

# The Ripon Forum



Bloomberg  
Tackles Poverty:  
Will his plan  
work?



June/July 2007  
Volume 41, No. 3

## The Search for Common Ground

Howard Baker leads  
a bipartisan effort to  
break the political  
logjam in Washington

Plus:  
Bob Michel  
writes about  
Congressional  
gridlock



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# The Ripon Forum

*"Ideas that matter,  
since 1965."*

Volume 41, No. 3, June/July 2007

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One Year Subscription:

\$35.00 individuals

\$10.00 students

The Ripon Forum (ISSN 0035-5526) is  
published bi-monthly by The Ripon Society.  
The Ripon Society is located at 1300 L Street,  
NW, Suite 900, Washington, DC 20005.

Postmaster, send address changes to:  
The Ripon Forum, 1300 L Street, NW, Suite  
900, Washington, DC 20005.

Comments, opinion editorials and letters  
should be addressed to: The Ripon Forum,  
1300 L Street, NW, Suite 900, Washington,  
DC 20005 or may be transmitted  
electronically to: [editor@ripsonsociety.org](mailto:editor@ripsonsociety.org).

In publishing this magazine, the Ripon Society  
seeks to provide a forum for fresh ideas,  
well-researched proposals, and for a spirit  
of criticism, innovation, and independent  
thinking within the Republican Party.

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## A Note from the Chairman Emeritus

Two hundred and twenty years ago this summer, fifty five delegates from America's thirteen states locked themselves in a room in Philadelphia to hammer out a new Constitution for our Nation.

Four months later, in September, they emerged with an agreement. No one had been allowed inside the room during their deliberations. James Madison took notes; others shared their thoughts through correspondence. A transcript of the proceedings, however, does not exist.

But it's safe to assume the debate wasn't pretty. Egos were involved. Fortunes were involved. Political futures were at stake. Yet somehow, the delegates managed to put aside their differences and reach consensus on a framework for government that was revolutionary for its time.

Today, that same governing framework still exists. But reaching that type of political consensus seems to be a thing of the past. Clearly, there are exceptions. But increasingly, partisanship has become the coin of the realm in our Nation's capital, and distrust between the parties abounds.

In this edition of the FORUM, we look at some of the reasons for that, and some of the solutions being pursued. We gear our coverage of this topic around two of the most widely respected former legislators in Washington – former Senate Majority Leader Howard Baker and former House Republican Leader Bob Michel.

In a Q&A, Senator Baker talks about a bipartisan effort he is helping lead to find common ground on some of the key issues facing our country. In an essay that follows, Leader Michel discusses gridlock in Congress and some ideas he has to reform the institution.

This edition of the FORUM also looks at some other topics that are making news or will be making news in the coming months, including the debate over health care on the presidential campaign trail and the Bloomberg plan to fight poverty in New York.

As with all editions of our journal, we hope you enjoy what you read, and hope you will not hesitate to write us at editor@riponsociety.org with any comments you may have.

Bill Frenzel  
Chairman Emeritus  
Ripon Society

# The Search for Common Ground

## *A Q&A with Howard Baker*

Howard H. Baker, Jr. served three terms as a United States Senator from Tennessee (1967-1985) and was Tennessee's first popularly elected Republican Senator.

Senator Baker gained national recognition in 1973 as Vice Chairman of the Senate Watergate Committee. Three years later, he was keynote speaker at the Republican National Convention and was a 1980 candidate for the Republican presidential nomination.

He concluded his Senate career in 1985 after two terms as Majority Leader (1981 to 1985) and two terms as Minority Leader (1977 to 1981). He was President Reagan's Chief of Staff from February 1987 to July 1988. From 2001-2005, he served as America's 26<sup>th</sup> Ambassador to Japan.

Over the course of his long and distinguished career, Senator Baker's reputation for straight-talk, candor and honesty not only earned him the respect of his colleagues in Washington, but the admiration of the American people and countless others around the world. Moreover, his ability to bring people of different viewpoints together also won him a nickname - "The Great Conciliator."

It was in the spirit of conciliation that Senator Baker, along with former Republican Senator Bob Dole and former Democratic Senators George Mitchell and Tom Daschle, announced earlier this



year the establishment of The Bipartisan Policy Center (BPC), a new organization whose sole purpose is to find common ground between the parties on some of the most pressing challenges facing our country.

The FORUM recently asked Senator Baker about the BPC, why it was established, and what he hopes it will accomplish.

**RF: What is the purpose of the Bipartisan Policy Center?**

**HB:** Too often, partisanship poisons our national dialogue. Unfortunately, respectful discourse across party lines has become the exception - not the norm. To confront this challenge, the Bipartisan Policy Center was formed to develop and promote solutions that would attract the public support and political momentum to achieve real progress. The BPC acts as an incubator for policy efforts that engage top political figures, advocates, academics and business leaders in the art of principled compromise. In addition to advancing specific proposals, the

BPC also is broadcasting a different type of policy discourse that seeks to unite the constructive center in the pursuit of common goals.

**RF: How do you hope to impact the public policy debate in Washington?**

**HB:** I'm a life-long and proud Republican. Unlike some, however, I don't believe loyalty to party precludes common sense decision and policymaking.

Some of our Nation's greatest triumphs have come when political leaders have not allowed partisan differences to deter their efforts to find solutions that are in the Nation's best interest. Throughout my time as Senate Majority Leader, I took pride in seeking and heeding the advice of my colleagues from the other side of the aisle. Unfortunately, it would seem that nowadays in many instances, times have changed and partisan rhetoric in Washington now often impedes our public policy making process.

**RF:** Aren't partisan differences – and the debate and discussion over these differences – an essential part of our democracy?

**HB:** Loyalty to one's party is critical. Adlai Stevenson once called partisanship "the lifeblood of democracy."

Differences between individuals should be civilly debated, but it is critical one never loses respect for a colleague's opinion. It is important to note that the Bipartisan Policy Center does not espouse what some have

called a "trans-partisan" or "post-partisan" model. We believe that principled debate and compromise does not require one to abandon his or her party. Moreover, we seek to encourage a return of comity to congressional debate that we believe has eroded in the last decade.

**RF:** With the 2008 election season already upon us, are you concerned that any effort to promote bipartisanship is going to take a back seat to the rough and tumble of the presidential campaign?

**HB:** There will always be partisan debate; that is the nature of the presidential selection process. I think both Democrats and Republicans agree, however, that the majority of the American people

are looking for pragmatic and principled leadership in their candidates. They want Congress and the President to work with each other; not against each other.



Senator Baker, along with the other founders of the Bipartisan Policy Center: George Mitchell, Tom Daschle, and Bob Dole.

## In Their Own Words...

### George Mitchell

"William Butler Yeats once said, 'the center will not hold'—unfortunately that's the situation facing our country right now. We believe that the center must not only hold, but must lead, if we are to set America on a successful course for the 21st century. The BPC will act as a bipartisan refuge where the best minds and ideas from both parties can be brought together to develop viable and sensible solutions that can gain political traction."

### Tom Daschle

"We don't have Republican problems and Democratic problems, we have American problems. National security, economic competitiveness, fiscal responsibility, education, the environment—these are national challenges that affect all Americans. We need to solve them together."

### Bob Dole

"Political parties are key to our democracy—but we have to work together more often. The challenges America faces are extremely serious, but they can be overcome. Earlier generations have confronted great challenges and met them with bravery and shared conviction. Americans are prepared to work together to solve the great problems we face today. It's time for Washington to join them."

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**RF:** Have you been in touch with any of the presidential candidates or the leadership in Congress to discuss what you are trying to do? If so, what has been the reaction?

**HB:** The BPC has several ongoing specific policy projects; one focusing on energy policy, one on agriculture policy, one on ways to reform national security and one on transportation. We select issues that we believe are ripe for partisan agreement. To this extent, the BPC conducts research and evidence-based surveys to compose thoughtful and pragmatic solutions that are then passed on to current members of Congress for their consideration. Furthermore, the BPC has recently formed a working relationship with the Senate Common Ground Coalition – a group of approximately twenty sitting U.S. Senators who largely share the same goals and vision as the BPC. We are excited about this

new endeavor.

**RF:** Why is it in the best interests of Republicans to work cooperatively with Democrats at a time when many believe that the best way for the GOP to reclaim their congressional majority is by sharpening political differences between the two parties and denying the Democrats any chance of legislative success?



Senator Baker at the 1973 Watergate hearings.

### I don't believe loyalty to party precludes common sense decision and policymaking.

common sense public discourse. I look forward to working with my colleagues on issues that are vital to this great country.

**RF**

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# The Truth About Congressional Gridlock

...and ideas for reform.

BOB MICHEL

American politics is mostly about the personalities of the people who serve in office or aspire to it. Personalities make good theater. They keep the press in profits. They keep people interested and entertained. The people in politics embody the best and worst of our American system of government.

But our system isn't just about the people who serve in the institutions of government; it is also about the institutions themselves.

