



Tilting at Windmills

BY CHARLES PETERS

A Possible President • Celebrity Journalism • Credit Card Companies Crow •

The Toilet Paper War • The Case of the Missing Plutonium

IF YOU WANT EVIDENCE THAT treating drug addicts is more effective than locking them up, take a look at Arizona, the first state to try treating all of its nonviolent drug offenders. The program saved the state more than \$2.5 million in its first year of operation, according to a report issued by the Arizona Supreme Court.

A REVEALING DIFFERENCE between "You've Got Mail" and the 1939 movie upon which it is based, "The Shop Around the Corner": The leading characters in the latter, played by James Stewart and Margaret Sullavan, were salespeople in a small retail store. In the 1990s version, the screenwriter, Nora Ephron, elevated their status. The Sullavan character, now played by Meg Ryan, is a bookstore owner and the Stewart character, now Tom Hanks, is the head of a mega bookstore. Could this be because Ephron felt today's audiences couldn't identify with anyone who loved a lowly salesperson, that to be a romantic object today you have to be glitzier, or at least the credible possessor of a nice apartment in Manhattan?

\$80,000 FOR EVERY 21 YEAR OLD, to be financed by a 2 percent tax on the property owned by the richest 40 percent. That's the proposal presented in *The Stakeholder Society* by Bruce Ackerman and Anne Alstott. I am sympathetic, but I wouldn't give it all to them at 21. Samuel Butler—I think it was either in *Erewhon* or *Erewhon Revisited*—discussed a similar idea

and observed that even the brightest 21 year-olds are capable of behavior that reminds one of how close they are to adolescence. So why not give half at 21 and the other half at 30? Or maybe, unless the money is used for education, hold it all 'til 30. Judgment usually matures by that time and a stake can play a magical role. This magazine would not have happened if

The White House Correspondents' Dinner has become an embarrassment to the profession of journalism.

my parents hadn't given me \$20,000 to help start it. Being able to invest my own money convinced other investors that I was serious.

TO GIVE YOU THE FLAVOR OF the White House Correspondents' Dinner, this year's guests included Larry Flynt, Sean Penn, Colin Powell, Claire Danes, Betty Currie, Henry Kissinger, Lucianne Goldberg, Val Kilmer, Vinny Testaverde, Melanie Griffith, and Bill Clinton. At the high point of the festivities, Susan McDougal sat on Flynt's lap.

THE TOWN OF SOMERSET, MD., located just outside Washington, is populated with the kind of affluent suburbanites who usually frown on those who take handouts

from the government. That is, of course, unless the handouts are going to them.

The town had a swimming pool that was supported by membership fees. Then someone figured out that if the pool was turned over to the town, the fees would be paid in the form of town taxes that could be deducted from the federal income tax. At a town meeting where the idea was proposed a few idealists objected that it was wrong to transfer the cost to the average national taxpayer, who was less well-off than the citizens of Somerset. But that argument proved unpersuasive. In fact, the town voted in favor of adding its tennis courts to the package so that they too would be paid for not by the people of Somerset but by the people of the United States.

BURIED ON PAGE 79 OF THE 616-page second volume of the four-volume annual budget put out by the White House on Feb. 1 was a proposal to tax the investment income of trade associations. What happened next was that the fur—or more precisely the faxes—flew. The trade associations are lobbies. No group is more skilled at expressing indignant opposition. The National Food Processors Association called the proposal "an anti-food safety tax." The U.S. Chamber of Commerce called the tax an attempt by the administration "to punish and silence its critics." "The American Society of Association Executives ... hand delivered a letter to every congressional office urging opposition," reports *The Wall Street Jour-*

nal's Jacob M. Schlesinger. "Immediate Action Needed!" the group's website blares in red letters."

Is the proposal that excites so much rage an unreasonable one? What it does is try to eliminate a double tax break. A business gets a deduction when it pays its dues to its trade association. If the association then invests part of that money, it does not now have to pay taxes on the income from the investment. That's the second break. So a tax does not seem at all irrational. "The people who oppose this," outgoing Treasury Secretary Robert Rubin told Schlesinger, "are basically going to be opposing having lobbyists pay their fair share of taxes."

THIS YEAR THE PEOPLE WHO give out the National Magazine Awards presented one to *Good Housekeeping* for an article on colon cancer and one to *Cigar Aficionado*. Isn't there a contradiction here?

