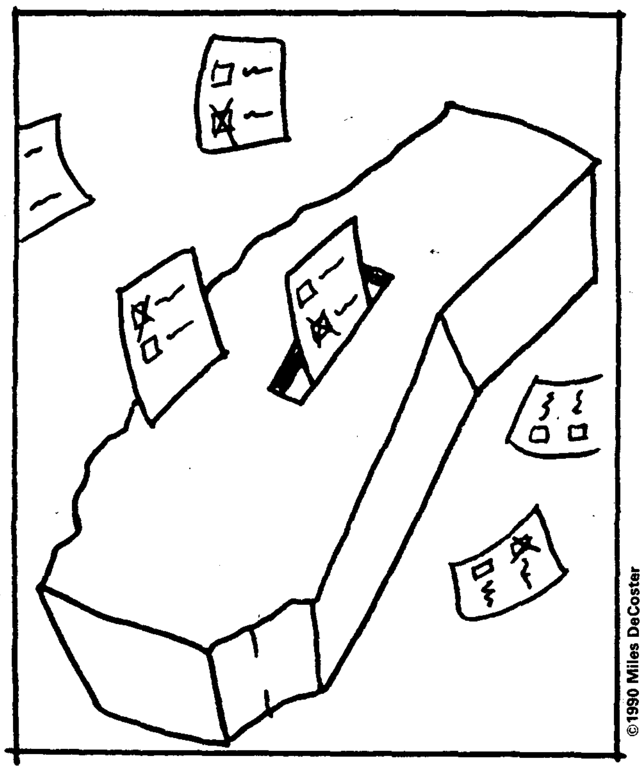
INSIDE STORY



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Slim pickings in California race

By Gary Rivlin

SAN FRANCISCO

The death penalty, California's John Van de Kamp once said while testifying before the U.S. Senate, is a "barbaric" act. But Van de Kamp wasn't running for governor then in a state where recent polls show that as many as 80 percent of residents favor the death penalty.

Embroiled in a tough primary race with former San Francisco Mayor Dianne Feinstein, Van de Kamp campaigns for the death penalty with an unnerving gusto. He has tied his campaign to a ballot initiative that aims to widen the scope of crimes eligible for a death-penalty verdict. His campaign literature boasts that as the former district attorney for Los Angeles he placed more defendants on death row than any other prosecutor in state history. Van de Kamp held one press conference against a backdrop of pictures of each of the 42 death-row inmates his office prosecuted.

Van de Kamp's supple stance on the death penalty cuts to the central question in the California governor's race, touted throughout the state and across the country as perhaps the 1990 campaign season's most significant race. Feinstein has earned the eternal enmity of just about any Californian to the left of liberal. But is Van de Kamp, running for governor as the incumbent attorney general, a better candidate?

The initiatives behind the man: A trio of initiatives that will appear on the ballot this fall stand as the pillars of Van de Kamp's campaign. The one dubbed "Big Green," sponsored by Van de Kamp with several major environmental groups, offers voters perhaps this country's most sweeping environmental package. Among other things, the initiative sets tough new pollution standards and phases out those pesticides that studies link to cancer.

Another ballot proposal, the "clean government" initiative sponsored by Van de Kamp and Common Cause, includes a provision that sets limits on the years served by state legislators and statewide officeholders. If nothing else, it demonstrates that Van de Kamp is not afraid of challenging the entrenched Sacramento establishment.

The third initiative, which addresses crime, proposes raising funds by stripping existing business tax deductions to pay for an anti-crime package that calls for building more prisons. A full 40 percent of this money is designated for drug treatment and prevention.

Van de Kamp's campaign has tied up both money and staff in seeing that each of the three initiatives makes the ballot—no small sacrifice when Feinstein revealed she plans on spending $1 million a week on television in the campaign's final weeks.

Though the strategy may be too subtle in an era of style over substance,Van de Kamp's initiative strategy underscores that he has been the more issue-oriented of the two candidates. At a recent breakfast for Teamster officials supporting her candidacy, Feinstein's speech focused almost exclusively on the horse race: how she overcame an 18-point Van de Kamp lead, her media strategy and the like. Feinstein spoke of her "vision," but she went no further than saying she was pro-death penalty, pro-choice, pro-education and pro-labor. She mentioned a 33 percent statewide high school dropout rate but ended the point there. (Actually, the rate is around 20 percent.)

(In explaining how she caught Van de Kamp in the polls—as of mid-May, polls showed the two neck and neck, with a full 25 percent of the voters still undecided—she failed to mention the $1.3 million loan from her husband, an investment banker, that accounted for two-thirds of the money she raised in 1989.)

