,180	15,840	15,660	15,490	15,320	15,150
1/6 Pg.	9,010	8,830	8,510	8,330	8,240	8,150	8,060	7,970
1/2 Page Horiz. Spread								
	49,120	48,140	46,420	45,440	44,940	44,450	43,960	43,470

Four Process Color

	1x	7x	13x	18x	26x	39x	52x	65x*
Inside Page, 2nd & 3rd Covers								
	\$54,360	\$53,270	\$51,370	\$50,280	\$49,740	\$49,200	\$48,650	\$48,110
2/3 Pg.	39,140	38,360	36,990	36,200	35,810	35,420	35,030	34,640
1/2 Pg.	32,070	31,430	30,310	29,660	29,340	29,020	28,700	28,380
1/3 Pg.	20,660	20,250	19,520	19,110	18,900	18,700	18,490	18,280
4th Cover	65,780	64,460	62,160	60,850	60,190	59,530	58,870	58,220
1/2 Page Horiz. Spread								
	59,250	58,070	55,990	54,810	54,210	53,620	53,030	52,440

* 78x, 91x, 104x, 117x and 122x discount rates available upon request from your FORBES representative. Bleed: Add 15% to the unit rate.

Nonstandard Units: Odd-lineage units greater than 1/6 page (68 lines) may be accommodated by special request. Contact your FORBES representative for rates and details.

Second Color: Any second color, except metallic base-sheen and special inks (i.e. Day-glo) will be closely matched at two-color rates.

Bleed: Bleed accepted in spread, page, 2/3 page, 1/2 page and 1/3 page units. Bleed charges add 15% to unit rate, including color. There is no charge for bleeding across the gutter.

Qualifying advertisers may choose one of the three FORBES discount plans:

1. Dollar Discount Plan
2. Bonus Page Incentives
3. Space Credit Incentives

All advertisers within a controlled group (i.e., associations, parent company, etc.) must be on the same plan. Plans apply to FORBES, FORBES FYI and FORBES ASAP.

Dollar Discount Plan

Advertisers running four or more pages (or fractional units equivalent to four or more pages) can earn significant discounts off the FORBES open rate by taking advantage of the Dollar Discount Plan.

FORBES Dollar Discount Rates

# of Pages	4-7	8-11	12-17	18-25	26-38	39-51	52-64	65-77*
% Discount	25%	38%	39%	40%	41%	41.5%	42%	42.5%
Black & White Page	\$26,820	\$22,170	\$21,310	\$21,460	\$21,100	\$20,920	\$20,740	\$20,560
Two-Color — Black & One Color Page	\$33,800	\$27,940	\$27,490	\$27,040	\$26,590	\$26,360	\$26,130	\$25,910
Four Color Page	\$40,770	\$33,760	\$33,160	\$32,620	\$32,070	\$31,800	\$31,530	\$31,260

* 78, 91, 104, 117 and 122 page discount rates available upon request from your FORBES representative. Bleed: Add 15% to the unit rate.

Advertisers choosing the Dollar Discount Plan are not entitled to additional frequency discounts or bonus pages. The Dollar Discount Plan cannot be combined with Bonus Page or Space Credit Incentives. All other available discounts apply.

FORBES 10 66

Bonus Page Incentives

A. Bonus Page Plan

Advertisers running three or more paid pages will be entitled to at least one bonus page at no extra charge. Additional bonus pages will be based on the number of paid pages scheduled, up to a maximum of five bonus pages. The number of bonus pages can be determined by using the table below.

Bonus Page earned in 1995	
Number of Paid Pages	Bonus Page
3	1
4	2
5	3
6	4
7	5

Advertisers must run all bonus pages within their contract year or calendar year 1995. All bonus pages are based on the number of fully paid pages. Dollar Discount Plan does not apply.

B. Bonus Issue Incentive Plan

Advertisers running at least one paid unit in each of three bonus issues in a one-year period earn one comparable unit free in any of the remaining bonus issues published within the same one-year period. Dollar Discount Plan does not apply.

