

The Economic Club of New York

325th Meeting
82nd Year

The Honorable Thomas H. Kean
Governor of New Jersey

The Honorable Richard L. Thornburgh
Attorney General of the United States

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Questioners: Harold Burson, Chairman
Burson-Marsteller

William Schreyer, Chairman
Merrill Lynch & Co.

Introduction

Rand V. Araskog

Welcome to the 325th meeting in the 82nd year of the Economic Club of New York. Tonight we have two outstanding speakers. Our first is a graduate of Princeton, a former teacher who subsequently won the New Jersey governorship by the slimmest margin in history and four years later won it by the greatest majority in history. I'm very pleased tonight to introduce a man who a year from now is going to go back to education and become President of Drew University, the Honorable Governor Thomas Kean. (Applause)

The Honorable Thomas H. Kean

Governor of New Jersey

Thank you Rand, and to you and to General Thornburgh, and to Governor Wilson, and to all the other people here. It's a great honor to be here and, of course, a privilege to share a podium with Attorney General Thornburgh. Dick, you know, I'm sure you've been deluged; I know the whole administration has, with advice about what to do in office. And the most memorable advice that I read for the Bush administration came from a Democrat, Senator Lloyd Bentsen. And his advice was really to another one of our former colleagues who is now White House Chief of Staff. The senator begged him not to trade arms for hostages because he said the greatest nightmare I have is to go on national television and ask what Sununu knew and when Sununu knew what Sununu

knew. (Laughter)

Tonight I'd like to talk for just a few minutes about five things that have been on my mind for some time – toxic waste incineration, product liability, junk bonds, Gramm-Rudman, and Rock Hudson. (Laughter) Now I have a funny feeling you wonder what they have in common. But the answer is simple. You know they're all examples to me in one way or another of a uniquely American phenomenon, and that's our increasingly debilitating aversion to risk of any kind.

You know I started thinking about that quite recently. I was trying to make sense of some of the larger trends that have affected my governorship. New Jersey is the kind of state that, you know, things get there first. We tend to confront new challenges before the rest of America. And one of those challenges is finding a really safe place to dispose of toxic waste. And science has given us the answer. Science has found a way to dispose of most toxic waste and incinerators that can safely burn toxic substances have been invented, but it's easier to invent those technological marvels than find a town that is willing to accept one.

So we thought we'd do it right. We set up a panel of scientific advisors and experts and sent them out alone and said, please, you make the decision apart from politics, apart from anything else, but every time they make a decision they're almost incinerated themselves by a storm of violent protest. And, you know, something similar occurs every time we want to put up a prison, every time we want to find a home for babies who are born with AIDS. Every time we even want

to build something as simple as a parking lot at a railroad station we go through the same exercise.

Now I'm not here to complain. Handling protests is part of the job of governors. But as I talk with these good people who have these feelings, I'm struck by a new attitude and I think it's pervasive right now across the country. People don't have any faith in politicians. That's not new. That's been there for a long time. But they no longer have much faith in science either or even I think sometimes in American ingenuity. And yet they believe that government has a new obligation and that obligation that we in government have is to really insulate people from any kind of risk. And this attitude, I think, is simply part of a larger syndrome.

Recently I picked up a book. It's called *The Legal Revolution and Its Consequences*. And I'd recommend it to you, even to non-lawyers like me who think tort is what we might have had for dessert, it's a good book to read. The author, Peter Huber, says there's a new tax and you don't read it on the lips of many politicians. Huber calls it the tort tax. This \$300 billion a year tax accounts for 30% of the price of a stepladder and 95% of the cost of a child's vaccine. And because of that tax, you're now forbidden to use a sled in Denver Park, and that's why you can't have a diving board at any school in New York City. And, you know, some towns in my state now pay more in this particular tax than they do to support their entire police department.

Huber writes that a little more than two decades ago, a small number of lawyers and judges with

very honorable intentions transformed the concept of tort law. The result of what they did and how it's developed not only burdens our economy, it really hasn't improved safety for consumers. And most ominously, it's made a once aggressive nation timid in the face of new challenges in everything from medicine to aerospace. And in this nation timidity has meant also not accepting responsibility for our own actions.

Ask Mark Christian about that. Mark is a former lover of Rock Hudson. He says that Hudson never told him that he suffered from AIDS. Now Mark Christian hasn't tested positive for AIDS himself. During his relationship with Rock Hudson, he knew that the movie star was promiscuous. He knew how AIDS could be contracted. And he was also, of course, aware that AIDS is a fatal disease. And still, we all read it last week; a California jury awarded Christian \$14 million for what they call mental agony.