Congress, one of the pillars of our political and governmental system, the seat of power in our democratic republic, is an institution suffering from age and neglect. Our seat of government is losing its legs. In this Presidential election year, public attention will be riveted on the personalities of the candidates, but more attention should be focused on the institutions in which those elected will serve.

I spent 40 years in Congress, and not in all of that time did I ever have the sense that the institution itself was incapable of handling the people's business. I believe that is the case now.

Complex issues such as energy independence, long-term health care, retirement security, individual security, tax reform, and homeland security have been passed over, glossed over and treated cosmetically for so long, they have taken on gargantuan and unmanageable dimensions. They have become chronic problems that defy comprehensive solution. The legislative process can no longer handle the backlog of issues and problems that have been building for years — Social Security solvency, to name just one. The institution resists change. It merely shifts the demand for change from one Congress to another.

Congress needs reform. This venerable, great parliamentary institution of modern times is suffering from fatigue and old age. It is moving more slowly into the 21<sup>st</sup> Century than most other influences on American life, from cultural diversity to technology. And it is not serving that fundamental responsibility envisioned by the Founding Fathers to be a check in a system of checks and balances. Today, there are too many checks and not enough balance.

Congress should establish a Joint Committee on Structural Reform to examine the structural needs in both Houses and report recommendations to modernize the Congress as soon as possible. The first Article of our great Constitution established the Congress while allowing, "each House to establish its own rules of proceeding." From the very beginning, the two Houses used joint committees to resolve their differences and reform their procedures.

Here are several areas in the structure of the Congress, mostly internal, that need immediate attention:

**Congress, one of the pillars of our political and governmental system, the seat of power in our democratic republic, is an institution suffering from age and neglect.**

*Committee Jurisdictions:* The 911 Commission had it right when it recommended identical Homeland Security Committees in the House and Senate. Why not all the committees? The garbled jurisdictional overlays breed jealousy and protectiveness so movement is stopped or painfully slow. Authorizations don't get done and conferences break down. Executive Branch officials spend endless hours on the Hill running from committee to committee to testify. Committee staffs end up in tedious disputes, writing memoranda of understanding to assert jurisdiction and control.

*The Appropriations process:* The appropriations



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process is broken. Appropriations are unauthorized or contain authorizations contrary to House rules. Appropriations are often held hostage by ineffective authorization and budget processes. The result is mammoth stop gap continuing resolutions, omnibus bills and bloated supplementals that attempt to solve too many problems in too little time, with too many players in the game. As a former appropriator I am willing to at least discuss what some would call unthinkable – appropriations folded into authorizing committees.

*The Congressional Budget Process:* The Budget Process is also broken. The scoring of emergency spending, the roles of enhanced rescissions and pay-go budgeting, all need a second look. A two-year budget cycle should be considered, as election year budgets have become mostly political documents.

The Budget Process hasn't been thoughtfully and thoroughly reviewed since its inception in 1974, and it won't be done correctly unless both Houses sit down together to do it.

*Congressional Oversight:* Congress can't seem to get its oversight responsibilities right. It's either not enough or too much. At times, it's either political protectionism or political retribution. Oversight is best done in pursuit of a legitimate legislative purpose, not a political point. Congress has a constitutional and institutional obligation to conduct oversight of the government, but for the sole purpose of making the government function better.

*The Legislative Schedule:* The failure of the committee system has left unproductive gaps in floor activity, and without votes on the floor it is harder to get a quorum to enable the committees to act. Time is wasted. There has to be a proper balance between the needs of the members to be back in their districts as well as in Washington. The two Houses should explore options for meeting times, possibly two full consecutive weeks a month working, with Committees or Subcommittees meeting all five days. Two weeks would be off so that elected

representatives could be at home with their constituents in the spirit of the "citizen legislator."

*Procedural Gridlock:* In the House, the majority regularly and consistently violates the rights of the minority. In the Senate, the minority regularly and consistently violates the rights of the majority. The result is undemocratic, unfair and unproductive.

The abuse of procedures, most notably in the Senate, stymies progress and makes it difficult to get legislation to the President's desk. In the modern Senate, it takes a two-thirds vote to pass virtually any piece of legislation. The threat of a filibuster on every possible motion has resulted in nameless holds on legislation and hour after hour of an empty chamber conducting phantom quorum calls. For many Americans, the Senate on C-Span has

become nothing more than a classical music channel.

These are basic, inside-baseball problems that thwart the process and leave the American people bewildered as to why more doesn't get done. The truth is the American people have little knowledge of how Congress functions, or why and how it evolved over the past 220 years. And

until the people understand their Congress, Congress will be unable to address the critical, complex issues of our time.

A joint committee – comprised of Republicans and Democrats, Members of the House and Members of the Senate – would go a long way towards beginning the necessary public dialogue on how our institutions should perform.

It would also be a good beginning towards undoing the structural gridlock that confounds our Congress – and our Nation. **RF**

**A joint committee – comprised of Republicans and Democrats, Members of the House and Members of the Senate – would go a long way towards beginning the necessary public dialogue on how our institutions should perform.**



*The Honorable Bob Michel served in the U.S. House of Representatives from 1957 to 1995. He served as Republican Whip from 1975 to 1980, and as Republican Leader from 1981 to 1995.*

# The Making of the President's Health Plan 2008: Will It Be Deja Vu of 1992?

BY TOM MILLER

Today's political conventional wisdom assumes that proposals to address the chronic problems of U.S. health care will regain the domestic policy spotlight in the 2008 presidential campaign.

Steadily rising costs of health care services, growing gaps in access to care, and mounting strains on the predominantly employer-based system of private insurance coverage are not necessarily "new" problems. However, they appear to have stimulated a new round of more intensive political responses.

Several dozen states are experimenting with various stages of health reform plans. Multi-interest coalitions of business, labor, and advocacy groups are probing and repositioning to gain the high ground in the developing health care debate. Accordingly, a number of the leading presidential candidates are staking out their policy priorities and perspectives, if not concrete solutions.

Are we in the early stages of a replay of 1992, the last presidential campaign to set the stage for a comprehensive health reform debate?

Not exactly.

In any case, will it be followed by another whimper (like the unraveling of Clinton Care in 1994), or a big bang that transforms U.S. health care? The answer is neither

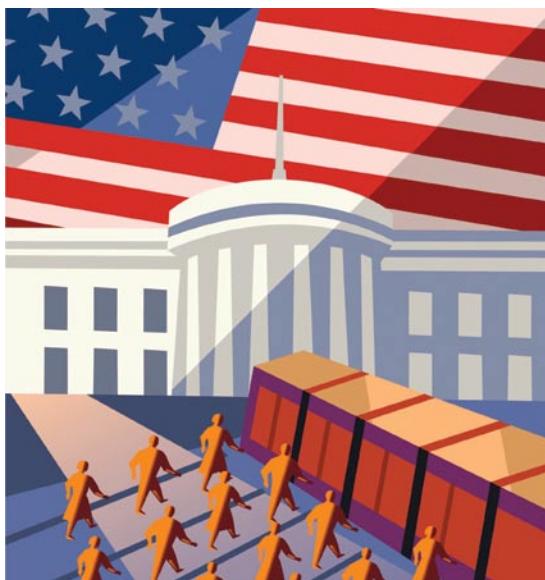
one, but expect some grudgingly modest progress – eventually.

Current similarities to the dynamics of the campaign trail fifteen years ago are limited. This time, a war in the Gulf has not gone as well. Unlike its predecessor, it continues to dominate the overall

election this time. Control of Congress switched to the opposition party last fall.

The common element that 1992 and 2007 share is the electorate's unease, if not discontent, with the workings of the existing health care system. In each case, the increasingly less affordable cost of insurance coverage raised anxieties about its current stability and future availability. No single triggering political event like the 1991 Pennsylvania Senate race (when Harris Wofford upset Dick Thornburgh, relying on a health reform platform) stands out today that would make nervous incumbents scramble to address perceptions of a swiftly changing landscape.

However, the cumulative effects of a widening gap in recent years between the price of health coverage and what many Americans are willing or able to pay for it, either individually or collectively, once again has reinvigorated political impulses to "do something." As always, deeper disagreements over the degree of change needed and the problematic details of implementation remain. But some of the early parameters of today's "soft consensus" for health policy reform seem more clearly defined than the fuzzier concept of "managed competition" tentatively voiced by the 1992-vintage Clinton campaign.



**Are we in the early stages  
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Not exactly.**

political landscape. The economy is somewhat healthier, though not a political plus. Another incumbent named Bush has a low job approval ratings, but he cannot seek re-

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In one form or another, most of the leading 2008 Democratic presidential aspirants favor moving more aggressively toward universal coverage within the context of a mixed public/private system. John Edwards would do so most comprehensively, by conspicuously endorsing higher taxes and imposing more binding coverage mandates on employers. Barack Obama pledges generically to achieve universal coverage within four years. Hillary Clinton, reflecting the hard-earned lessons of overreaching hubris in her first White House tour, suggests now that it might take her “second” term as president to finish the job with a step-by-step strategy.