Advertisers running at least one paid unit in each of two bonus issues in a one-year period earn one-half of a comparable unit free in any of the remaining bonus issues published within the same one-year period.

All earned free units must be taken in the comparable unit size and coloration of paid advertising units appearing in the bonus issues considered part of the Bonus Issue Incentive Plan. The bonus issues are:

January 2	June 5 (FORBES & ASAP)
January 30	July 17
February 13	August 14
March 13 (FORBES & FYI)	September 11
April 24	October 23 (FORBES & FYI)
December 18	

Bonus Issue Incentive Plan applies to Bonus Page Plan and Space Credit Incentive Plan.

C. Bonus Page for Exclusive and Preferred Advertisers

Advertisers who run four or more paid units in FORBES can earn one additional bonus unit over and above pages earned through the Bonus Page Plan or Space Credit Plan. Dollar Discount Plan does not apply. Advertisers qualify by placing at least one additional unit in FORBES compared to paid schedules in either Fortune or Business Week, or by advertising in FORBES when schedules include only one other business magazine (Fortune or Business Week).

A unit can be less than a page, a full page, spread, multiple page unit, etc. However, maximum bonus is two pages.

Determination of additional bonus units will be the predominant unit of paid advertising units.

All earned bonus units must be taken in the predominant coloration of paid advertising units.

Space Credit Incentives

All fractional unit advertisers or those running fewer than three pages who increase their paid schedule by a minimum of one unit in 1995 are entitled to a space credit equal to 20% of all paid advertising space placed in FORBES in 1995.

The space credit allowance will be applied toward additional insertions after eligibility is achieved.

All space credits earned in 1995 must be run in 1995.

Any advertiser who does not qualify on the basis of space but who adds to coloration or bleed in the current year may qualify on the basis of total gross dollars. Contact your FORBES representative for details.

Frequency Discounts

Rates are determined by the number of paid insertions used within a 52-week period. Each unit of a multiple unit advertisement counts as an insertion. No rate holders accepted. Schedules composed of mixed space units are entitled to standard frequency rates except when the use of the smaller units lowers the total costs of the campaign below the amount of the larger units reached at their earned rate.

Financial Services - Direct Response

25% discount off open rate. Positioning is opposite FORBES' financial columnists. No other incentive discounts apply.

Charitable Rate

Nonprofit organizations (as defined by section 501(c)(3) of the Internal Revenue Code) such as universities, hospitals and charitable associations will receive a 50% discount off the FORBES open rate. No further discounts such as the 15% agency discount (see pg. 10) or the 1% cash discount (see pg. 9) apply.

Advertising Agency Rate

Advertising agencies advertising in FORBES will receive a 50% discount off the FORBES open rate. No further discounts such as the 15% agency discount (see pg. 10) or the 1% cash discount (see pg. 9) apply.

Government Agency Mandated Copy Rate

Advertisers required by government agencies to include disclaimer copy as part of their advertisement, such as FDA mandated copy for prescription drug advertising, as well as other government-mandated announcements, such as "Tombstone" advertising for the financial industry, will receive a 25% discount off the earned rate. Discount applies to disclaimer copy space only.

Cash Discount

1% of the net allowed for payment on or before due date. All other payments are due in 30 days from due date. In lieu of 1% cash discount, advertisers that pre-pay their entire current year's advertising schedule (minimum three insertions) are allowed a 5% cash discount. Pre-paid schedules of over \$350,000 receive a 7.5% discount.

Due date: Fifteen days following the date of invoice.

Multiple Page Discounts

Multiple page advertisements of four or more consecutive paid pages or four or more pages that are not consecutive but are separated only by editorial are entitled to the following discounts. (Each page is considered a separate insertion toward earning a frequency discount.) Discount given on full page advertising only.

No. of Pages	Discount
4-5	10%
6-10	15%
11 or more	20%

FORBES/AMERICAN HERITAGE

Group Plan

Advertisers buying space in the following two FORBES Inc. publications can earn additional discounts on matching paid units:

1. FORBES
2. AMERICAN HERITAGE — the magazine of the American experience.

For purposes of the Group Plan, FORBES, FORBES FYI and FORBES ASAP count as the same publication. For any combination buy, the discounts are as follows:

No. of Units	Discount
4-7	6%
8-11	8%
12 or more	10%

These additional discounts apply only to matching paid units in each publication, not to the entire schedule.