The issue here I don't think is sexual preference, but one's responsibility for one's actions – like the father of a teenage football player in my own state. This father actually sued an opposing coach because the coach got his players in a huddle and urged his team to hit harder. This suit, I think, gave new meaning to the term illegal procedure. (Laughter) But the case eventually was thrown out, but we had men and women in our state refusing to coach any number of teams until I signed a law that in one way or another limited their liability.

Now these things I don't think would occur in Japan. They probably wouldn't happen in Europe.

But America in the 1980s, we just don't seem to want to assume responsibility anymore for our actions. Until now, this has been a relatively risk-averse speech for me to deliver. I know that some lawyers in the audience may not be terribly happy with my endorsement of Peter Huber's theories. But the majority of non-lawyers probably would agree with me. Probably you agree that tort liability really is out of control in this country.

But I fear the problem is larger than the legal system. There is an aversion to risk by leaders who face not just the threat of lawsuits but also the threat of free market competition. I won't pretend to settle a debate over the value of corporate takeovers. I'll leave that easy question to you, Dick, when it comes up. But in the 1980s, some American corporate leaders, it seems to me anyway, have been less concerned with opening new plants and sometimes more concerned with opening golden parachutes. Now some of you in the room I know disagree with that. You may say that the real risk is in high yield bonds. And I'm not saying we don't have to finance things. But to me, the real productive risk remains in the plant, in the laboratory, in the workers, and on the shop floor. And it's these areas that have too often, I think, been ignored or brushed aside in the takeover game.

I think I'm getting toward alienating a lot of people in the audience. So I guess it's time to turn the spotlight perhaps on my own profession. You might argue, I guess, that a politician who takes risks has always been about as rare as a bookstore today with a copy of Salman Rushdie's novel in the window. (Laughter) For example, Senator Dirksen was once asked what strategy he

chose when determining how to vote on the very, very controversial issues before the United States Senate. And in that wonderful voice of his, Dirksen responded, “Whenever I face an issue of great import, that cleaves both constituents and colleagues, I always take the same approach. I engage in deep deliberation and quiet contemplation. I wait until the last available minute and then I always vote with the losers. Because, my friend, the winners never remember and the losers never forget.” (Laughter and Applause)

That’s sage advice, but today I think political risk aversion has reached perhaps a higher level than I’ve ever seen it, or I might say really new lows. In the past year or so, Congress made three great decisions. First of all, they decided to cut the budget deficit. But instead of honestly getting up there and voting to cut the budget deficit, they chose an automatic formula called Graham-Rudman. You see that way if it went into effect, people could blame the formula instead of blaming the individual congressman. And one of the rational cuts was to close America’s obsolete bases. Congress gave the tough job of deciding which bases to close to an independent commission and said their recommendations would become law – again unelected experts – so that no congressman would be there really to take the blame. And then, of course, last month they bravely confronted the issue of their own pay. (Laughter)

Now understand that this is not exactly a body in turmoil. In case you haven’t heard, Congressional turnover is now lower than the turnover in the Soviet Politburo. (Laughter and Applause) I wonder, I wonder what are we now to tell the handsome, young Harvard graduate

from Boston with a wealthy, prominent ambassador father, an eye on reaching the White House someday. Do you think he could perhaps be catapulted to fame by writing profiles in risk aversion?

I guess what I'm saying is everywhere I look I see, in a sense, in this country, I'm afraid a new timidity about one thing or another. And I'm troubled about it and worried about where it came from and where we're going. Is it the price we pay for 40 years of unbridled prosperity? We now accept the idea that a risk-free life is not just rational but reasonable. Or is it a safe harbor that we're all seeking from a nation that knows perhaps more stormy waters are ahead? I think that the first theory is probably right. But if we don't get rid of our risk-averse ways, the second scenario will certainly come true. Like Ancient Greece and Rome and perhaps even like Britain of a half century ago, we will ride this sled of timidity right down the slushy slope of decline.

Well, what do we do? What should we do? Well, first of all, I guess we can change product liability laws. We can change our tort system and I'll leave Dick to talk about changes in our antitrust laws to promote risk-taking behavior perhaps in corporate America. And I would suggest frankly a limit on congressional terms that would perhaps end government by unelected commission that seems right now to be the rage in Washington. And yet, more important I think than all of this, may be a change in our national psychology. Much has been written about the new tone that President Bush is setting for the nation. Now some commentators are hailing the return of values that were once associated frankly with Eastern Republicanism, especially that

somewhat vague word that's called stewardship.