The Democratic frontrunners also support creation of large public/private pooling mechanisms to supplement, if not replace, employer-group coverage, along with expansion of more traditional public insurance coverage through Medicaid and S-CHIP. Similar to their Republican competitors, they would also place faith in the as-yet unproven virtues of information technology, electronic medical records, and preventive care to lower costs and improve quality.

At this stage of the presidential campaign, health care issues have figured much more prominently in Democratic candidates’ appeals to potential primary voters. Republican presidential frontrunners Rudy Giuliani and John McCain have been less vocal, let alone detailed, thus far in addressing health care reform (compared to national security issues such as terrorism). Nevertheless, one might predict their preferences: favoring tax-based subsidies more than increased public spending to expand access to insurance, bolstering private forms of insurance coverage, and limiting the expansion of publicly administered health programs. They would not make universal coverage *per se* their foremost health policy goal. Although Mitt Romney may

share the private market emphasis of his fellow Republicans, the former governor is more heavily invested in the future success of his Massachusetts model, which combines an individual mandate, income-based subsidies, and a “connector” insurance purchasing mechanism to aim for near-universal insurance coverage.

The traditional cut and thrust of presidential politics suggests that less is often more on the campaign trail. One should not expect more detailed blueprints of a health system overhaul until the winner answers the question, “What do we do next,” in mid- to late-2009. Substantial evidence of a successfully implemented state-level health reform would make a difference, but don’t hold your breath waiting for it. The recurring cycles of our health reform debates usually peak with broad agreement on what

### **The traditional cut and thrust of presidential politics suggests that less is often more on the campaign trail.**

we do not like, or wish could be different, but break down over what settling for second-best compromises might entail.

The gravitational pull of universal coverage nostrums and stylized bipolar disputes between national health insurance and free market medicine tends to distract our national political debate from confronting more serious matters that need greater attention. The unfunded future liabilities of both Medicare and Medicaid pose more pressing fiscal threats to the national economy’s balance sheet today than they did in 1992. Although Republican candidates can point to some promising inroads in delivering new drug benefits to seniors through private plan choices, neither party’s standard bearers are likely to highlight the need for significant belt-

tightening or restructuring of health care entitlement programs before the inevitable becomes inescapable. Whereas more observers have questioned the proposition that U.S. health care is the best in the world, the bedrock belief of middle-class voters that they should continue to have their own opportunity to consume American-style health care *a la carte*, as long as they don’t see the full price tag directly, helped sink an earlier Clinton plan for universal coverage and health security, and it remains quite resilient today.

Hence, the unexploited opportunity thus far to transform the national health care debate involves offering voters new mechanisms to gain access to higher-value care and improve their overall health. It doesn’t mean promising the illusion of as much as you want, whenever

you want it, from whomever you choose to provide it, at less cost, based on magical assumptions. It would start with leveling a bit more with voters that we will need to develop and disseminate better measures of the effectiveness and efficiency of more accountable health care providers, provide stronger incentives and tools for consumers to make smarter choices, promote healthier behavior away from the doctor’s office, target public subsidies more narrowly on the basis of income and health status – regardless of age – and acknowledge it’s time to reconcile better the limits of public resources with needs, not wants.

Defining better choices in the gray zone between “you get what you pay for” and “you’ll get what we decide to pay for,” might not fit within a 60-second campaign spot or the paragraph of a stump speech, but it could begin to move us past the dead end of 1992 and beyond the initial teases of 2008. **RF**

*Tom Miller is a resident fellow at the American Enterprise Institute.*

# Bloomberg Tackles Poverty

His plan is innovative.  
But will it work?

REID CRAMER

Even for public servants with the best of intentions, the seeming intractability of poverty in America can be awfully discouraging.

Its causes are complex and past efforts have met with limited success. Until Hurricane Katrina hit land, poverty had been absent from the public agenda for so long that there was little consensus among policymakers in how to respond. Not only was the toolbox of effective antipoverty proposals empty but partisan gamesmanship often seems to block innovative, good faith efforts to address it.

Yet persistent, concentrated, and intergenerational poverty remains a scourge upon our prosperous society, an enduring challenge for policymakers of all persuasions. One of the more remarkable efforts to meet this challenge is being led by New York City

Mayor Michael Bloomberg, who has decided to make tackling poverty one of the core priorities of his second term. With Democrat Charlie Rangel looking on, Mayor Bloomberg announced this past December one of the most innovative anti-poverty efforts to emerge in recent years.

While it is too early to predict the ultimate fate of this effort, it has already unleashed an unprecedented public-private partnership that just might create a model for future anti-poverty initiatives across the country.

Rather than identifying amorphous targets or unattainable

formed city office, called the Center for Economic Opportunity (CEO), which is designed to operate as a combination of a philanthropic foundation and a venture capital fund. This office will be charged with seeding innovation by supporting a range of experimental programs. But in addition to investing in R&D, the CEO will be in charge of evaluating the results, so programs that demonstrate success in reducing poverty can be built upon and those that don't can be shut down. This results and evidence-based approach is gaining momentum in other areas of government, increasingly influencing budget decisions at the federal and state level, but the funding of policy innovation, especially in anti-poverty programs at the local level, is breaking new ground.

Emblematic of the search for innovation is the decision to implement and test one

of the more remarkable anti-poverty tools developed in recent years — conditional cash transfers. Piloted in demonstrations throughout the world but largely untried in the U.S., conditional cash transfer programs (CCTs) provide money directly to recipients when they meet specific



**While it is too early to predict the ultimate fate of this effort, it has already unleashed an unprecedented public-private partnership that just might create a model for future anti-poverty initiatives across the country.**

Much of the money will be used to try and test out new approaches. At the center of the effort is a newly-

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criteria. It's an incentive program that makes the social contract explicit. Families are rewarded for their actions, so they may qualify for a transfer when they complete a training program or make sure their children go to school and get vaccinated.

The idea behind CCTs is to replace the traditional welfare model of donations of aid with one that allows recipients to invest in their future. It has already been proven to work in other places. One widely studied program in Mexico, one replicated internationally in over 20 countries, has been credited with improved health outcomes that have been linked to improved educational outcomes in young children and a reduction in poverty at the family level.

To implement and evaluate this approach in New York City, Mayor Bloomberg formed a public-private partnership in March of this year. The first of its kind in the U.S., Opportunity NYC is a \$50 million effort that has raised support from a number of foundations, including the Rockefeller Foundation, the Open Society Institute, AIG, and the Starr Foundation. Designed with input by MDRC, a leading national evaluation and research firm, the Opportunity NYC program will include a sample of approximately 5,000 families throughout the city — half of which will be part of a control group.

The incentive-based strategies of the program will focus not on developing new social services, but on increasing participation in certain existing programs and taking actions that have already been proven to reduce poverty among children and families now and in the long run. Participants may receive \$50 to \$300 for meeting specified targets or completing a conditional activity, and families may be eligible to augment their income by \$3,000 to \$5,000 per year depending on the activities and

family size. Initially, incentives will focus on the areas of education, health, and work, but poverty advocates are already identifying promising areas to expand the effort.

Another set of early investments will focus on increasing the financial capacity of lower-income households. A first-of-its-kind Office of Financial Empowerment is being formed to ensure that families have access to information that can maximize their financial health and minimize the likelihood that they will be subject to predatory schemes. This will include coordinated information campaigns to publicize the availability of tax credits and public benefits which families

household incomes less than \$30,000. It is estimated that this proposal would cost the city \$42 million a year and benefit almost 50,000 families.

This initial round of investments is ambitious in both its scale and breadth — a testament to a driven, second-term mayor committed to forging new ground in some difficult terrain. And yet, Mayor Bloomberg is not alone in his decision to focus on combating poverty or in his search for new, effective ways to confront it. Across the country, mayors are increasingly turning their attention to these issues.

Los Angeles Mayor Antonio Villaraigosa recently convened a task force of mayors to develop a forward-thinking anti-poverty action plan. The mayors acknowledged that reductions in poverty are unlikely to come from expanding subsidies and entitlement programs, but from revising the way we use public resources to create a lifelong ladder of learning and opportunity. Specifically, Villaraigosa has called for a revitalizing system of work skills and training, an expanded EITC to make work pay, and the provision of children's savings accounts to provide a platform to build assets over a lifetime and learn the basics of financial education.

Like Bloomberg, these mayors recognize that there are no quick fixes. This current crop of politicians may be long gone before we realize what works, making these efforts all the more laudable. But they have launched a necessary first step, which is an active search for policy interventions that can work over the long term. **RF**

## **The incentive-based strategies of the program will focus not on developing new social services, but on increasing participation in certain existing programs and taking actions that have already been proven to reduce poverty among children and families now and in the long run.**

can get and save financial resources. The idea is to provide and coordinate access to asset building activities, such as basic bank accounts, financial literacy help, and matched savings account programs.

An additional plank of the effort is designed to help families with young children enter and stay in the work force. Recognizing that child care costs often impede labor force attachment, the Mayor has taken up an earlier proposal of his Democrat-led City Council to create a local child care tax credit that could help offset these costs and make work pay. The proposed credit, still pending before the council and state legislature, would target families with children three years old and younger which have

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# Finding Consensus on an International Counter-Narcotics Strategy

ILEANA ROS-LEHTINEN

In Michigan, a high school basketball coach was charged in May with supplying cocaine and ecstasy to a 17-year-old who died after ingesting the drugs.