Yet neither of the two campaigns stresses any issue except those required of any California politician: the death penalty, the environment, crime, drugs and abortion. Van de Kamp's "Big Green" addresses California's aggressive development credo by calling for the planting of trees, yet he says little about the ever-widening gap between the haves and the have-nots in a rich and bountiful state.

In a recent campaign swing through San Francisco, Van de Kamp demonstrated the limits of his message in a speech he gave on the so-called "peace dividend." Throughout the '80s, profligate defense budgets drained money from health care, training programs, community-development funds and other social programs. Yet he chose to focus on the out-of-work engineer and the defense contractor needing to make the transition to civilian production. Any part of the dividend coming to California, he said, should be earmarked for contending with the job loss in a state that receives 17 cents of every federal defense dollar.

Contradictions: Van de Kamp's greatest liabilities are born of his role as attorney general. For five years running, Van de Kamp defended Gov. George Deukmejian's cut of Medi-Cal funding for abortions for poor women. Similarly, though he says pregnant teens should be allowed abortions without parental consent, he has fought against that position on the state's behalf. It is his sworn duty as attorney general to defend the state in matters before the court, Van de Kamp says by way of explanation.

On other issues, Van de Kamp has proven himself more bold, such as the landmark agreement he helped negotiate restricting development at Lake Tahoe and his successful court battle against the merger of two of California's largest supermarket chains. After the 1986 passage of an anti-toxics initiative (Proposition 65), Van de Kamp fought the governor and industry representatives seeking a relaxed interpretation of the measure.

Prop 65 offers one of the many contrasts between Van de Kamp and Feinstein. State Assembyman Tom Hayden, who led the fight for 65, told the *San Francisco Chronicle* that Feinstein initially endorsed the measure but later asked that her name be removed from the campaign literature. Perhaps it's only a coincidence that she changed her position after a well-publicized meeting with Chevron executives. And in 1988, when consumer groups pushed for insurance reform through ballot initiatives, Feinstein sided with the insurance industry.

Feinstein offers a Governor's Council on Homelessness as her answer to the homeless issue; Van de Kamp proposes a Homelessness Prevention Program, modeled on a similar program in New Jersey, that would provide short-term grants and low-interest loans to families threatened with eviction. Van de Kamp supports the state's automatic cost-of-living adjustments for welfare recipients. Feinstein will not commit on the issue, saying she wants no sacred cows. "Measure the man by the enemies he makes," Van de Kamp advises. The oil and chemical industries top his list, he says—and then points out that representatives from that same list have endorsed Feinstein.

Feinstein's election as governor in the country's most populous state would certainly be a significant milestone for women. But glitches in Feinstein's record on women take some of the patina off that prospect. Feinstein, for instance, boasts in her campaign literature that, as mayor, she "increased pay through comparable worth" for women. Yet as mayor she sided against the comparable-worth package when it was put to a citywide vote, citing the extra budgetary burdens.

Feinstein speaks of an explosion of growth turning the California dream into a nightmare. Yet anyone thinking she seeks checks on growth misses her point: she seeks a growth-management plan that anticipates consequences such as increased traffic on California's highways. Feinstein's 10 years as mayor of San Francisco are a testament to her enthusiasm for downtown business development. ("The most extreme case of gentrification in the nation," one planning expert told the *San Francisco Bay Guardian*.)

Candidate Feinstein offers a few token liberal programs to complement the tough anti-crime message that is her campaign's centerpiece. She favors increased state aid for child care and has proposed "California Jump Start," an early-education program aimed at at-risk youth. Yet Feinstein is as ambiguous in her means for paying for these programs as Van de Kamp is specific. In addition to closing corporate loopholes, he poses raising the personal income tax rate on Californians who make more than $100,000 a year.

Chances are: Either Van de Kamp or Feinstein will face U.S. Sen. Pete Wilson in the November general election. That may be the strongest argument in favor of Feinstein. Those on her bandwagon argue that Feinstein, as the more moderate, telegenic Democratic contender, stands the better chance of victory in November.

If her performance in a recent debate is any consideration, those putting forth this argument have a point. Feinstein was as personable and confident as Van de Kamp was dampened and dull.

Adding to the weight of that argument are eight years of Deukmejian's slash-and-cut policies. "If not Feinstein," Teamster leader Bob Morales said at a Feinstein fundraiser, "then it's another eight years of a conservative governor." □

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Less is more

With this issue, dated May 23-June 5, 1990, we begin our bi-weekly summer publication schedule. See you in two weeks.