I watch this process, I must admit, with some amusement because like the president, I have a few relatives who were around when the Constitution was put together. And I always thought frankly that was a political liability. You know Mario Cuomo can talk so eloquently about his forbearers and the immigrant experience and so can Mike Dukakis. I'd always hidden mine under Plymouth Rock. (Laughter) But, you know, with George Bush in the White House these days, I feel differently. I feel I can finally come out of the mansion's closet. (Laughter) And for a few months at least, I think America has experienced some sort of a Mayflower Madness. (Laughter)

But very seriously, I really applaud President Bush's renewed emphasis on stewardship. But part of that message that he expresses through both words and action must be, I think, a clarion call for Americans to take risks again. We must be reminded that risk is a necessary precondition for progress, whether you're a member of Congress, whether you're a corporate executive, or whether you're a high school football player. In nation building as in physical fitness, no pain really means no gain.

But here's the great irony. America is a nation of unmatched diversity – physical as well as human. The colors in that patchwork quilt of ours are so varied and yet we all have one trait in common. We are, every one of us, the descendants of risk takers. The Pilgrims came here fleeing religious oppression, the Irish leaving the Potato Famine, the Jews fleeing Nazism; the

Vietnamese boat people in our time, our ancestors risked everything to come here for a land of promise that we call America. And most of their neighbors stayed behind, stayed behind. But something in our ancestors, something in our people who came to this country told these special people, go, take the risk. It can be better there. You have opportunity if you take the risk. I sometimes wonder what would have happened if Columbus had stopped to sue the sail makers of the Santa Maria. (Laughter)

It's very hard for me to imagine an immigrant in 1903 trying to win pain and suffering damages because the floor on Ellis Island hurt his back. Would Carnegie have built the mills, would Rockefeller have discovered the oil, would Pulitzer have put together the presses, if they demanded a return on their investment in just two years? And what if John Hancock, confronted with that question of whether or not to sign the Declaration of Independence, said, wait a second, I'm a politician, I think first I'll take a poll. We have to change because by adopting this, what I think is this new timidity, we not only threaten our future, I think we desecrate our past. When we strive to obtain a risk-free society, I think we take in this country the greatest risk of all. We risk shaking the foundations of progress that have been built by generations past.

Let me end with just the words of one of the builders of that foundation – a very brave risk taker named Thomas Paine. You know Paine's words were written one snowy, frigid Christmas Eve in 1776 at a spot a few miles from my office in Trenton. The revolution in those days was crumbling. The American army had been routed in this very city. And only months before they

had been chased all across New Jersey and defeated repeatedly by the British. And as the new year approached, the Americans knew very well what prospect they faced. And that was the end of their army, the end of their revolution, and for some, like Tom Paine, obviously the end of their lives in a hangman's noose. And Tom Paine sat at his drumhead that evening and he wrote words that we still consider immortal. "These are the times that try men's souls. The summer soldier and the sunshine patriot will, in this crisis, shrink from the service of their country; but he that stands it now, deserves the love and thanks of man and woman. Tyranny, like hell, is not easily conquered; yet we have this consolation with us, that the harder the conflict, the more glorious the triumph."

Today, I think the only tyranny we have to overcome is the tyranny perhaps of a soft and sedentary mindset that says somehow that risks are something to be rejected. But like Tom Paine, we must be willing to take risk because what he said was true is just as true today. The greater the risk, the more glorious the triumph. Thank you. (Applause)

Chairman Rand V. Araskog: Thank you Governor Kean. Our second speaker graduated from Yale. He's been a corporate lawyer. He served as U.S. Attorney in the state of Pennsylvania. He served two successive terms as Governor of Pennsylvania and served very admirably at a time of the Three Mile Crisis when he kept the state, and in effect the nation, cool at a time when it needed to remain cool. He is, of course, now the Attorney General of the United States. The word is that he was not only President Reagan's selection, but also at the time candidate Bush's

selection to become Attorney General. And I think the nation is fortunate that in this key role there's been no transition period other than the same person running that very important department where he once served as the Director of the Criminal Division. It's my great pleasure to introduce to you, the Honorable Richard Thornburgh. (Applause)