In Illinois, two men await trial for their role in selling heroin to a 26-year-old who later died of an overdose.

For months, police in Ohio have searched for the whereabouts of an 11-year-old missing after her mother overdosed on drugs.

In one small Texas town, police have made more than 200 drug arrests of high school-age students, and since January, two teenagers have died of heroin overdoses.

Everyday, tragedies like these are playing out with horrible consequences for families and communities all across our country. More Americans die annually as a result of drug overdoses than the number of those killed on 9/11. Just as worrisome are the links between violent crime and the drug trade. Thousands more Americans — mostly the young — are murdered and maimed in gangland-style disputes over deadly narcotics, disputes that spill into the streets of our cities and towns with bloody results.

The ease with which international drug traffickers have access to our country to peddle these deadly narcotics also has significant and adverse consequences for our neighbors in the Western Hemisphere. An estimated 90 percent of the cocaine and 50 percent of the heroin consumed here is produced in Colombia — a country now entering

the fourth decade of a murderous conflict pitting the central government against drug traffickers and their allies.

By 1998 an area in Colombia equal in size to the state of California was effectively off-limits to the central government as left-wing insurgents allied with drug cartels created a rival government in the jungle. By then, Congressional Republicans and then-President Bill Clinton were sufficiently alarmed about sky-rocketing drug use in America and the specter of a heavily-

forces, begin an aerial spraying program to eradicate thousands of acres of coca plants, ease U.S. trade restrictions to promote alternative sources of income for the people of Colombia, and fund other economic and social development programs to revive an economy in free-fall.

What has been achieved by Colombians with assistance from the U.S. is truly remarkable. Since 2001, cocaine production in Colombia is down by 22 percent; seizures of cocaine bound for the U.S. are up by two-thirds; Colombian opium poppy cultivation is down by 68 percent, from 6,540 hectares in 2000 to 2,100 in 2004; kidnappings in Colombia are down by 76 percent; terrorist attacks are down by 61 percent; and the homicide rate — an astonishing 14,000 last year — is down 40 percent. Economic growth averaged 5 percent over the period and hit a high of 6.8 percent in 2006. The poverty rate is down from 60 percent to 45 percent.

Despite these successes, Plan Colombia is encountering growing resistance from the new Democratic majority in Congress. Critics on the left oppose U.S. funding for security assistance to beef up capabilities of the Colombian police and military. With more than \$5 billion in U.S. assistance since 1999, the central government has steadily and effectively extended its reach into the countryside and driven the paramilitary units and the left-wing insurgents out of their former strongholds. Many of those that remain have retreated into the jungles and continue to terrorize the population and



**Without an effective counter-narcotics strategy in the Western Hemisphere, the number of U.S. deaths from overdose and drug-related killings will again rise...**

armed narco-state developing in this hemisphere that together we forged a new counter-narcotics policy.

What emerged was something called Plan Colombia. This ambitious multi-year program sought to help Colombia beef up its police and military

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provide security for drug cartels, albeit on a smaller scale.

As the central government has regained control of the country, something very important has begun to happen. Thousands of Colombians are feeling safe enough to publicly speak out about the atrocities they endured in years past and to seek justice against the perpetrators. Dozens of powerful Colombians, including members of Congress, high-ranking officials, and others have been implicated in testimony with having ties to paramilitary groups. President Uribe and the military command have repeatedly said that they will not tolerate collaboration between military officials and members of paramilitary organizations. Unfortunately, U.S. critics of Plan Colombia have eagerly seized on these scandals as proof that U.S. policy has failed. But exactly the opposite is true. Rather than push away the Colombians during this difficult period, America should embrace our ally and

help it through the process of rebuilding.

As Democrats in Congress move forward in the months ahead to make changes to Plan Colombia, they would do well to keep in mind that reducing our commitment to Colombia has implications on our home front. Denying the Colombian navy the assistance to purchase maritime patrol aircraft will undermine its ability to interdict drug shipments bound for America, such as the seizure in April of 17 tons of cocaine off its Pacific Ocean coastline, the largest in history. Denying the Colombian National Police access to helicopters and other U.S. equipment will only benefit the violent left-wing insurgents and their paymasters in the drug cartels and undermine the successful efforts to eradicate opium poppies in the high altitudes of this mountainous country. Holding hostage the pending Free Trade Agreement with Colombia because of what critics claim is a failure by the Colombian government

to protect trade unionists will undermine Colombia's economy and begin the downward spiral of America's closest ally in South America.

We will feel the effects of these disastrous policies on our streets. Without an effective counter-narcotics strategy in the Western Hemisphere, the number of U.S. deaths from overdose and drug-related killings will again rise, and the floodgate of narcotics will open even wider with a deluge of heroin and cocaine aimed squarely at our kids. Let us hope that Congress will put behind it the ideological disputes of the past and act to protect us here at home by helping the people of Colombia protect themselves and their country. **RF**

*Ileana Ros-Lehtinen represents the 18<sup>th</sup> District of Florida in the U.S. House of Representatives. She serves as Ranking Republican on the House Foreign Affairs Committee.*

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# The AMT: Not Such a Minimal Tax

JOHN W. DIAMOND

Acronyms come and go in America. Take the ATM.

Twenty five years ago, few people had heard of Automated Teller Machines. Today, they are found on just about every street corner, and ATM is one of the most widely recognized acronyms in the world.

Over the next few years, Americans will begin hearing more about another acronym with those same three letters. But rather than being known as something that puts money into people's pockets, this acronym could soon become known for the money it removes.

It's the Alternative Minimum Tax – or AMT for short. As it stands now, the AMT is a mandatory second method for calculating a taxpayer's tax liability under the current income tax. Because of the AMT, taxpayers are required to pay the larger of the taxes calculated under the two methods.

The original objective of the AMT was to ensure that the highest income taxpayers were not able to avoid paying taxes by using large amounts of exclusions, deductions and credits. Over time, though, the number of taxpayers affected by the AMT has steadily increased – from 140,000 in 1987 to more than 3 million in 2004.

At the same time, the AMT has increasingly come to affect moderate income taxpayers while leaving many of the highest income taxpayers unscathed. According to the Joint Committee on Taxation, 30 million taxpayers will be affected by the AMT by 2010, and AMT liability will skyrocket from \$13 million

in 2004 to \$108 million in 2010.

Of course, as with most everything else related to the American tax system, the whole thing is rather complicated to figure out.

For example, the tax base of the AMT – referred to as alternative minimum taxable income, or AMTI – is calculated by adding deductions and other tax



preferences back to the taxpayer's taxable income under the regular income tax. AMTI in excess of the AMT exemption amount is taxed at a rate of 26% on the first \$175,000 and 28% on the remainder, with the exemption amount phased out over the income range from \$150,000 to \$420,000 for married taxpayers and \$112,500 to \$282,500 for unmarried ones.

A temporary AMT "patch" was approved that increased the exemption amount for taxable year 2006 to \$62,550 for married tax filers (who file a joint return) and \$42,500 for unmarried tax filers. However, under current law, for taxable years beginning after 2006 the exemption amounts revert to \$45,000 for married tax filers and \$33,750 for unmarried tax filers. The tax rates on net capital gains and dividends are the same as under the regular income tax. The most popular deductions (and the most significant in terms of revenue) that are not allowed under the AMT include deductions for state and local taxes, personal exemptions, and the standard deduction. In addition, a host of other tax preferences and deductions are reduced or not allowed under the AMT.

The net result of all of this is not only confusion, but an increasing number of taxpayers who are affected by the AMT. This is primarily because the AMT exemption amount and the AMT rate bracket are not indexed for inflation. Consequently, purely inflationary increases reduce the value of the AMT exemption amount in relation to personal income and push taxpayers into the higher tax bracket. By comparison, such "bracket creep" is not much of a problem under the regular income tax, as the personal exemption, the standard deduction, and rate brackets are all indexed for inflation.

As one might imagine, questions abound regarding the AMT. Is the AMT a serious problem that needs to be fixed? If so, should the AMT be repealed or reformed? What are the most efficient

reform options and how much revenue must be raised to pay for reform? These are important questions that must be addressed in the very near future.

The first question has a straightforward answer. The AMT is unquestionably a problem that needs to be fixed. The AMT imposes significant costs on taxpayers and the economy. The most obvious cost is the added complexity in calculating taxes since the AMT requires a substantial number of taxpayers to calculate taxes under two different tax systems. Note that many taxpayers who are not affected by the AMT must also calculate their AMT liability. More subtle but arguably more important is the problem that individuals and firms must predict whether they will be subject to the regular income tax or the AMT in all their long term economic decision making.