FOR YEARS, MOST COAL MINE owners in my home state, West Virginia, have gotten by with only a slap on the wrist for violations of mine safety laws and failure to pay their share of the Workers' Compensation Fund. But last month one got hit with a 32-month prison sentence and a fine of \$850,000. My congratulations to U.S. Attorney Rebecca Betts and to Assistant U.S. Attorneys Stephanie Thacker and John File, who prosecuted the case, and U.S. District Court Judge Robert J. Staker who so gratifyingly stuck it to the bad guy.

HMOs MAY HOLD DOWN MEDICAL costs but they can also cheap-skate on care and, as Kip Sullivan points out in this issue, endanger privacy. In addition, according to recent studies reported by Dolores Kong of *The Boston Globe*, physicians give less time to providing free medical care and hospitals' research budgets decline. Where competition between HMOs is high, hos-

pital research budgets fall from 6.1 percent to 2.5 percent. And doctors "who received the greatest proportion of their patient care revenues from managed care, 85 percent or more, and worked in markets with the highest managed-care penetration, provided the least amount of free care—only 44 hours in the previous month," reports Kong.

FOR THOSE WHO SUSPECT THAT the big shots in the federal bureaucracy live a softer life than their minions who labor down below, we offer this evidence from the Nuclear Regulatory Commission. Two of "Inside the Beltway" columnist John McCaslin's sources were recently on the same elevator with a cleaning lady who had "stacks and stacks" of low-cost Scott's toilet paper to deliver to employee restrooms. Another container was identified as Charmin Big Squeeze. They asked where it was going. The answer was the bathroom of NRC chairwoman Shirley Ann Jackson. When NRC employees learned of this outrage, they rebelled. Now everyone is getting the Charmin.

THE CREDIT CARD COMPANIES are crowing about the bankruptcy bill passed by the House last month. It makes it easier for them to collect from card holders but it does nothing to discourage them from marketing cards to people who don't realize what they're getting into. And the bill maintains the great Republican tradition of solicitude for wealthy crooks. Millionaires can still stiff their creditor by declaring bankruptcy after investing their fortune in palatial homes in Texas or Florida where state law protects residences from creditors no matter how much the home is worth or how little of what is owed is being paid to the creditors.

THE UNIVERSITY OF PENNSYLVANIA has established a Center for

Human Appearance. What sort of issues do its scholars ponder? A hint is supplied by David Sawyer, one of the Center's psychologists, who recently told *San Francisco* magazine, "Straight men are reluctant to admit they're identifying with gays. But certainly they may be affected by ads where extremely attractive, buff gay men are presented as the masculine ideal."

5,000 POUNDS OF PLUTONIUM seem to have been misplaced in what appears to be yet another security lapse by the Department of Energy. The department's explanation to *Newsweek's* Mark Hosenball, that the 2.5 tons of plutonium may have got "stuck in pipes and manufacturing tools," is less than compellingly persuasive.

DOE has long been a bureaucratic disaster. Between 1980 and 1996 it wasted \$10 billion in projects that were canceled before completion, according to a recent GAO report which quoted one expert on the agency saying, "DOE's organization is a mess. You cannot tell who is the boss."

In 1995, Timothy Noah, a *Washington Monthly* alumnus who was then with *The Wall Street Journal*, wrote an article entitled "So What Do People at the Energy Department Do All Day Long?" The answers were not reassuring. "We probably spend half our time doing very routine, almost administrative things like answering mail," said one manager, and attending "meetings on programs over which we have broad oversight, but not a lot of responsibility."

My personal favorite was the answer of Betty Crawford, Total Quality Management Team coordinator in the DOE's Las Vegas office: "She says on a typical day she will 'review any plans that we might be working on with regard to quality. That might include a customer focus plan. It might include plans to get our strategic

planning going.” What could lend greater urgency to the day than planning strategic planning?

AS FOR THOSE MEETINGS “ON programs over which we have broad oversight, but not a lot of responsibility,” the reference was doubtless to DOE’s contractors who in 1995 had 140,000 employees compared to DOE’s 20,000 civil servants. (Remember, the next time some official boasts that the administration has slashed the federal work force, to inquire how many contract employees are working for the agencies that have been supposedly cut back.) Contract employees have staffed Los Alamos, Livermore, Oak Ridge, and Rocky Flats, from which so many of the DOE’s recent scandals have emanated.

THE NEW YORK TIMES RECENTLY took two laudable steps. It announced that it will no longer print cigarette ads, a step that may have been long overdue but is still worthy of high praise and sets an example I hope other leading papers like *The Washington Post* and *The Los Angeles Times* will follow.