The Honorable Richard L. Thornburgh
Attorney General of the United States

Thank you very much. I have to begin by saying that one of the greatest risks in public life is to be on the same platform with my friend Tom Kean. You are a tough act to follow, Tom, and I'm delighted to have a chance to be with you this evening and share in the receipt of a truly significant message. Rand, I appreciate your kind words of introduction. They are matched only by the introduction I received in my home state of Pennsylvania not long ago at a dinner much like this when the Master of Ceremonies sprang to the microphone and said I know you all want to hear the latest dope from Washington, so here's the Attorney General. (Laughter) You all know Washington, don't you? It's the only place in the world where you're presumed innocent until appointed to public office. (Laughter)

I must tell you a little bit about how I came to be here this evening. My friend, Ray Price, knowing that I had returned to the Department of Justice as the Attorney General, called me not long ago and said, Dick, I'm proud to see that you're back in the department now in charge of

protecting our constitutional rights. Do you still believe in free speech? (Laughter) It didn't take me long to answer, why, of course, I do, Ray. He said, well, how about coming to the Economic Club and giving one? (Applause)

I'm truly pleased to have the honor and opportunity to speak tonight before an organization which since 1907 has served as a premier forum for the discussion of challenge and change in these United States. New challenges to this nation and to our economy are emerging every day, and every day we are called upon to adapt anew to change. Not just to avoid being left behind in an increasingly technological world, but to capitalize on the opportunities presented by these challenges so that we can help lead the world into the next century.

Look at the world around us. It's not the world of our forefathers. It's not the world of our youth. It's not even the world of 20 years ago when I first entered public service. And I dare say that 10 years into the next century, 1989 may well look as archaic to us and our children as 1969 seems today.

The changes that we must face by that time simply can't be imagined today. Let's look back. Who could have predicted, for example, the impact of Japanese and German re-industrialization on the American automobile and electronics markets. Who could have foreseen the complete reversal of the attitude of my youth when the label "Made in Japan" meant junk. The answer, of course, is almost no one. Almost no one at the end of World War II was able to look far enough

into the future to see the world we live in today. And while there's still no reliable crystal ball available to us, there are some lessons from the latter half of the 20th century that we can look to, along with the realities of today, that I suggest will help us prepare, prepare for and deal with the challenges of tomorrow.

Foremost among those lessons and realities, I suggest to you, is that more than anything else, where we have been, where we are, and where we are going, derives from an ever-shrinking world economy governed not just by American industrial and financial giants or by the government of the United States, but governed by decisions made in corporate boardrooms and marketplaces across the oceans and in national capitals around the world – a process soon to be further complicated by the emergence in 1992 of a truly unified European community.

This phenomenon extends beyond one product or commodity or line of service. During eight years as governor of my home state of Pennsylvania, our economy underwent a wrenching transition from its stagnant, smokestack base of the past to a new high-tech, diversified economy of the future – a change that permitted us not just to survive but to prosper. Similar transitions are underway today in other states too long committed to over-reliance on single industries or sectors now challenged by foreign competition.

These shifts in the world economy have a pervasive effect. I needn't remind this audience, for example, that we deal today with securities markets that never sleep. Today's worldwide, 24-

hour market leaves little time for translating information into results, even less time for careful decision-making, and almost no time for reflection and adjustment. Satellite communications, instantaneous transmittal of funds, the capability of computers to digest and regurgitate massive amounts of financial information in seconds, computers which are programmed to respond to any given circumstance – all of these things have changed our world and will continue to change our world whether we like it or not.

I say that because in some instances we don't like it. We don't like it because of the ongoing battles we have to wage with foreign governments and parastatal corporations over fair and unfair trade practices. We don't like it because frankly it makes our lives a lot more difficult. And we don't like it because in this world, government review of business decisions seems itself to have become more than a 9 to 5 job. But liking it is really not the point because no matter how hard we might try to fight it, or how firmly we might dig in our heels to try to stop it, the world will continue to change and will constantly pose new challenges to our abilities to stay in the race and most importantly to win that race.

I suspect many of you may be thinking that's easy for you to say from a vantage point in the Department of Justice. Let me tell you, our worlds are not so different. The same pressures from international change that American businesses feel on a daily basis, we feel and must address in carrying out our responsibilities in law enforcement and the administration of justice.