White House presides over decline of U.S. industry

By John B. Judis

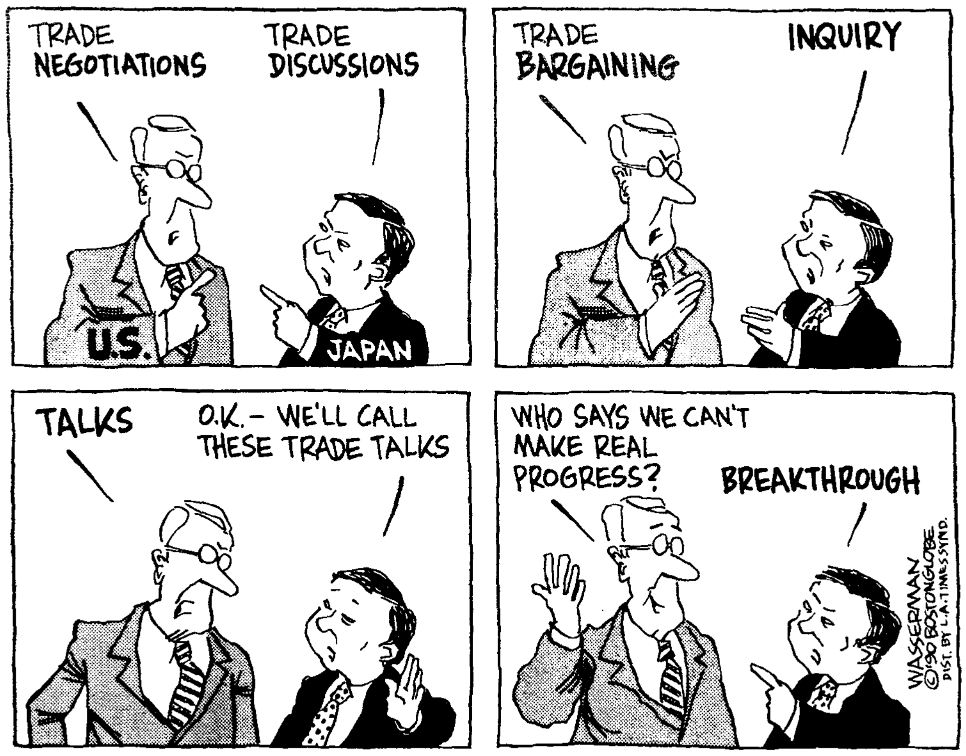
WASHINGTON

While crowing over the triumph of Western capitalism, President George Bush continues to preside over the decline of U.S. industry—taking one step after another to ensure that American manufacturers will not be able to compete with their European or Japanese rivals.

Bush and the White House troika in charge of economic policy—Chief of Staff John Sununu, Budget Director Richard Darman and Chairman of the Council of Economic Advisers Michael Boskin—are dismantling any vestiges of industrial planning left over from the Reagan administration, quashing the few closet progressives within the Cabinet and civil service and frustrating congressional attempts to reduce the trade deficit or oversee foreign investment.

Last fall, the administration curtailed Commerce Department attempts to fund high technology and, during the winter, the troika rooted out any hint of government planning from Energy and Transportation Department initiatives. Now the administration has gutted the one federal agency that is still funding high-tech efforts—the Pentagon's Defense Advanced Research Projects Agency, or DARPA.

On April 20, DARPA's highly esteemed director, Craig Fields, was informed by his superior, Deputy Secretary of Defense Donald Atwood, that he was being transferred. As former Undersecretary of Defense Robert Costello said later, Fields' transfer was for "political rather than personal reasons."



Venturesome Fields: DARPA, founded in 1958 after the Soviet launch of Sputnik, has always funded technologies with dual civilian and military uses. One Massachusetts Institute of Technology scientist estimated recently that about the half of the $400 billion U.S. computer industry could be traced to the $1 billion that DARPA had invested over the last 25 years.

Fields, a 43-year-old computer scientist who joined DARPA 16 years ago and was made director last year, was moving DARPA toward funding predominantly civilian initiatives under a redefined concept of national security. DARPA repeatedly gave $100 million a year to SEMATECH, the Austin, Texas-based consortium that is developing a new manufacturing process for computer chips. And last year Fields allocated $30 million to research on high-definition video display.

Fields also was determined to maintain American control of U.S.-based high-tech firms. He was finally transferred after investing, at the suggestion of Armed Services Committee Chairman Sam Nunn (D-GA), $4 million in the Silicon Valley-based Gazelle Microcircuits, Inc. Gazelle was developing electronics circuits made of gallium arsenide, the high-speed material of choice for

U.S. industry is increasingly unprepared to compete with Japanese and European firms, especially in high technology.

the next generation of supercomputers. A Japanese firm was ready to fund the cash-short Gazelle, but under terms that reportedly would have allowed the Japanese to use Gazelle's discoveries. DARPA's funding preserved Gazelle's independence, and perhaps that of the U.S. supercomputer industry as well.