The *Times* also announced that it would not have a table at the White House Correspondents’ Dinner. If you read the guest list on page 4 of this month’s “Tilting,” you know that this event has become an embarrassment to the profession of journalism. Publications compete to land celebrities to sit at their table to impress their colleagues and their employers. When the big shots are public figures who are covered by the publications, there are troubling hints that acceptance of an invitation may lead to softer treatment. It was important that an industry leader take a stand against this practice and I congratulate the *Times* for doing so.

I MAY HAVE MET A PRESIDENT of the United States—I mean a

possible future president. His name is Paul O’Neill. He’s been the CEO of Alcoa for the last several years. His bottom line skill has been confirmed by the firm’s recent strength in the stock market. But he has also been a spectacular success in another area, worker safety, where preoccupation with profit often leads to neglect.

I don’t know whether O’Neill has political ambitions, but he’s definitely worth a good look. He differs from the conventional businessman in other intriguing ways. He is committed to the goals of

These movies teach us that deep emotional satisfaction can come from blowing away our tormentor.

providing quality health care for every American and an education that will enable every child to achieve his potential.

And listen to this, he not only has impressive corporate credentials—he was also president of International Paper—but he has served in government. Not just for a little while but for nearly a decade, first at the Veteran’s Administration, where he saw what needed to be done to make one government bureaucracy work, and then as Deputy Director of the Office of Management and Budget where he had an overview of the entire executive branch. Only Franklin Roosevelt had similar experience. And he turned out to be the greatest president of the 20th century!

If Bill Clinton had known the federal government this well, he might not have been so consistently surprised by its sins. When the

media report screw-ups at the CIA, the FBI, ATF, the DOE, and the IRS, Clinton always seems astonished. One would prefer that he had been sufficiently attentive to his duties to have identified some of these scandals when they were only potential scandals and had taken corrective action in time. This, rather than Monicagate or Whitewater, has been my main complaint about his administration.

SPEAKING OF PEOPLE WHO KNOW about the executive branch, they are as rare among political scientists as among politicians. You would think political scientists would know government, wouldn’t you? They do know about policy issues and the White House and Congress but they pay very little attention to the implementation of policy, which after all is where the rubber meets the road. A notable exception is Paul Light, who used to teach at Minnesota and is now at Brookings. His findings often confirm what we’ve been trying to tell our readers. For example, he recently released a study showing that the Clinton-Gore downsizing had not produced the midlevel cuts advertised and that the number of midlevel employees had, as we reported, actually increased under the present administration. Clinton and Gore were fooled by clever bureaucrats who changed their titles from manager to “management support specialist” and “team leader.” Light observes, “There appear to be more team leaders today in government than in all of Little League, Pop Warner football and pee-wee soccer combined.”

YOU MAY RECALL ROBERT Worth’s recent article on how effective anti-tobacco ads can be in reducing smoking. An example comes from Florida where anti-smoking ads resulted in an 8 percent decrease in teenage smoking and more significantly a 19 percent reduction among sixth-to-eighth

graders. But Republicans in the state House of Representatives cut out the program's funding entirely. Finally a budget of 40 percent less than last year was passed.

Nationally, only four states have pledged substantial funding for anti-tobacco campaigns. Proposals from the states on how to spend the first \$ 24 billion in the massive tobacco settlement, according to *The Washington Post's* Sandra Torry, "often relegate a tiny share—or even nothing" to efforts to discourage smoking.

DO MAGAZINES LIKE VANITY FAIR snare celebrities for cover stories by implicitly promising soft treatment? Three years ago, Joshua Wolf Shenk told our readers that they did. Now confirmation comes in an article by Bernard Weinraub in *The New York Times* that describes the work of Pat Kingsley, co-founder of PMK, identified as "the most powerful public relations company in entertainment":

"She shrewdly manipulates and cajoles magazine editors and television executives, and often demands outright that for profiles of her clients they use preferred interviewers (usually ones who are in awe of stars and will ask softball questions) as well as glossy photographs."

SPEAKING OF THE STATES, WHEN are they going to begin taking seriously their obligation to keep unsafe trucks off the highways? The April 24 issue of West Virginia's *Charleston Gazette* describes the kind of accident that make my blood boil. A big dump truck carrying several tons of asphalt blew a tire, crossed the center line, and demolished a car driven by a 38 year-old mother. She was killed as were her two children, whom she was taking to a doctor's appointment. "The front tires of the truck were like glass," said state police Sgt. Joe Parsons. "I've never seen tires so bad in my career."

One West Virginia town, Chesapeake, has become so desperate about the state's failure to act against overloaded trucks that it is installing its own scales.