In fact, when people ask me what the biggest change has been at the Department of Justice since the time when I served as the head of its Criminal Division a decade ago during the Ford administration, my answer has invariably been the increasingly international scope of the department's work. It is most readily apparent, to be sure, in law enforcement where we now deal daily across international boundaries in pursuit of multi-national drug trafficking cartels, our number one priority at home and abroad, as well as sophisticated money laundering operations and global networks of organized crime and terrorism.

But it's also true in other fields. And tonight, I'd like to speak to you briefly about the international dimensions of another, the important component of our responsibilities, the nation's antitrust laws. Here we must accomplish a difficult balancing act. Since our government must provide protection to U.S. consumers by promoting healthy competition within this country, while at the same time allowing for legitimate efforts that will enable American companies and employers to compete effectively in the global marketplace. And to make matters even more confusing, all of the U.S. governments' regulatory work must be conducted in response to not only the always-evolving circumstances of our own business community, but to the similarly ever-changing circumstances of our international competitors and the regulatory actions and reactions of their governments. Consequently, regulations which made good sense and worked well yesterday, today may no longer strike the important balance we are constantly struggling to achieve.

I remember very well my initial encounters with the antitrust laws of yesterday. In the 50s, as a young law student and corporate lawyer, debates seemed to focus in the area of corporate mergers for example on questions such as whether the relevant market for purposes of a particular transaction encompassed Chillicothe, Ohio as well as Massillon, Ohio – an inquiry that seems totally unrealistic in today's global economy. But vestiges of such a point of view still persist.

Let me give you an example. U.S. firms today face unprecedented challenges in the global marketplace. Innovations in many fields such as superconductivity, high definition television, robotics, and computer-assisted design and manufacturing are being developed by our major trading partners as well as by U.S. firms. The cost of developing these technologies and bringing them to market often exceed the resources of any single firm. New manufacturing technologies and manufacturing strategies made possible by computers have created a new economics of manufacturing that's replacing traditional mass production.

This new economics features increasingly short product life cycles, continuous incremental modification of products as experience indicates new areas for improvement, and rapid response to customer demands for variety and customization. Because competing products, whether parallel developments or imitations, may give the innovator no more than six months of exclusivity, firms must develop and initiate marketing strategies and production scheduling with much greater dispatch.

Now foreign firms keep pace with these competitive challenges in part by entering into cooperative production ventures. U.S. firms generally have not done so and one reason is the fear of antitrust challenge. To ensure that the federal government's antitrust enforcement policies do not inhibit legitimate international ventures, the Justice Department recently reformed and spelled out its policy in a set of guidelines designed in its words "to recognize the realities of a global economy and to promote more effective global competition by U.S. companies." But even with a rational and sympathetic government policy, the fear of a private antitrust suit seeking treble damages as well as attorney's fees is surely enough to inhibit many worthwhile ventures.

The U.S. economy can ill afford the burden of such fear. That's why we support moves in the Congress that would eliminate antitrust uncertainty with respect to joint production ventures. It could employ either of two basic approaches used in the past. The first approach, a certificate program, was employed by Congress in the Export Trading Company Act of 1982 to encourage American exports. As applied to joint production ventures, such a program could work something like this. The government, perhaps jointly through the Commerce and Justice Departments, would grant a certificate to any joint production venture that after careful analysis was determined not to threaten competition. The conduct covered by the certificate could not be challenged under federal or state antitrust laws and either a governmental or a private suit. The government would then periodically review the joint venture to ensure that it did not subsequently become a threat to competition. While this review would be necessary to certify

ventures and would require some time and some expense, the certificate, if the law were properly written, would eliminate most antitrust uncertainty surrounding joint ventures.

The second approach was used by the Congress to provide antitrust certainty for cooperative research without a review and certification process. The National Cooperative Research Act of 1984 prohibits a court from condemning a joint research venture without first considering the competitive benefits that the venture might create and then determining that the venture will, on balance, harm or not harm competition. Under this act, joint venture participants who file brief notifications with the Department of Justice and the Federal Trade Commission may be sued only for actual rather than the normal automatic treble damages and the participants can, in some cases, obtain attorney's fees if they prevail in a private suit. The participants' conduct, however, can still be challenged by the department or the Federal Trade Commission.

Now this approach has been successful in the research and development field and I suggest it could also be effective in the area of production. It does not provide the same degree of certainty as the certification procedure. And this approach requires virtually no government involvement in the structuring and supervision of the joint venture. But for all practical purposes, it eliminates the threat of private suits against legitimate joint ventures. Either of these two approaches can enhance the ability of U.S. firms to compete better internationally by removing artificial barriers imposed by the fear of antitrust. The benefits will redound to U.S. firms through increased profits, to U.S. workers through more good jobs, and to consumers around the world through the

introduction of new competitively priced products in the marketplace.