4125 103 40 66

International Publications Discount — The "Global Advantage"

FORBES advertisers can earn discount rates based on participation in FORBES and the FORBES Global Advantage Network:

FORBES Zibenjia
!FORBES
FORBES Nihonban

Advertisers can apply their highest earned frequency discount for a schedule appearing in FORBES (or any of its international publications) to earn the corresponding frequency discount for their paid schedules appearing in any publication that is included in the FORBES Global Advantage Network. Dollar Discount Plan does not apply. See page 22 for information on international publications.

Contact your FORBES representative for further details.

Commission

Agency commission to recognized advertising agencies: 15% of the gross. Any advertising agency that has been referred to a collection agency is not entitled to the 15% discount and that agency will be responsible for gross billing not remitted.

Credit Policy & Terms

All AAAA agencies are extended credit after a review of the MCA (Media Credit Association) problem account list. Insertion orders from non-AAAA agencies or directly from the advertiser must be accompanied by payment with the first insertion. Credit may be extended after a detailed credit review.

SPECIAL AVAILABILITIES

Split Run Advertising

Available to national advertisers on a limited basis using full-page or larger units.

1. Geographic splits following state lines are available on a limited basis for black and white, two-color and four-color advertisements.
2. Alternate copy or random splits are available for four-color advertisements. Available for black and white and two-color full-page units on a limited basis.
3. Closing date for black and white, two-color and four-color splits is six weeks preceding issue date.

Supplied Inserts

Publisher will accept preprinted inserts in units of four pages or more for all issues. Two-page (single leaf) inserts are accepted in perfect bound issues only. Rates, specifications and availabilities for standard and nonstandard supplied inserts, including booklets and gatefolds, are available upon request. Space closing is five weeks preceding issue date.

Insert Cards

Accepted on a limited basis when accompanied by a minimum of one full page of advertising. Rates and specifications available upon request. Space closing is six weeks preceding issue date.

Gatefolds

Half-page and full-page gatefolds as well as other special size advertisements are available. Mechanical specifications should be reviewed with FORBES Advertising Production Department prior to preparation of material. Prices on request. Space closing is eight weeks preceding issue date.

Five-Color Advertisements

A fifth color, including metallic base sheen and special inks, may be added to the four-color process by special arrangement with the publisher. Prices on request. Space closing is five weeks preceding issue date.

SPECIAL ADVERTISING PROGRAMS

Special advertising supplements are highly effective, cost-efficient promotion vehicles. They combine advertising with supportive text and graphics to highlight specific themes or geographic regions.

Supplement text is prepared by leading writers with relevant expertise. Supplements are designed and published in FORBES by the Advertising Programs Department in coordination with the sponsoring organization or client.

By participating in a FORBES special supplement, advertisers receive added impact and visibility.

Over the years, the FORBES Advertising Programs Department has built a strong tradition of producing high-quality advertising supplements covering a broad range of industries and themes. In addition, many city, state, regional and international economic development organizations have made FORBES supplements an integral part of their marketing efforts.

Multi-Sponsored Supplements — feature a variety of topics relevant to the specific interests and concerns of our readers and advertisers. Contact your FORBES representative for a schedule.

Single-Sponsored Supplements — offer customized text environments consisting of either advertising and text combinations or 100% sponsored text.

Conferences — bring together policymakers, thought leaders and business executives to discuss special opportunities and important business issues. Conferences offer sponsorship programs that often result in a special advertising supplement published in FORBES.

For more and further information on theme advertising supplements or conferences, contact Arnold Prives, Director of Special Projects, (212) 620-2229; or Susan D. Toscani, Director of Special Sections Sales, (212) 620-2269.

For information on economic development supplements, contact Peter Malloy, Director of Economic Development, (212) 620-2224.