"AS MANY AS FOUR MILLION Americans with modest incomes may be overlooking an IRS provision aimed at cutting or even eliminating their federal income taxes," reports Curt Anderson of the Associated Press. And the IRS estimates that 40 percent of the people who do claim the earned income tax credit have errors in their returns.

One problem is that the benefit has not been as well-publicized among the working poor as among smart cheats. Also, the poor don't have the money to hire tax professionals to help them deal with the paperwork which includes a 12-question checklist followed by a nine-line worksheet and an eight-line form. "All of this," writes Anderson, "requires constant reference to several pages of Internal Revenue Service instructions."

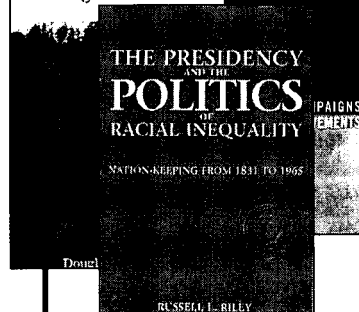
BUT THERE IS SOME GOOD NEWS for the poor. The economic boom is at last helping people at the bottom of the ladder. One way this is happening was illustrated by a recent *Wall Street Journal* story from Kansas City where the competition for new employees has become so heated that even traditional exploiters such as day care centers and fast food restaurants have begun to offer health insurance.

ONE OF THE MOST SHAMEFUL episodes in American history came at the time of the fall of South Vietnam in 1975 when we pulled out, leaving behind thousands of Vietnamese who had sided with us and whose lives were in peril. I had forgotten how much of this shame should be borne by Gerald Ford, who was then president, and Henry Kissinger, his secretary of

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state at the time, until *The Washington Post* reprinted this story dated April 30, 1975:

"A strongly-worded cable from Washington Tuesday afternoon to U.S. Ambassador Graham Martin in Saigon warned the ambassador that President Ford was becoming irritated with the slow pace at which Americans, in comparison to South Vietnamese, were being evacuated by helicopter from the besieged capital ... The cable in effect forced Martin to stop loading so many Vietnamese and to get the remaining Americans out fast."

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ON LITTLETON, I TEND TO BE in the "all of the above" camp when asked to assign blame to guns, movies, television, video games, the Internet, and the decline in family responsibility for child behavior. But a couple of points seem worth special emphasis. One is that while Japanese kids see the same movies and television that ours do, Japan had only 22 gun deaths last year compared to 15,000 here. Guns are much harder to acquire in Japan and the culture does not encourage the acting out of emotion.

That point I owe to NBC News. The other point I want to make is one I haven't seen elsewhere. It's the danger of glorifying revenge shooting. In the last couple of decades there have been quite a few films that have made us hate the villain so intensely that by the climax we yearn for the hero or heroine to pull the trigger. One even hears people in the theater shout "Shoot! Shoot!" And I'm embarrassed to admit that I've found myself saying the same thing to the television screen in the privacy of my house. I believe there is great danger in these movies. They teach us that deep emotional satisfaction can come from blowing away our tormentor.

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TWO MORE BITS OF NEWS TO make you nervous: If terrorists were

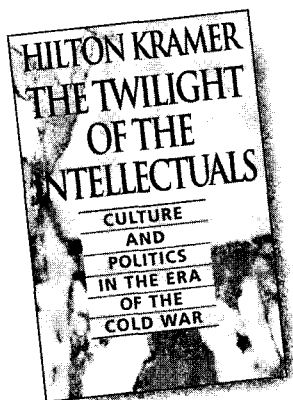
to use anthrax against one of our cities, "recognition of the disease would likely be delayed," reports *The Washington Post*, "because doctors are unfamiliar with anthrax and laboratories don't test for it." If the terrorist used a nuclear weapon or there is an accident at another Three Mile Island, doctors won't have the drug, potassium iodine, that reduces the risk of thyroid cancer in people exposed to fallout. The reason, according to Matthew Wald of *The New York Times*, is that is that "the Nuclear Regulatory Commission has quietly backed away from its offer to give states stockpiles of [the] drug." Maybe the fellows at the NRC are too busy fighting the great toilet paper battle.

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YOU WILL NOT BE SURPRISED TO learn that the Pentagon's National Imagery and Mapping Agency is advertising for a public affairs officer to deal with the media and Congress. If you can explain those erroneous maps, you can earn up to \$104,851 per year. But the explanations aren't going to be easy. People are asking why the Pentagon, after discovering that a faulty map was a factor in the Italian cable car tragedy, did not verify that its Belgrade maps were accurate. And why, after a decade of trouble with the Serbs, didn't the CIA have enough agents on the ground in Belgrade, or recently enough returned from there, to confirm the current location of important potential targets.