The message behind this proposal and our new international guidelines as well should be clear that this administration and this Department of Justice are anxious to take the steps necessary to help keep American business competitive in world markets. Make no mistake, though, this is not a free ride. We do not propose by any means or under any circumstances to forego aggressive enforcement of the laws or to go easy in punishing those who cheat the system, bilk the government, or steal from the public. Last year, the Antitrust Division impaneled more federal grand juries to investigate criminal antitrust violations than ever before in the history of the antitrust laws.

In the past eight years, the division has averaged more criminal cases per year than in any previous administration. If anything, this administration brings an increased vigor and determination on behalf of the president and myself to deal with what has aptly been called crime in the suites. Our new efforts to deal with securities and commodities markets fraud are highlighted by special task forces in six major trading centers. Our defense procurement fraud probe has begun to pay its first dividends in both increased financial recoveries and significant indictments. And the president's commitment of a \$50 million enhancement in our investigation and prosecution of rip-offs in the savings and loan industry is further evidence that we mean business in dealing with serious white collar crime.

But as I've tried to indicate to you tonight, while not being kinder or gentler toward corporate criminality, we do recognize an overriding responsibility to help American businesses respond to global economic forces so as to assure them of a fair and unfettered chance to run the race to the marketplace on as level a course as possible. We're anxious to take the fair and judicious steps that are necessary to keep American businesses competitive in the world and to do everything within our power to help preserve for all Americans the hope for present economic security and future prosperity in an ever-changing world. And Tom, if there be risks associated with that approach, so be it, we're ready. Thank you very much. (Applause)

QUESTION AND ANSWER PERIOD

CHAIRMAN RAND V. ARASKOG: Ladies and gentlemen, we now enter our typical question and answer period. Our questions will go back and forth between two distinguished questioners to each of the speakers and we ask that the questioners be sure that they treat each speaker reasonably equally. Our distinguished questioners are on my left, Mr. Harold Burson, who is Chairman of Burson-Marsteller, and on my right, Mr. William Schreyer, who is Chairman of Merrill Lynch & Co. And we will begin with Mr. Schreyer.

WILLIAM SCHREYER: Thank you very much, Rand. I believe I'd like to ask the first question to Attorney General Thornburgh. Drug abuse has become the number one domestic issue in the United States. Should the United States military forces have a role in drug enforcement? And

what else can be done that has not already been done to attack this problem?

THE HONORABLE RICHARD L. THORNBURGH: Bill, I think the answer to the first question is clearly yes, there is a role for the military in providing intelligence, logistic support, transportation to law enforcement agencies in carrying out our responsibilities. There is, however, an important distinction that's historically been made in this country between the military and the law enforcement that should be recognized as properly inhibiting direct action by military forces in the law enforcement effort. What we will see, I think, is an increase in efforts in the producing countries at their request to use our military forces to provide the kind of support that's necessary for domestic law enforcement agencies in those countries to carry out effective eradication and interdiction programs. The second part of your question is the tougher one and the one that bedevils most of us in America today. But I'll begin with a premise. I somewhat surprised an audience the other day by saying if you want to lose the war on drugs, leave it to law enforcement. By that obviously, I don't mean that those men and women who are out there on the line day in and day out aren't deserving of our thanks for the efforts that are being put forward to deal with the supply side of the drug equation. But the fact of the matter is unless we address at home the problem of the demand side by devising programs of prevention, education, rehabilitation and treatment, user accountability, in the schools, in the workplaces, in the communities, to make it clear that a drug-free lifestyle is an American lifestyle, one consonant with our traditional values and principles, we'll lose the war on drugs. An infinite amount of resources poured into law enforcement is not going to deal with this problem if we

don't, as a society, begin to disparage the entertainer, the athlete, the prominent public person using drugs who becomes a role model for young people, if we don't begin early on in the school system to begin to address in a responsible way the very threat to the well-being, health, and future of those young people. And if we don't recognize that every drug user in this country ought to be presented with a part of the bill for the ravages that drug abuse have worked in this country, then we're never going to turn this situation around. So we in law enforcement stand ready to do our share. We've enhanced our efforts. We have new opportunities for international cooperation that we're going to be availing ourselves of and we'll give you a dollar and a half's worth of service for a dollar's worth of tax money. But let's remember where the real problem is. The problem is that we haven't made it clear what the real threat of drug abuse is to our society, our quality of life, and our well-being. And that's an effort which everybody in this room, everybody in this nation cannot only join in but must assume a responsibility for.