Or contact your FORBES representative.

MUTUAL FUNDS PORTFOLIOS

Mutual Funds Portfolio sections issue and closing dates:

Mutual Funds Update

February 13 Issue

Closing date is December 27, 1994.

FORBES Money Guide Issue

June 19 Issue

Closing date is April 24.

Mutual Funds Survey Issue

August 28 Issue

Closing date is July 3.

Fall Mutual Funds Portfolio

November 6 Issue

Closing date is September 11.

1/8 Page B/W unit \$5,140 1/8 Page 4/C unit \$3,280
1/4 Page B/W unit \$10,280 1/4 Page 4/C unit \$10,560

Costs for this special section include typography, separations and reader service card listing.

Mutual Funds Portfolio Discounts

An advertiser running the same size unit in more than one Mutual Funds Portfolio section will receive:

- 20% off second placement
- 25% off third placement
- 30% off fourth placement

For information or space reservations in FORBES Mutual Funds Portfolios, contact Donna Tarr, (212) 620-2339, or Sarah Madison, (505) 296-6141.

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Spring Annual Reports Portfolio

May 22 Issue

Closing date is March 27.

Fall Annual Reports Portfolio

November 20 Issue

Closing date is September 27.

1/8 Page B/W unit \$5,140 1/8 Page 4/C unit \$5,280
1/4 Page B/W unit \$10,280 1/4 Page 4/C unit \$10,560

Costs for this special section include typography, separations and reader service card listing.

Annual Reports Discounts

An advertiser running the same size unit in two consecutive Annual Reports Portfolios (i.e. Spring and Fall or Fall and Spring) will receive a 35% discount on the second advertisement.

For information or space reservations in FORBES Annual Reports Portfolios, contact Donna Tarr, (212) 620-2339, or Sarah Madison, (505) 296-6141.

MEETINGS AND
CONVENTIONS PLANNER

FORBES Meetings & Conventions Planner is an outstanding opportunity to showcase your convention center, resort, hotel or any product or service used at conventions and/or corporate meetings.

Units start at 1/9 page and go up to 1/2 page.

For rates and additional information, call Linda Loren, (212) 620-2440, or Donna Tarr, (212) 620-2339, or fax (212) 620-2472.

Area Development Guide

December 4 Issue

Closing date is October 6.

1/4 Page B/W unit \$10,280 1/4 Page 2/C unit \$10,490
1/4 Page 4/C unit \$10,560 (Also available: 1/8 Page, 1/2 Page and Full Page units).

Costs for this special section include typography, separations and reader service card listing.

For additional information, contact your FORBES representative or Linda Loren, (212) 620-2440, fax (212) 620-2472.

CLASSIFIED
ADVERTISING

FORBES Market/Classified listings are accepted at the discretion of the publisher. The line rate for a regular classified listing is \$56.70. Minimum size per ad is 1 inch (14 agate lines) costing \$795.80. Line rate for display classified advertising is \$55.70. The minimum size for display advertising is 2 inches (28 agate lines) costing \$1,559.60. Additional space over specified minimums is sold at the appropriate agate line rates.

FORBES Market/Classified is published in the first issue of every month and closes one month preceding the date of issue. For information on rates, frequency discounts, copy and other specifications, contact Linda Loren, FORBES Market/Classified, 60 Fifth Avenue, New York, NY 10011, (212) 620-2440, fax # (212) 620-2472.