Some commentators have argued

that the AMT should be made permanent and the regular income tax should be repealed because the AMT is an efficient broad-based tax with a virtually flat rate structure. However, by taxable year 2010 most taxpayers who are affected

effective tax rates for married taxpayers under the AMT are 26% up to \$150,000, 32.5% from \$150,000 to \$175,000, 35% from \$175,000 to \$420,000, and 28% for taxpayers with incomes above \$420,000. Given this, it is unlikely that adopting the AMT would increase economic efficiency.

The AMT also raises equity concerns. The highest income taxpayers, currently subject to a 35% rate, would pay a lower 28% marginal tax rate under the AMT. In addition, married couples are more likely to be subject to the AMT than unmarried couples since the AMT does not distinguish between married and unmarried taxpayers in terms of the size of the exemption amount or the size of the rate brackets as under the regular income tax. This implies that large marriage penalties result under the AMT. Furthermore, larger families are more likely to be affected by the AMT since the AMT exemption amount does

**Given current budget projections, it is reasonable to assume that any AMT reform would have to be paid for by either increasing revenues from other taxes, adopting new taxes, or reducing federal spending.**

by the AMT would face higher tax rates under the AMT than the regular income tax because effective tax rates under the AMT are increased by the phase out of the AMT exemption amount. For example,

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not differ by family size. All of these features are arguably undesirable on equity grounds.

There are numerous options for reforming the AMT. Several of the most common suggestions include repealing the AMT, increasing and indexing the AMT exemption amounts and rate brackets, allowing personal exemptions under the AMT, or allowing state and local tax deductions under the AMT. However, such reforms would be associated with a significant decline in revenues. For example, JCT estimates that repeal of the AMT would reduce federal income tax revenues by \$872 billion from 2007 to 2017 and that allowing personal exemptions against the AMT would reduce federal income tax revenues by \$509 billion from 2007 to 2017. Given current budget projections, it is reasonable to assume that any AMT reform would have to be paid for by either increasing revenues from other taxes, adopting new taxes, or reducing

federal spending. This raises complicated political issues.

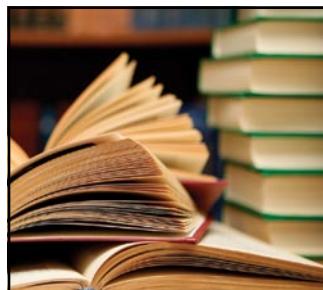
In my view, AMT reform should be consistent with the following three principles. First, any new reform should include inflation indexing of key structural tax parameters to avoid the problems associated with bracket creep. Second, our goal should be to create a simple tax that minimizes compliance costs for taxpayers. Third, we should avoid increasing tax rates in a manner that will induce taxpayers to make behavioral changes or devote more resources to avoiding taxes. This is especially important for the taxation of capital income given the increasing globalization of world capital markets.

Haphazard reforms, such as proposals that would raise tax rates on some taxpayers to finance tax relief for others under an inherently flawed tax, are unlikely to create a simple, fair and efficient tax system and should be avoided. In fact, broadening the tax base

by limiting deductions almost always dominates increasing statutory tax rates in terms of creating efficient economic incentives. Sweeping reforms like those put forth by the President's Advisory Panel on Federal Tax Reform should also be considered.

However, there is currently a lack of political will to implement sweeping reforms that are necessary to deal with the problems presented by the AMT and the regular income tax. This is unfortunate given the imminent budget crisis facing the U.S., which increases the importance of implementing a simple, efficient and fair tax system that could help stimulate U.S. economic growth over the next century. **RF**

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# The Road to Fundamental Immigration Reform

The bipartisan agreement is under attack from both sides of the political aisle.  
Can the center hold?

DEMETRIOS PAPADEMETRIOU

The U.S. Senate is in the midst of a raucous debate on an issue that the U.S. Congress avoids until it has absolutely no choice but engage it — reforming the nation's immigration laws.

The legislative vehicle is a lucid if imperfect bipartisan compromise negotiated painstakingly over countless hours of face-to-face meetings and has been denounced by both extremes.

The proposed bill is a radical departure from the present system, put into place over 40 years ago — a vastly different political and economic era. It challenges Democrats and their allies by giving them their number one immigration reform goal: a legalization program that offers virtually every illegally resident person who was here on January 1, 2007, a nearly automatic temporary work permit lasting for 18 months and the opportunity to gain permanent legal status (a “green card”) between eight and 13 years later. In the interim, between three and four million relatives of U.S. citizens and permanent residents who had been languishing on massive waiting lists would get their green cards — hence honoring the political mantra that legalizing immigrants would have to wait their turn for green cards until the infamous “queue” empties out.

In return — a “trade off” to many serious advocates but a “Faustian bargain,” and worse, to many of the Democratic party’s more unyielding constituencies — enforcement would be ratcheted up enormously and family relationships beyond the nuclear families of U.S. citizens and U.S. permanent residents (albeit in highly restricted ways) would no longer gain automatic if greatly delayed access to green cards. Instead, such relatives

Finally, Democrats and a variety of stakeholders are asked to agree to several temporary worker programs mostly for low skill/wage work in configurations intended to prevent them from developing roots in the U.S. and explicitly prohibit them from gaining green cards automatically — unless, of course, they can earn their way to such status through the points-based system.

If the Senate bill presents a fundamental challenge to Democrats, its Republican authors face a much uglier challenge: a total and loud renunciation by some of their colleagues and the more extreme wing of the party’s chattering class. Those ideologues’ brightest line in this debate — “no amnesty” — has been breached in the fullest and most direct way. Vigorous explanations by those who are committed to the bill’s approach, which includes the President, that the bill is not an amnesty is merely throwing fuel to an already raging fire.

So, how should reasonable people regardless of party affiliation think of this bill?

First, the compromise bill has a deep inner logic and meets a crucial political requirement — mainly, that only a bipartisan bill that “draws some blood” from both sides can pass this or virtually any Congress absent some truly dramatic political realignment.



Republican Senator Jon Kyl and Democratic Senator Edward Kennedy, at a May 17 news conference announcing the bipartisan agreement on the immigration reform bill. Homeland Security Secretary Michael Chertoff and Senator Mel Martinez (R-FL) are in the back.

would need to negotiate successfully a points-based merit system that awards permanent status only to those with the “right” occupational characteristics, significant labor market experience and connections in the U.S., education, and English. Only if applicants earn 55 out of 100 possible points can they gain access to up to 10 bonus points for their family ties.

Second, the bill gets many more things right than it gets wrong. Foremost among the things it gets right is that legalization is just as the President says: an imperfect but pragmatic response to a problem that is simply too massive and too imbedded into our society and economy to address with the musings of the “just say no” crowd. But this bill gets a whole raft of other good governance ideas essentially right — most notably, by reflecting the key lessons from the 1986 legislation that all sides criticize so fluently.

- Enforcement is front and center. In fact, by requiring that a variety of very robust triggers be in place before legalization commences, and considering the massive control and enforcement efforts already in place, the demand of so many Americans and Republican legislators that enforcement precede

legalization is being met — period.

- The legalization date is virtually current and the program’s initial requirements are clear and intended to get full participation. That means that, taken together with the enforcement build up, there will

**...only a bipartisan bill  
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political realignment.**

be no nucleus of illegally resident persons left behind around whom the next wave of illegal flows will be built. It also means that by thus reducing the proverbial haystack of the unauthorized, the government can

deploy its resources to finding the “needles” that should be of concern to us all.

- Finally, the bill widens and deepens the channels for legal immigration dramatically — and in line with most estimates of the size of the “demand” for new workers.

Does this all mean that this is the exact bill that can take us to the promised land of good public policy and better governance? Not really. The bill’s blemishes are many and they will need to be fixed through amendments and in the negotiations with the House of Representatives. Three areas are in need of particular attention.

First, the point system is inflexible — thus missing a key reason why point systems are being adopted by so many high and even middle income countries. As conceived, it cannot be changed for at least five years after it



takes effect, virtually eons in the fast changing U.S. (and global) economy. This means that some of those who meet the points requirements will not meet true labor market needs. Furthermore, the bill takes away from U.S. employers the ability to attract the best workers anywhere by offering them a U.S. green card at a time where the competition for the most skilled and talented is becoming intense. Why hobble our most competitive firms when one of the proposed bill's basic thrusts is to align our immigration system better with our economic interests?

Second, some of the restrictions on family go beyond the stated aim of reducing chain migration and contravene most common sense principles of fairness and family unity — even if they are in the bill primarily in order to be traded for other things. To stand on principle on this issue, Republicans must

do two things. Allow amendments that will support the unification of nuclear families, period. That means that green card holders must be able to bring their spouses and minor children with them or reunify with them after the fact. This makes sense demographically (we will need their youth) while avoiding starting a new backlog of those whose (re)unification is most consistent with what we stand for when we speak of family values. In addition, family relationships must be given more points in the point system while the attributes they bring — hard work and entrepreneurship — are properly recognized.

The final area that needs fixing, the proposed temporary program, will need help from both sides of the aisle. Democrats should stop trying to kill it or relegate it to numerical insignificance. It is an essential part of overall reform if we do not want to have another ugly standoff about

immigration a few years from now. They should focus instead on the terms and conditions under which these workers will be employed and on making the point system "friendlier" to them. Republicans, in turn, should drop their "temporary is temporary" mantra.