HAROLD BURSON: General Thornburgh, may I do a followup on that one? In view of the traditional turf battles in Washington and the turf battles between Washington and local state law enforcement, do you believe that the concept of a drug czar can really work?

THE HONORABLE RICHARD L. THORNBURGH: I think the notion of a coordinating mechanism to iron out what you properly identify as turf battles is going to be a positive thing. We certainly are going to extend every bit of aid and assistance to Bill Bennett that we can. Nobody is going to suggest that the Justice Department get out of the law enforcement business

so we know we have a job to do irrespective. But I think what the major contribution that can be made by the so-called drug czar is, is in what I mentioned as dealing with programs to reduce consumption and demand for drugs. Mobilizing the American people, mobilizing communities and community leaders, schools, churches, businesses, those who have a real direct stake in the quality of life in their communities is going to be, I think, the biggest challenge for the new drug czar's office. It'll certainly have the support of the law enforcement community which already is participating in a number of those kinds of programs. But it's going to take more than just that kind of an effort. It's going to take a top to bottom, coast to coast undertaking by all of us. And I can't impress upon you firmly enough, not only how serious this problem is but how important it is that it captures the attention of all of us who continue to aspire for greatness for this country.

WILLIAM SCHREYER: I think it's appropriate then to ask Governor Kean a followup question on the same subject. So it's really a two-part question, Governor. What can be done more effectively at the state level to combat the drug abuse problem? And what advice do you have for Attorney General Thornburgh on how the federal government can most effectively help the states with this problem?

THE HONORABLE THOMAS H. KEAN: In the first place, I totally agree with a number of things the Attorney General just said. Law enforcement, we've found, at the state level is a part of the picture. I mean we passed a law in New Jersey and it's been a help. We said we found out there were drug dealers right in the schoolyards, right in the classrooms, coming right into the

halls and dealing drugs right within the school buildings. So we passed a law that said anybody who sells drugs within 1,000 feet of any school building or any school property for that matter goes to jail automatically for three years. No plea bargaining, no anything, automatic sentence. That has doubled our drug arrests and we believe moved some of the drug dealers at least away from the schools. But that kind of approach is only part of an answer. The real answer, I think, to drugs is that we've got to treat the problem as if it was a war. We talk a lot about it at all levels of government, but I'm not sure we follow through with the necessary action. If we were really in war, we would be mobilized at every single level. If you recognize what drugs cost us in terms of what we pay for healthcare, if you recognize what drugs cost us in inability to educate kids in urban areas because of this menace, if you recognize what it costs us in terms of keeping and arresting – two-thirds of our prisoners in New Jersey now, two-thirds of our prisoners are there because of drug-related offenses – what it costs in terms of keeping people in prison, if we recognize all these costs and then relay from the president on down. I was so heartened; first of all, by George Bush in both his inaugural address and his message to Congress, of all the things he talked about, nowhere did I detect the passion or the firmness than when he talked about drugs. We've got to follow that up to make that our top priority. I happen to think the answer, as Dick does, is really in the demand side. I don't think all the greatest law enforcement in the world will ever keep drugs out of this country and out of our streets unless we affect the demand for it. And that means education, that means going into our schools, not just high schools. I mean going from kindergarten through 12th grade and teaching kids about the damage of drugs. It means, I used to go into schools and talk about drugs and I'd see the eyes glaze over because

nobody listens to politicians, you know, kids in school. I found out something. If I take along a player from the Giants or the Jets, they listen. So I don't talk anymore. I just introduce that player who then gets listened to, very, very effectively. There are ways in which we can reach our kids, using role models, using people they respect. And first of all, just setting that a priority at every level so that whether you're a governor, whether you're a mayor, whether you're the policeman on the corner, or the guy who runs the local drugstore, there is no greater priority than drugs. That's how we won our great wars and making a priority just of the same kind is the only way I think we'll win this one against drugs.

HAROLD BURSON: Governor, while you're still standing, let me throw an easy one at you. If you had been a Republican governor of the state of Louisiana, what would your reaction have been to the recent election of the former head of the Klan to the state legislature?