CONTRACT CONDITIONS

- a. All copy is subject to approval of FORBES Inc. (publisher). Publisher reserves the right to reject or to cancel any advertisement at any time.
- b. Neither the advertiser nor its agency may cancel (or make changes in) insertion orders after closing date. Cancellations or changes in insertion orders must be in writing, and are not considered accepted until confirmed in writing by publisher.
- c. All advertisements are accepted and published by publisher on warranty of the agency and the advertiser that both are authorized to publish the entire contents and subject matter of the advertisement.
- d. In consideration of publication of an advertisement, the advertiser and the agency, jointly and severally, agree to indemnify and hold harmless publisher, its officers, directors, agents and employees against expenses (including legal fees) and losses resulting from the publication of the contents of the advertisement, including, without limitation, claims or suits for libel, violation of privacy, copyright infringement, plagiarism or violations of any federal or state law, statute, act or regulation.
- e. Publisher shall not be liable for any failure to print, publish or circulate all or any portion of any issue in which any advertisement accepted by publisher is contained if such failure is due to acts of God, strikes, accidents or other circumstances beyond publisher's control.
- f. All advertisements must clearly and prominently identify the advertiser by trademark or signature. Advertisements that in the opinion of publisher simulate the editorial format of FORBES are not acceptable. Advertisements prepared in editorial style of any kind may be subject to the inclusion of the word "advertisement" at the top.
- g. Any reference to FORBES in advertisements, promotional material or merchandising by the advertiser or the agency is subject to prior written approval by publisher for each use.
- h. All advertising contract position clauses are treated as requests. Since editorial requirements change as issue production progresses, publisher cannot guarantee fixed positioning.

- i. Publisher is not responsible for errors in printing key numbers.
- j. Publisher may change the rates published herein at any time provided that no increase in rates will apply to advertisements whose closing date precedes the announcement of increased rates.
- k. Publisher will not be bound by any condition, printed or otherwise, appearing on order blanks, proofs or copy instructions when such conditions conflict with the conditions set forth in this rate card.
- l. In the event publisher does not receive payment, advertiser and/or its agency agree they shall be jointly and severally liable for such monies as publisher is entitled to receive.
- m. In the event publisher does not receive payment or advertiser otherwise breaches the terms of this contract, advertiser and/or its agency shall pay all of publisher's costs and expenses in connection with enforcement and/or collection proceedings.

CIRCULATION

- a. Member of Audit Bureau of Circulations.
- b. Character: Executives in business, industry and finance.
- c. How obtained: Principally by mail solicitation of management and high-income prospects and newsstand sales.
- d. Location: Worldwide.
- e. U.S. subscription prices: \$57.00 per year; two years, \$90.00; three years, \$114.00; single copy, \$4.00 (FORBES Mutual Fund and FORBES 400 issue, \$5.00). Foreign prices upon request.
- f. Rates are based on an average net paid circulation of 765,000 ABC for the period covered by this rate card.

MECHANICAL REQUIREMENTS

Printing: Web Offset

The trim size of FORBES is 8" x 10 3/4" (203 mm x 273 mm). Type page is 7" x 10" (178 mm x 254 mm). There are 140 agate lines per column, 3 columns per page, making a total of 420 lines per page. Effective with the April 24, 1995 issue, all FORBES issues will be perfect bound. FORBES' supplements, FORBES FYI and FORBES ASAP, are also perfect bound. Their mechanical specifications are the same as for a perfect bound issue of FORBES.

Film Sizes

Standard Units

1 page	7" x 10" (178mm x 254mm)
2/3 page (on 2 cols.)	4 5/8" x 10" (117mm x 254mm)
1/2 page (on 2 cols.)	4 5/8" x 7 1/2" (117mm x 191mm)
1/2 page (on 3 cols.)	7" x 4 7/8" (178mm x 124 mm)
1/3 page (on 1 col.)	2 1/4" x 10" (57mm x 254mm)
1/3 page (on 2 cols.)	4 5/8" x 4 7/8" (117mm x 124mm)
1/6 page (on 1/2 col.)	2 1/4" x 4 7/8" (57mm x 124 mm)

Bleed Units

Spread	16 1/4" x 11" (413mm x 279mm)
1 page	8 1/8" x 11" (206mm x 279mm)
2/3 page (on 2 cols.)	5 1/8" x 11" (130mm x 279mm)
1/2 page (on 3 cols.)	8 1/8" x 5 3/8" (206mm x 136mm)
1/3 page (on 1 col.)	2 3/4" x 11" (70mm x 279mm)
1/2 Page Spread Bleed	16 1/4" x 5 3/8" (413mm x 136mm)

Gutter Bleed

Spread Gutter Bleed	15" x 10" (381mm x 254mm)
1 Page Gutter Bleed	7 1/2" x 10" (191mm x 254mm)
1/2 Page Gutter Bleed Spread	15" x 4 7/8" (381mm x 124mm)

In all cases, allow 1/2" (13 mm) safety margins, from the bleed size of the material, on all sides for live matter not intended to bleed and 1/4" (7 mm) across the gutter (1/8" or 3.5mm on each side of gutter). NOTE: Furnish film for spreads in one piece, not split.