The objective of reform must remain focused on legality, order and competitiveness — and those who play by the rules and can demonstrate that they can make long term contributions to our country should be allowed to earn their way to green cards through a more thoughtful allocation of points. **RF**

*Dr. Demetrios G. Papademetriou is co-founder and President of the Migration Policy Institute, a Washington-based think tank dedicated exclusively to the study of international migration.*



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# Hoping for a Medicare Miracle

This year's Trustee's Report won few headlines. Yet it included a trigger for possible reform.

MATT MOORE

In May, the U.S. Treasury department published the annual reports for Social Security and Medicare. The two volumes — all 460 pages, five pounds worth — were once again largely ignored by the national media and Congressional leaders.

Not much changed since last year, so what's the big deal, right?

Social Security and Medicare are hurtling toward a cliff like lemmings. \$88 trillion in unfunded promises. Disaster, death, destruction. We've heard it all before.

But this time, just maybe, it will turn out different. This time the President and Congress have to do something about it.

An obscure provision in the 2003 law that added prescription drugs to Medicare (which came, by the way, with a \$17 trillion price tag) requires the Medicare trustees to raise a flag if two consecutive reports predict Medicare will draw excessive revenues from the general budget within the next seven years. The measure is generally referred to as a "general revenue trigger."

In short, if Medicare is projected to drain too much income tax money from the federal government within the next seven years, the trustees have to alert Congress. The 2006 report was the first to cross the threshold, and this

year's report required the trustees to officially sound the alarm.

Now what? Under the trigger rule, President Bush must propose a plan to deal with the imbalance as part of his next budget for 2009. Congress is required to "fast track" consideration of the president's plan.

Both the president and



Secretaries Leavitt, Chao, and Paulson, at the release of the Social Security and Medicare Trustees Report this past April.

congressional leaders should take the warning to heart: Medicare is growing really fast. Due to the retirement of the 77 million Baby Boomers — and the soaring costs of medical care — Medicare will start sucking big bucks away from other treasured federal programs.

In just five years, Medicare will drain the equivalent of one in every ten income tax dollars from the federal government's general fund. Within the next fifteen years, Medicare will drain

almost a quarter of federal income tax revenue. By 2030, about the midpoint of the baby boomer retirement years, Medicare will take more than a third. That means the government will have to raise income taxes by a third or stop doing about a third of what it does today.

Maybe we won't miss NASA or federal education funding or subsidies for farmers. But maybe your favorite program will be the one on the chopping block.

Eventually, Medicare spending will drain nearly every tax dollar the government raises. In all, we're talking about an unfunded liability somewhere in the neighborhood of \$75 trillion. (That is the amount we would need on hand today, invested and earning interest outside Congress' reach.) Throw in Social Security and the total soars to more than \$88 trillion. And

that doesn't even include the impact of the retiring baby boomers on Medicaid, which is almost as big as Medicare.

According to Tom Saving, one of the Medicare trustees, we could fully fund Medicare for the foreseeable future by siphoning off 60 percent of all federal income tax revenue — starting today and continuing forever — and setting it aside for Medicare benefits. But that's just not going to happen.

So, what should we do? First, our leaders should take the hint:

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reform is needed. Traditional piecemeal “solutions” like raising the retirement age, bumping up the tax rate and so forth might alleviate the current crunch for a couple years, but won’t do nearly enough to plug the long-term drain.

We need to rethink how Medicare works. For one thing, people should be allowed and encouraged to save money while working to fund future elderly health care benefits. In addition, we could combine all the parts of Medicare, including the prescription drug benefit and individually-purchased Medigap policies, into a single plan with a single premium, which would help hold down some of the soaring costs.

Sadly, there is a caveat to this whole story. We know it is vital that we address Medicare’s unsustainable growth — and we know the Medicare trigger will at least force Congress to talk about it. But, the Medicare trigger doesn’t

actually force Congress to do anything real about these very real problems. It requires that a debate take place, yes, but conveniently it doesn’t require Congress to actually pass anything.

Thus, instead of embracing a real

**Under the trigger rule,  
President Bush must  
propose a plan to deal  
with the imbalance as  
part of his next budget  
for 2009.**

solution that prevents the indentured servitude of an entire generation, Congress may well pass something painless — for themselves and for the retiring Baby Boomers — but also something that will do nothing to alleviate the plight of today’s younger workers. After all, with a few notable exceptions, neither

Republicans nor Democrats seem to have the stomach for — or much interest in — getting the job done.

Medicare’s soaring costs constitute the single biggest domestic policy issue facing the nation today. We can pretend the problem doesn’t exist, or pretend that we can wait for the next president or the next Congress to fix it. But very soon, as Medicare draws increasing sums of money away from other federal programs, the pet projects of the next president and Members of the next Congress will have to compete with Medicare for scarce dollars. Maybe then our policy makers will notice the problem we have seen brewing for decades. Maybe then they will finally fix it. **RF**

*Matt Moore is a senior policy analyst with the National Center for Policy Analysis.*



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# Making Government Work

## To meet the challenges and opportunities of the 21st Century.

DAVID WALKER

I'm sure I don't need to tell any of you that the world has changed significantly in the past 20 years. But the truth is, we're going to see even greater changes in the next 20 or 30 years. To avoid irrelevancy, businesses, nonprofit entities, and federal agencies will all need to adapt to this accelerating pace of change. Stated differently, we can't just be concerned with today, we need to focus on the future.

To capitalize on our opportunities and minimize related risks, all organizations must be mindful of the big picture and the long view. Organizations that endure tend to periodically rethink their missions and operations. World-class organizations understand that innovation requires change. One must change in order to continuously improve. The simple truth is an organization that stands still today is going to get passed by and, ultimately, it may not survive.

It's useful to remember at the end of the 19th century, the original Dow Jones Industrial Average consisted of 12 stocks. These were all powerful companies, the leaders in their fields. Names like National Lead, U.S. Rubber, and Tennessee Coal and Iron were the Microsofts and Wal-Marts of their day. It's sobering to realize only one of the original 12 Dow

Jones companies survives today, and that's GE. The rest couldn't adapt to changing conditions and either merged with competitors or went out of business.

At the start of the 21st century, our country faces a range of sustainability challenges: fiscal, health care, energy, the environment, Iraq, and immigration, to name a few. These challenges are complex and of critical importance.

strategies. Many agencies have been slow to adopt best practices. While a few agencies have begun to rethink their missions and operations, many federal policies, programs, processes, and procedures are hopelessly out of date. Furthermore, all too often, it takes an immediate crisis for government to act.

Efficient and effective government matters. Hurricanes Katrina and Rita brought that point

home in a painful way. The damage these storms inflicted on the Gulf Coast put all levels of government to the test. While a few agencies, like the Coast Guard, did a great job, many agencies, particularly the Federal Emergency Management Agency (FEMA), fell far short of expectations.

Public confidence in the ability of government to meet basic needs was severely shaken — and understandably so. If our government can't handle known threats like natural disasters, it's only fair to wonder what other public services may be at risk.

Transforming government and aligning it with modern needs is even more urgent because of our nation's large and growing fiscal imbalance. Simply stated, America is on a path toward an explosion of debt. And that indebtedness threatens our country's, our children's, and our



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Unfortunately, our government's track record in adapting to new conditions and meeting new challenges isn't good. Much of the federal government remains overly bureaucratic, myopic, and narrowly focused, clinging to outmoded organizational structures and

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grandchildren's futures. With the looming retirement of the baby boomers, spiraling health care costs, plummeting savings rates, and increasing reliance on foreign lenders, we face unprecedented fiscal risks.

Long-range simulations from my agency are chilling. If we continue as we have, policy makers will eventually have to raise taxes dramatically and/or slash government services the American people depend on and take for granted. Just pick a program —student loans, the interstate highway system, national parks, federal law enforcement, and even our armed forces.

Lately, I've been speaking out publicly about our nation's worsening financial condition. Beginning in 2005, I started going on the road with a bipartisan group that includes representatives from the Concord Coalition, the Brookings Institution, and the Heritage Foundation. We call ourselves the "Fiscal Wake-Up Tour."

So far, we've held town hall meetings at public venues in 20 states across the country. At every stop, we've made it a point to lay out the facts in a professional, nonpartisan, and non-ideological manner. We've also been raising ethical and moral concerns, particularly when it comes to shifting huge debt burdens onto future generations of Americans.

I'm now going to discuss some of the other major challenges facing our nation. Some of them have been around for a while. Others are emerging problems. At the top of that list—demographics. To put it simply: our population is aging. Despite increased immigration, growth in the U.S. workforce is expected to slow dramatically during the next 50 years. Like most industrialized nations, the United States will have fewer full-time workers paying taxes and contributing to federal social insurance programs. At the

same time, growing numbers of retirees will be claiming their Social Security, Medicare, and Medicaid benefits.

Many of these retirees will live far longer than their parents and grandparents. Today, there are about 55,000 Americans who are 100 years old or older. By 2050, as many as a million Americans may have reached this milestone. In a nutshell, the retirement of the baby boomers, and I'm one of them, is going to put unprecedented demands on both our public and private pension and our health care systems.