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WHEN WE FIND FAULT WITH the performance of government agencies it is important to acknowledge successes. And what can be more impressive than the accurate tornado warnings given by the Storm Prediction Center in Norman, Okla.? Its pinpointing of the tornado's path saved thousand of lives. One survivor after another expressed gratitude for having been warned in time to save themselves and their children. ●



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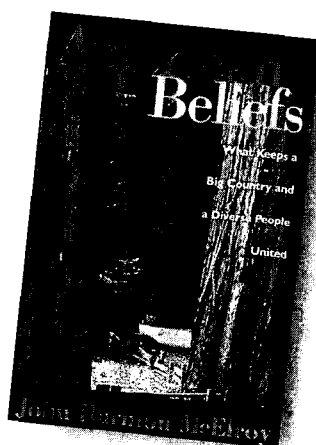
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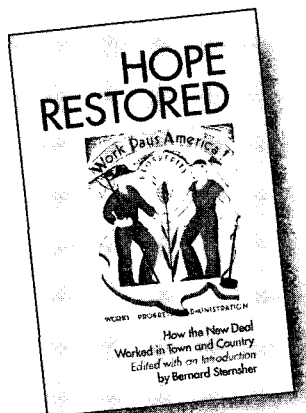
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BERNARD STERNISHER, EDITOR

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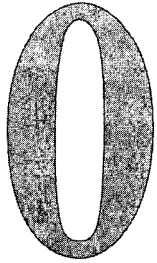
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Rough Trade

How currency traders profited from the Asian meltdown

BY NICK THOMPSON



ON JULY 2, 1997, THAILAND'S PRIME minister, Gen. Chavalit, stood screaming at his Minister of Finance, M.R. Chatu Monkul Sonakul, in his country's National Assembly. M.R. Chatu Monkul had advocated devaluing Thailand's currency for months and today, he argued, devaluation was absolutely necessary. The prime minister was in denial and furious. Thailand had conquered capitalism and, in the previous decade, the kingdom had literally grown as fast as any nation ever had. Paupers had become princes and cars were now clogging roads in towns where shoes had been rare two decades before. Thailand was too strong, too smart, and too successful to fall prey to currency speculation. M.R. Chatu Monkul was fired.

As the now ex-minister of finance left, he mumbled prophetically, "It will fall anyway ... but we won't be able to control it."

The most severe world economic crisis since the depression of the 1930s would begin that afternoon when even Prime Minister Chavalit had to throw in the towel. By the end of the day, Thailand's currency, the baht, was slipping into freefall. It would lose 40 percent of its value within weeks. Soon every other Asian currency would slip down with it and, by the end of the summer, the economies of Indonesia, Malaysia, and Thailand would be plummeting like Icarus. Within a year, the streets in two of the three nations would be on fire.

As this scene exploded in Bangkok, hundreds of young currency traders jabbered into their telephones around the world selling baht to anyone who would buy. Traders wore the same plain blue shirts as the day before and stared into the same blue computer screens. The scene in major companies was intense

but not chaotic and the mood was one of satisfaction. Traders had predicted that Thailand would devalue and now they had hit a home run: They were both looking smart and making lots of money.

Traders that day weren't concerned that Thai businessmen were losing everything they had labored for a generation to achieve and that companies were going belly-up. They weren't concerned that losses would trickle down to construction workers in Bangkok, the women who sold pineapples to the workers, and to the peasant families of everyone up to the north. Thailand's currency was collapsing because it merited a collapse. Could it have been that the punishment didn't fit the crime, that Thailand had made mistakes but not enough to merit a collapse, and that the market was overreacting and overshooting?

"I don't believe in overshooting. The market couldn't overshoot in a billion years," said Robert Gray, a former trader with First Interstate. "The market is always right."

Political incompetence, corruption, and economic nonsense contributed greatly to the Asian crisis. Put the government of Thailand on trial for mismanagement and it would be judged guilty. But the more interesting trial would be of capitalism itself and of the trigger of the explosion: currency markets and traders. The traders could plead no contest and be given a slap on the wrist but the market would be judged guilty and sentenced to a stint in reform school.

Riders on the Storm

Currency markets arguably are the most important markets in the world and, with daily transactions exceeding one trillion dollars, they are certainly the largest. There are no regulations and there is no central trading center; it's free market capitalism at its purest—like Wall Street before Black Friday. Unlike the New York Stock Exchange today, collapses don't even trigger automatic shutdown mechanisms. In the

NICK THOMPSON is co-author of the forthcoming book *The Baobab and the Mango Tree*, on development in Ghana and Thailand.