Black and White and Two-Color Material

Preferred Material: Film negatives, .001 base, right reading, emulsion side up. Halftone screen 110 (120 acceptable). Minimum dot value 5% highlights; maximum dot value 85% shadows. Submit 3 proofs made from supplied film. For two-color, maximum density combined not to exceed 160%, 2nd color not to exceed 85%.

Four-Color Advertising

Refer to the Recommended Specifications for Advertising Material for Web Offset Publication Printing (SWOP Specifications revised April 1993). All offset forms are printed on multicolor presses utilizing deep-etched plates. Colors are printed wet on high speed web-fed equipment with heatset inks.

For the best reproduction, material furnished should be complete negatives, screened 133, right reading, emulsion side up, specifically prepared for offset printing. Three sets of progressive and three finished proofs are also requested. If off-press proofs are submitted, 3 proofs on publication #70 brightness stock is requested for FORBES and ASAP. For FYI, a commercial or catalog stock is requested. Proofing should be four-color wet, head to foot, on the recommended specifications for web offset 60# machine coated stock, 70 brightness. Color rotation: yellow, red, blue, black. SWOP recommended color bars and exposure control element should appear on all color proofs.

Selection of Inks

1. Black and one color R.O.P.: Publisher will match any second color at no charge. (Except metallic-base sheen inks and special inks, i.e., Day-glo colors. Prices on request.)
2. Four color: Publisher uses the recommended offset specifications for material for web offset, four-color process inks. Gold, aluminum and other sheen inks available. Prices on request.

Miscellaneous

1. If supplied material does not conform with requirements of SWOP Specifications, new material will be requested.
2. All material will be scrapped if not claimed within six months after publication.
3. All material should be sent to: Advertising Production Department, FORBES Magazine, 60 Fifth Avenue, New York, NY 10011. Attn: Ms. Patricia Deckelnick.

FORBES Zibenjia

Rate base: 50,000. Now four years old, this monthly Chinese-language business magazine is circulated principally in Hong Kong, Taiwan, Singapore and Malaysia. For more information, contact Ricky Ma, Advertising Sales Manager, FORBES Zibenjia, Capital Communications Corporation, 7/F Paramount Building, 12 Ka Yip Street, Chai Wan, Hong Kong. Phone: (852) 2557-9332. Fax: (852) 2556-1744, or contact your FORBES representative.

!FORBES

Rate base: 100,000. Launched five years ago, this dynamic German-language business magazine is circulated monthly. For more information, contact Ulrike Leipnitz, Advertising Sales Manager, !FORBES, Arabellastrasse 23, Munchen 81, D8000, Germany. Phone: (4989) 9250-2667. Fax: (4989) 9250-3536, or contact your FORBES representative.

FORBES Nihonban

Rate base: 100,000. In March 1992, on the occasion of FORBES 75th anniversary and Gyosei Corporation's 100th anniversary, the two companies launched a Japanese-language version of FORBES. The monthly magazine offers Japanese executives unique insights and analysis of U.S., European and Japanese corporations. For more information, contact Shisho Matsushima, International Marketing Director, Gyosei Corporation, 4-2, Nishi-Gokencho, Shinjuku-ku, Tokyo 162, Japan. Phone: (813) 3222-5461. Fax: (813) 3222-5879, or contact your FORBES representative.

See page 10 for details on the FORBES "Global Advantage" discount program.