The problem is that in the coming decades, there simply aren't going to be enough full-time workers to promote strong economic growth

## **Transforming government and aligning it with modern needs is even more urgent because of our nation's large and growing fiscal imbalance.**

or to sustain existing entitlement programs. I should point out while Social Security has a problem, our Medicare and health care challenges are many times worse.

At the same time, American companies are cutting back the retirement benefits they're offering to workers. To live well during your "golden years," all of you are going to have to plan better, save more, invest more wisely, and resist the temptation to spend those funds before you retire.

Beyond demographics, the United States confronts a range of other challenges. Globalization is at the top of that list. Markets, technologies, and businesses in various countries and in various parts of the world are increasingly linked, and communication across

continents and oceans is now instantaneous. This new reality was made clear by the recent drop in the Chinese stock market, which had immediate ripple effects on financial markets from Tokyo to London to New York.

Clearly, U.S. consumers have reaped many benefits from globalization. From clothing to computers, you and I can buy a range of foreign-made goods that are cheaper than ever. But there's a catch. In many cases, lower prices have been accompanied by losses in U.S. jobs.

Globalization is also having an impact in areas like the environment and public health. The truth is that air and water pollution don't stop at the border. And with today's international air travel, infectious diseases can spread from one continent to another literally overnight.

With the end of the Cold War, we face new security threats, including transnational terrorist networks and rogue nations armed with weapons of mass destruction. September 11 brought this reality home in a painful way. Stronger multinational partnerships will be essential to counter these diverse and diffuse threats.

Other challenges come from technology. In the past 100 years, but especially the last 25 years, spectacular advances in technology have transformed everything from how we do business to how we communicate, to how we treat and cure diseases. Our society has moved from the industrial age to the knowledge age, where specialized knowledge and skills are two keys to success. Unfortunately, the United States — which gave the world Benjamin Franklin, Thomas Edison, and Bill Gates — now lags behind many other developed nations on high school math and science test scores.

In many respects, our quality

of life has never been better. We're living longer, we're better educated, and we're more likely to own our own homes. But as many of you already know from your own families, we also face a range of quality-of-life concerns. These include poor public schools, gridlocked city streets, inadequate health care coverage, and the stresses of caring for aging parents and possibly our own children at the same time.

Our very prosperity is also placing greater demands on our physical infrastructure. Billions of dollars will be needed to modernize everything from highways and airports to water and sewage systems. The demands for such new investment will increasingly compete with other national priorities.

At both ends of Pennsylvania Avenue and on both sides of the political aisle, we need leaders who will face these facts, speak the truth, work together, and make tough choices. We also need leadership from our state capitols and city halls, from businesses, colleges and universities, charities, think tanks, the military, and the media. So far, there have been too few calls for fundamental change and shared sacrifice.

## A Way Forward

Obviously, a return to fiscal discipline is essential. We need to impose meaningful budget controls on both the tax and the spending sides of the ledger. Members of Congress also need more explicit information on the long-term costs of spending and tax bills — before they vote on them. For example, the Medicare prescription drug bill came with an \$8 trillion price tag. But that fact wasn't disclosed until after the bill had been passed and signed into law.

But if our government is to successfully address the range of challenges I mentioned earlier,

government transformation is also essential. Every federal agency and every federal program is going to have to rethink its missions and operations.

The problem is that much of government today is on autopilot, based on social conditions and spending priorities that date back decades. I'm talking about when Harry Truman, Dwight Eisenhower, and John Kennedy were in the White House. The fact is, the Cold War is over, the baby boomers are about to retire, and globalization is affecting



David Walker

## We need nothing less than a top-to-bottom review of federal programs, policies, and operations.

everything from foreign policy to international trade to public health.

Unfortunately, once federal programs or agencies are created, the tendency is to fund them in perpetuity. As President Ronald Reagan once quipped, a government program is "the nearest thing to

eternal life we'll ever see on this earth." This is a key reason our government has grown so large and so expensive.

American families regularly clean out their closets and attics. Surplus items are either sold at yard sales or given to charity. Unfortunately, when it comes to federal programs and policies, our government has never undertaken an equivalent spring cleaning.

We need nothing less than a top-to-bottom review of federal programs, policies, and operations.

Congress and the President need to decide which of these activities remain priorities, which should be overhauled, and which have simply outlived their usefulness.

Entitlement reform is especially urgent. Unless we reform Social Security, Medicare, and Medicaid, these programs will eventually crowd out all other federal spending. Otherwise, by 2040 our government could be doing little more than sending out Social Security checks and paying interest on our massive national debt.

GAO has been doing its best to bring attention to the problem. To get policy makers thinking, we published an unprecedented report that asks more than 200 probing questions about mandatory and discretionary spending, federal regulations, tax policy, and agency operations. The report is called "21st Century Challenges: Reexamining the Base of the Federal Government," and is available free on GAO's Web site at [www.gao.gov](http://www.gao.gov).

Last November, I sent a letter to congressional leaders suggesting 36 areas for closer oversight. We also recently updated GAO's list of government areas at high risk of waste, fraud, abuse, and mismanagement.

Our hope is that policy makers and the public will think more strategically about where we are,

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where we're headed, and what we need to do to get on a more prudent and sustainable path. Fortunately, concern seems to be growing. Members of Congress on both sides of the aisle have started asking some pointed questions about where we are and where we're headed. Even the Administration now acknowledges that deficits matter. In recent statements, the President has pledged not just to balance the budget but also to start tackling our large and growing entitlement promises.

The American people need to become more informed and involved when it comes to the problems facing our country. They also need to become more vocal in demanding change. Younger Americans like you need to speak up because you and your children will ultimately pay the price and bear the burden if today's leaders fail to act.

The good news is younger Americans turned out in large numbers for November's midterm election. From Iraq to immigration, from ethical lapses to fiscal irresponsibility, the public's dissatisfaction with the status quo was abundantly clear. But looking toward 2008, it's essential that the public and the press hold candidates of both parties accountable for their position on our large and growing fiscal challenge.

Transforming government won't happen overnight. Success depends on sustained leadership that transcends the efforts of a single person or a single administration. Public officials will also need to partner with other federal agencies, businesses, universities, and nonprofit groups, both domestically and internationally. The bottom line: we can succeed with enlightened and sustained leadership. And unlike with global warming, we can solve our fiscal challenge on our own!

## A Call to Public Service

Government transformation isn't possible without a first-rate federal workforce. In my view, whatever your career, everyone should consider giving at least a couple of years to

public service.

Public service can take several forms: military or civilian government service, faith-based or other charitable organizations, or in community and other public interest groups. Lots of jobs in various sectors, from nursing to teaching to social work, also provide wonderful opportunities to serve others.

One person clearly can make a difference in today's world. My favorite 20th century president, Theodore Roosevelt, is proof of that. TR, as he's often called, was someone with character, conscience, and conviction.

As our 26th and youngest president, he was an optimist who firmly believed in the potential of government to improve the life of every citizen. As a trustbuster, TR took on some of the nation's more

## Government transformation isn't possible without a first-rate federal workforce.

powerful and ethically challenged corporate interests. And he won. As an environmentalist, TR left us with a legacy of great national parks like Yosemite. As an internationalist, he led peace talks to end the Russo-Japanese War. In fact, TR is the only American to have won both the Congressional Medal of Honor and the Nobel Peace Prize.

TR firmly believed that it was every American's responsibility to be active in our civic life, and so do I. Democracy is hard work but it's work worth doing. How America looks in the future is largely up to us. "We the people" are ultimately responsible for what does or does not happen in Washington.

Other countries with similar challenges have already acted. The

two best examples are Australia and New Zealand. Like the United States, they have aging populations. Unlike the United States, these two countries have stepped up to the plate and dealt with some of their serious long-term challenges. Among other steps, they've reformed their overburdened public pension and health care systems. The efforts by policy makers in Australia and New Zealand show it's politically possible to make difficult decisions that require short-term pain in the interest of long-term gain.

What's needed now is leadership — the kind that leads to meaningful and lasting change, and that is both bipartisan and broad-based in nature. Leadership can't just come from Capitol Hill or the White House. Leadership also needs to come from Main Street.

It's time for the three most powerful words in our Constitution — "We the people" — to come alive. The American people are going to have to become better informed and involved as we head toward the 2008 elections. And the next President, whoever he or she may be, and whichever party he or she represents, should be prepared to use the bully pulpit of the Oval Office to push needed reforms. If these things happen, we have a real chance to turn things around and better position ourselves for the future.

By facing the facts and making sound policy choices, I'm confident we can fulfill our stewardship responsibilities to your generation and to future generation of Americans. As TR said, "fighting for the right [cause] is the noblest sport the world affords." I would encourage each of you to pick your cause, and do your best to make a real and lasting difference. **RF**

*David Walker is the Comptroller General of the United States and head of the Government Accountability Office. This article is drawn from a speech he delivered at the New School in New York City on April 25, 2007. The complete text is available at [www.GAO.gov](http://www.GAO.gov).*

# Form Follows Function

It's true in architecture. Is it true in politics, too?