Deputy Secretary of Defense Atwood strenuously objected to DARPA's investing in a project that had no immediate military uses and that the Japanese were ready to finance themselves. (He was backed up by the White House troika, who, having shot

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Frivolous trade negotiations in three hollow acts

In a May 2 speech, U.S. Trade Representative Carla Hills called on American policymakers to forget their trade disputes with Japan. "An overemphasis on Japan and the trade deficit skews the public's knowledge," Hills proclaimed.

Hills' declaration followed the conclusion of trade negotiations with Japan under the "Super 301" provision of the 1988 Omnibus Trade Act. Under this provision, Japan was cited in May 1989 for unfairly restricting U.S. exports of supercomputers, satellites and wood products. If Hills had been unable to win Japanese agreement to open their markets to these products, she would have had to declare Japan an "unfair trader" and initiate sanctions. But on April 26, the Bush administration announced that it had won sufficient concessions from Japan.

The U.S.-Japan trade talks, like those on the Structural Impediment Initiatives (SII), have largely been hollow exercises. The Super 301 talks followed a familiar three-act pattern of U.S.-Japan trade negotiations:

Act One: Japanese industries, subsidized by government and assured of a captive home market, produce goods that begin to rival those of American and European firms. To win market shares in the U.S., they sell these goods below their price in Japan, driving many of their shortsighted American competitors out of business.

Act Two: The remaining U.S. industries, charging Japan with "dumping" goods on the American market, mount a furious campaign in Washington to get the administration to restrict Japanese imports and to force the Japanese to buy their exports. Under intense pressure from Japanese lobbyists and convinced that any departure from free trade will wreck the international economy, the administration dillydallies. Finally, it comes up with innocuous trade measures.

Act Three: The Japanese nevertheless react furiously to the administration's trade measures, threatening to rupture relations. Negotiations ensue between the two countries but are initially stormy. Finally, the countries' leaders meet and iron out an agreement. By this time, five to 10 years have passed from the initiation of hostilities. When the Japanese now promise to remove trade barriers they no longer have to worry, because they have equaled or bettered their competition and have driven many of their competitors out of the market altogether.

Act Two of the Super 301 negotiations began in the early '80s, when a host of American industries began lobbying for strong trade legislation that would open foreign markets and prevent dumping in the U.S. Finally in 1988 they got Congress to pass the Omnibus Trade Act. When the Bush administration took office, the same industries, from auto parts to semiconductors, lined up to get their cases reviewed under Super 301. But under pressure from Japanese lobbyists, the Bush administration cited Japan for only three products, omitting some of the most contentious, such as semiconductors.

While the Japanese were secretly pleased, publicly they had a fit. "The government of Japan has no intention of entering into negotiations with the United States under the conditions imposed," said Minister of International Trade and Industry Hiroshi Mitsuzuka. Several months later negotiations began, but they reached a stalemate by February. After a special meeting between the heads of state, the two sides reached an overall agreement and Japan was welcomed back to the ranks of fair and free traders.

The affected industries, however, got little out of the deal. Take, for example, supercomputers, the key industry in the trade negotiations. Act One began in the early '80s, with the Japanese unwilling to buy vastly superior supercomputers from Cray and Control Data, while their government provided a captive market and subsidies for NEC, Hitachi and Fujitsu to create a Japanese supercomputer industry. In 1987, matters came to a head after a Japanese trade official tactlessly admitted that the government had no intention of allowing any agencies or universities to buy U.S. supercomputers.

More acrimonious negotiations ensued, and an agreement creating open bidding for public-sector contracts on supercomputers in Japan was hammered out in July 1987. After the agreement was reached, Japanese government agencies purchased 29 supercomputers, only two of which were American, while the Japanese private sector purchased 75 supercomputers, 18 of them American. Meanwhile, the Japanese firms sold their inferior supercomputers in the U.S. at immense 70 percent discounts, helping to drive one of the two American producers, Control Data, out of the supercomputer business. (The Bush administration agreed to list supercomputers in its Super 301 complaint.)

In the agreement reached last month under Super 301, the Japanese agreed again to open government bidding for supercomputers and to stop dumping their supercomputers in the American market. The U.S., in turn, agreed to stop advising universities to purchase Cray supercomputers.

The clear winner in this agreement was Japan. As Stas Margaronis explains in the industry newsletter *SAM TRADE*, the agreement is unlikely to affect Japanese purchasing because the Japanese companies "have all improved their computer technologies in recent years and will claim that quality and performance factors mandate that the Japanese systems be chosen over American systems in most computer purchases." Meanwhile, the Japanese will be aided by the U.S. government no longer prodding universities to buy American.

In another decade, there may not be a U.S. supercomputer industry and Carla Hills, who thinks the trade deficit is overemphasized, will probably be back working as lobbyist in Washington for Japanese and South Korean companies.

—J.B.J.