Vice President, Advertising and Promotion
Stephen G. Nicoll

Director of Advertising
William J. Flatley

New York

60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2200
Fax: (212) 620-1857
Russell Cherami, Manager;
George C. Cissold,
Consumer Advertising Manager;
Christopher Clark,
Financial Advertising Manager;
Ellen Baum, Joseph A. Gutherz,
Michael McCormack, Hunter G.
Millington,
Linda Loren, Sarah Madison,
Donna Tarr

Atlanta

1775 The Exchange, N.W.
Suite 540
Atlanta, GA 30339
Phone: (404) 951-1303
Fax: (404) 951-1210
John Reock, Manager
Timothy Carney

Boston

The Park Square Building
31 St. James Avenue, Suite 961
Boston, MA 02116
Phone: (617) 338-5081
Fax: (617) 350-4040
Jean-Nicolas Carter, Manager
Lisa M. John

Chicago

435 North Michigan Avenue
Suite 1312
Chicago, IL 60611
Phone: (312) 467-5000
Fax: (312) 467-9019
William J. Powers Jr., Manager
James W. Wall

Dallas

1470 Two Lincoln Centre, 18 9
5420 LBJ Freeway
Dallas, TX 75240
Phone: (214) 770-2626
Fax: (214) 770-2652
Fred H. Wellington, Manager

Detroit

3331 West Big Beaver Road
Suite 112
Troy, MI 48064
Phone: (313) 643-0105
Fax: (313) 643-0592
David Forgione, Manager
Michael Woods

Los Angeles

2425 Colorado Avenue
Suite 206
Santa Monica, CA 90404
Phone: (310) 453-4888
Fax: (310) 453-5650
Eric Rucker, Manager
Jill Harris

San Francisco

100 Soeocr Street
Suite 505
San Francisco, CA 94105
Phone: (415) 882-9600
Fax: (415) 382-9614
Candace Alexander, Manager
Ted Gromkow

Washington, DC

1901 L Street, NW
Suite 711
Washington, DC 20036
Phone: (202) 833-3374
Fax: (202) 789-1107
Kelly Emery, Manager

ADVERTISING
SALES OFFICES

ADVERTISING
PROGRAMS

60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2200
Fax: (212) 620-2472
Arnold Prives,
Director of Special Projects;
Susan D. Toscani, Director of Special
Section Sales;
Peter Malloy, Director of Economic
Development

FORBES FYI

60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2244
Fax: (212) 620-2472
Martin Shapiro,
Director of Advertising, FYI;
Evelyn Mitchell, Manager

FORBES ASAP

100 Spear Street,
Suite 505
San Francisco, CA 94105
Phone: (415) 882-9600
Fax: (415) 882-9614
Ted Gramkow,
Director of Advertising, ASAP

INTERNATIONAL
ADVERTISING

60 Fifth Avenue
New York, NY 10011
Phone: (212) 620-2380
Fax: (212) 620-2472
James W. LaCignola, Director of
International Advertising;
The Americas/Asia;
Christian Frost, International
Advertising Liaison

Hong Kong

Room 203, Baskerville House
13 Duddell Street
Central
Hong Kong
Phone: (852) 2-877-8050
Fax: (852) 2-523-9154
Jane G. Flowers, Director of
International Advertising;
Southeast Asia

Manila

2603A Ritz Towers
6745 Ayala Avenue
Makati, Metro Manila
Philippines
Phone: (632) 8445263
Fax: (632) 8924292
Jane G. Flowers, Director of
International Advertising;
Southeast Asia

London

Princes House
36 Jermyn Street, St. James's
London, SW1Y 6DN, England
Phone: (44-171) 930-0161
Fax: (44-171) 930-1085
Peter M. Schaff, Director of
International Advertising;
Steven A. Rau, European Manager

Tokyo

Tokai Nihonbashi Building
4-3-4 Nihonbashi-Honcho, Chuo-ku
Tokyo 103, Japan
Phone: (81-3) 3242-3501
Fax: (81-3) 3242-3503
Hirowa Ito, Japan Regional
Advertising Director;
Hiroyuki Nakagawa, Japan Advertising
Sales Manager