BILLY PITTS  
AND LOU ZICKAR

Earlier this year, Senator Joe Lieberman (I-CT) made some news when he convened a hearing of the Senate Homeland Security and Governmental Affairs Committee.

The news didn't have to do with any bill or issue the Committee was considering. Rather, it had to do with where the members of the Committee were sitting. Tossing tradition aside, Lieberman – the Committee's Chairman – decided to seat the Committee members together in alternating fashion, according to their party affiliation.

As a result, instead of having Republicans seated on one side of the dais and Democrats on the other, the Committee members were now side by side. In putting forward this unorthodox seating arrangement, Lieberman released a joint statement with the Committee's Ranking Republican, Susan Collins (R-ME), that said:

"In the last election, the voters said they were sick of the partisanship that produces gridlock. They want us to work together and get things done. So, as a start, instead of sitting on opposite sides of the room like a house divided, we want the American people to see us sitting side by side as our Committee members work together to make our nation more secure and our government more efficient."

The reaction to the plan ranged from the expected to the predictable. Good government types loved it, while cynics simply sneered. In searching for some sort of deeper meaning behind the plan, the *Washington Post* quoted an unnamed Hill staffer as saying, in reference to the Connecticut Senator's 2006 decision to leave the Democratic Party and become

an Independent, "It's because Lieberman can't decide what side he's on anymore."

This was a good soundbite, for sure.

But in putting forward a plan designed to bring Republicans and Democrats closer together, Lieberman was likely not looking for soundbites. Rather, he was trying to encourage the members of the Committee to look beyond the cameras and focus instead on the work that was at hand. Put another way, he was asking them to forget they were divided along a dais and imagine instead they were seated together at a table.

In fact, this is the way committees used to meet. It was only in the mid-20<sup>th</sup> Century that Congress moved away from this tradition. According to Dr. Betty Koed with the U.S. Senate Historical Office, the change became instituted with the construction of the Dirksen Office Building in the 1950s. The committee rooms in Dirksen were built to accommodate television cameras. One of the accommodations was to do away with the tables members used and have them sit on an elevated dais. No doubt, this helped bring members closer to viewers who may have been watching. But it also served to create a separation among Committee Members that didn't exist before.

In some respects, a similar thing happened earlier in the century with the construction of new House and Senate Office Buildings. Whereas before Members would spend more time in the House and Senate chambers, they now had their own personal office across the street.



1946 photo of the "Mead Committee," the successor to the Truman Committee which investigated the defense industry in the 1940s. Photo courtesy of U.S. Senate Historical Office.

No longer would a Senator draft a bill at his desk on the Senate floor surrounded by his colleagues, only to have it debated in Committee by Members who were seated at a table. Now, members were free to come and go as they pleased, writing pieces of legislation in private, then having their proposals debated by Members of a Committee who were perched on a dais with TV cameras staring them in the face.

One of the maxims of architectural design is that form follows function. If that is true, then perhaps the design of the House and Senate office buildings on Capitol Hill has contributed to some of the partisanship that seems to have gotten worse over the last generation. The buildings are splendid – Cannon, Longworth and Rayburn on the House side; Russell, Dirksen and Hart on the Senate side. But in their own way, they have forced members of Congress apart, instead of bringing them together.

That's why Joe Lieberman may be on to something. It's also why his proposal to seat Republicans and Democrats side by side on his committee might produce chuckles in the short term but dividends down the road.

RF

*Billy Pitts is a former longtime staff member in the U.S. House of Representatives and current member of the Editorial Board of the Ripon Forum. Lou Zickar is the Forum's Editor.*

# Ripon Profile



**Name:** M. Jodi Rell

**Hometown:** Brookfield, Conn.

**Occupation:** Governor,  
State of Connecticut

**Previous Jobs:** Lieutenant Governor,  
January 1995 – June 2004  
State Representative (107<sup>th</sup> District), 1985  
– 1995

**Individual(s) who inspired me as a child:** I have always had a great deal of admiration for my step-mother: Anyone who could manage a large, blended family and keep house so well was a hero in my book.

**Historical figure(s) I would most like to meet:** I would love to meet Amelia Earhart and ask what drew her to aviation. Being married to an airline pilot (now retired), I understand the thrill of flying. But she must have been a remarkable woman to have entered into such a career in an age when women pilots were all but unknown.

**Issue facing America that no one is talking about:** The growing use of alcohol and drugs among the very young. It isn't just teen-agers we have to worry about anymore – these days it's 7- and 8-year-olds as well.

**What the GOP must do to reclaim its congressional majority:** The party must move to the center – cease polarizing every issue – and listen more closely to everyday people.



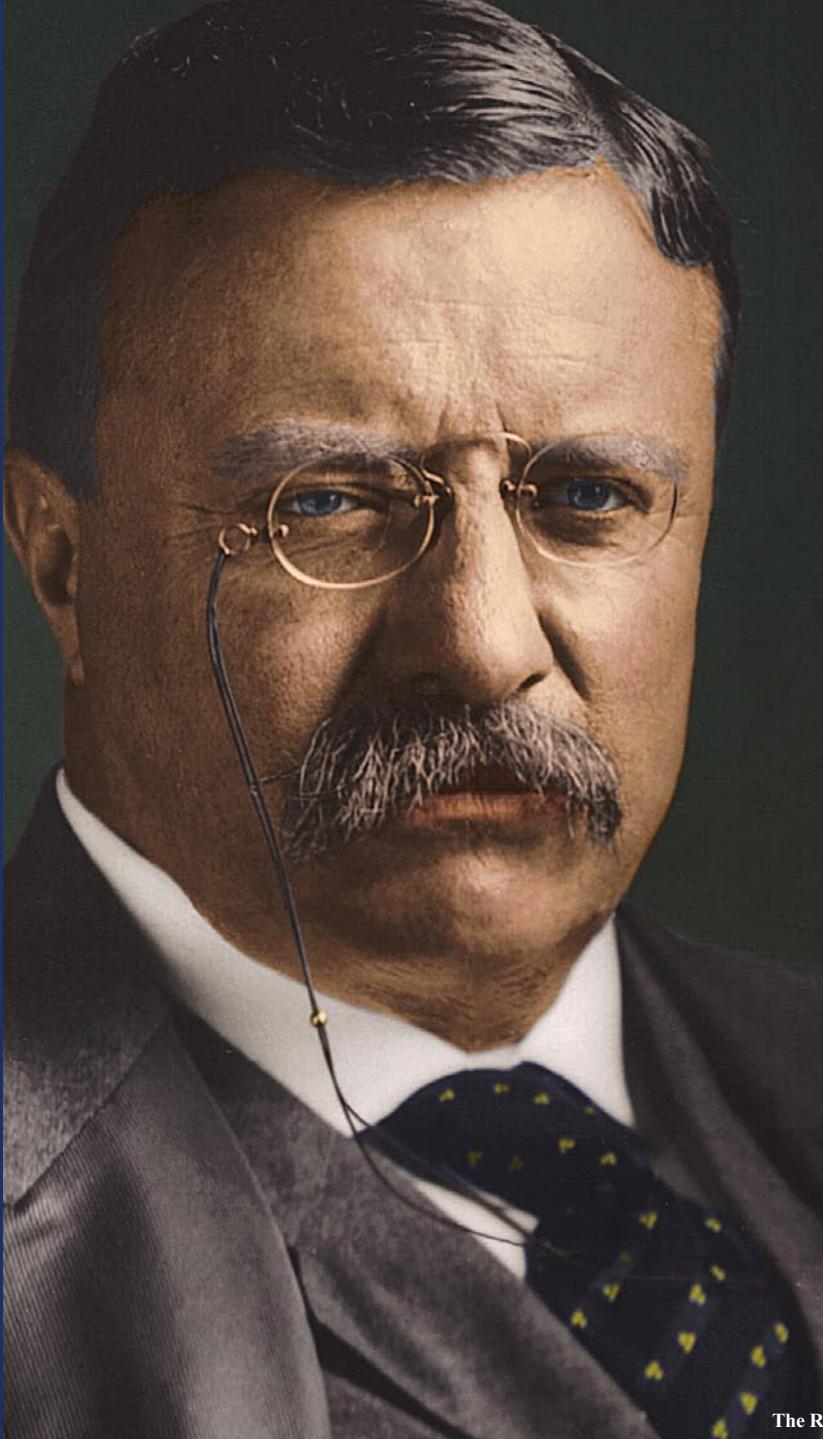
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A close-up portrait of Grover Cleveland, an American politician and lawyer who served as the 22nd and 24th President of the United States. He is shown from the chest up, wearing round-rimmed glasses and a dark suit with a patterned tie.

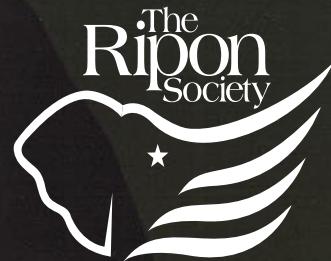
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