1995 FORBES MAGAZINE HIGHLIGHTS & CLOSING DATES

	Issue Dates	Covers & Four Color	Black & White & Two-Color	Subscriber Delivery Dates
PB ▲●●	January 2 <i>Annual Report on American Industry</i>	November 28 December 12	November 28 December 19	December 19 January 7
●	January 16 January 30	December 12 December 26	December 19 January 2	January 7 January 16
●■	February 13 February 27	January 9 January 23	January 16 January 30	January 30 February 13
■	Forbes ASAP	January 9	January 9	February 13
●	March 13 Forbes FYI	February 6 January 23	February 13 January 23	February 27 February 27
■	March 27	February 20	February 27	March 13
■	April 10 Forbes ASAP	March 6 February 20	March 13 February 20	March 27 March 27
PB ▲●●	April 24 <i>The FORBES 500s - Annual Directory of America's Leading Companies</i>	March 20 March 20	March 20 March 20	April 10 April 10
■	May 8 Forbes FYI	April 3 March 20	April 10 March 20	April 24 April 24
PB ▲■	May 22 <i>The Power and the Pay - Executive Compensation</i>	April 17 April 17	April 17 April 17	May 3 May 3
●	June 5 Forbes ASAP	May 1 April 17	May 8 April 17	May 22 May 22
PB ▲■	June 19 <i>The FORBES Money Guide</i>	May 15 May 15	May 15 May 15	June 5 June 5
PB ▲●●	July 3 July 17	May 29 June 12	June 5 June 12	June 19 July 3
●	July 31 August 14	June 26 July 10	July 3 July 17	July 17 July 31
PB ▲■	August 28 <i>Mutual Funds Survey</i>	July 24 July 24	July 24 July 24	August 14 August 14
■	Forbes ASAP	July 10	July 10	August 14
●	September 11 September 25	August 7 August 21	August 14 August 28	August 28 September 11
■	Forbes FYI <i>The Top 40 World's Highest-Paid Entertainers</i>	August 31 August 31	August 7 August 7	September 11 September 11
■	October 9 Forbes ASAP	August 28 August 21	September 4 August 21	September 11 September 11
PB ▲■	October 16 <i>The FORBES 400 - The Richest People in America</i>	September 11 September 11	September 11 September 11	October 2 October 2
●	October 23 Forbes FYI - 5th Anniversary Issue - (Closing Date: August 28)	September 18 September 18	September 25 September 25	October 7 October 7
PB ▲■	November 6 <i>The FORBES Up & Comers 200 - The Best Small Companies in America</i>	October 2 October 2	October 2 October 2	October 23 October 23
■	Forbes ASAP	October 16	October 23	November 3
PB ■	Forbes FYI	October 2	October 2	November 3
■	December 4 <i>The 500 Largest Private Companies</i>	October 30 October 16	November 6 October 16	November 21 November 21
PB ■	Forbes ASAP	October 16	October 16	November 21
■●	December 18 <i>The Super 40 - The World's Highest-Paid Athletes</i>	November 13 November 13	November 20 November 20	December 11 December 11

KEY:

- PB Indicates a perfect bound issue.
- ▲ Indicates issues where partial pages close 6 weeks prior to issue date.
- Indicates a general response reader service card available to all advertisers in the issue.
- Qualifies for Bonus Issue Plan.

1995 "FORBES" MAGAZINE

**AMERICAN
SALES OFFICES**

**ADVERTISING
PROGRAMS**

1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
2000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

FORBES TV

1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

FORBES ASAP

1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

**INTERNATIONAL
ADVERTISING**

1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

Hong Kong

Room 2013 Bank of China
111 South Street
Central
Hong Kong
Phone: (852) 2877 8950
Fax: (852) 2523 9154

London

1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

Mumbai

1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

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1000 Ave.
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Fax: (212) 601-2477

Tokyo

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New York, NY 10001
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1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

Tel Aviv

1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477
1000 Ave.
New York, NY 10001
Phone: (212) 601-1820
Fax: (212) 601-2477

Forbes
CAPITALIST TOOL
Forbes Magazine 60 Fifth Ave., N.Y. 10011