THE HONORABLE THOMAS H. KEAN: Obviously I would have been appalled because I think anybody who is elected with a record like that, whose got a record of bigotry and a record really of standing against every value that this country was founded on, is somebody who ought to be repudiated at every level. I think frankly, I think Buddy Roemer as the governor has done that. I think a number of other elected officials in both parties in Louisiana – forget now what's been done nationally – have done that. And I think basically you isolate somebody like that and sooner or later they will destroy themselves.

WILLIAM SCHREYER: Well, now we'll go from one extreme to another I guess. Attorney General Thornburgh, what, in your view, what is your view in terms of international law of the Ayatollah Khomeini's death threats against the author of *Satanic Verses*, and has your department been involved in any consultations with the United Kingdom or other nations in addressing this unbelievable question?

THE HONORABLE RICHARD L. THORNBURGH: My view of the Ayatollah is about as charitable as Governor Kean's is of David Duke's I guess. (Applause) It is important for a nation that treasures the right of free speech as much as we do, and as do other nations in the Western world, to make clear in no uncertain terms, both through our institutions of government and our private institutions that these kinds of threats are not going to chill the liberties that we have fought and died and persevered for throughout this country's history. And after some initial uncertainty, I'm proud to see that kind of response coming from the United States as a leading member of the world community. That threat is not just to an author who labored in obscurity until he became a worldwide figure thanks to the import of a threat of that kind. It is a threat to the civilized world and a world that treasures diversity, that promotes reasonable differences of opinion, even over matters such as religion, and we've seen it recently in these United States. And I think that we all ought to, not only express our abhorrence of this type of attitude but support our nation and our bookstores, if they're willing to persevere in their own determination to join in expressing the outrage at this kind of action.

HAROLD BURSON: General, the U.S. Immigration and Naturalization Service, which reports to you, has reversed the Reagan administration's policy that encouraged immigration by opponents of Nicaragua's Sandinista government. Is this consistent with our nation's tradition of providing political asylum to opponents of totalitarian governments?

THE HONORABLE RICHARD L. THORNBURGH: Harold, let me quarrel a little bit with your question. There has been no reversal of policy. What has taken place is what we think is a measured response to a vast increase in the number of persons from Central America seeking asylum within the United States. Asylum is a technical, legal, and diplomatic term which grants admission to this country to anyone who has a well-founded fear of persecution on account of race, religion, ethnicity, or political beliefs in their own country. We will admit today as readily as we always have persons who meet that standard. What was happening at the southern border of Texas was that vast numbers of people leaving an economy that had been savaged by Sandinista misrule and by natural disaster in the form of a serious hurricane that struck in Nicaragua, in particular, were applying for asylum without being able to demonstrate the technical requirements of holding a well-founded fear of persecution. And they were being allowed under court order to disperse around the United States so that they could not have their applications processed in an orderly way. The vast majority of these claims for asylum were determined to be spurious and the Immigration and Naturalization Service has now taken what is the only logical step, and that is detaining these applicants at the border, expediting the determination of those who are eligible so that they can enjoy their rightful privilege of entry into

the United States and turning those who have no rightful opportunity to be in this country back at the border. There's nothing inconsistent with that practice adopted to deal with an extraordinary situation and the long history of asylum. The fact of the matter is that this vehicle, which properly used, can admit to this country, true victims of persecution and oppression abroad, was being misused by people who sought to enter this country for only economic reasons. And when it comes to economic reasons, our immigration laws established, as they have historically, quotas and requirements which could not possibly be met in this case by the vast influx of people coming into the country. If your eyes have glazed over because of that explanation, welcome aboard. But it's important to recognize, number one, that there was no reversal of policy. We merely adapted to a situation that had arisen because of the vast number of people seeking into this country. And secondly, that this country still remains the most generous nation in the world in allowing persons to enter who seek to partake in the quality of life that this country presents. And we must always be vigilant, in my view, to retain those characteristics and that status as a beacon around the world.

WILLIAM SCHREYER: Governor Kean, a little political question. The Republican Party has captured the White House for three consecutive elections but has been unable to gain a majority in either the House or Congress. Why has the party failed in this regard? And does it indicate that perhaps the politics of inclusion you talk about isn't working at the local level as well as it should?

THE HONORABLE THOMAS H. KEAN: That's the kind of question that I've written a book about, but I will not do that to you. There's a lot of problems with the United States Congress and the reason the Republicans haven't made gains. There are all sorts – I could use one word – gerrymandering – in certain states like California, the incumbency problem where it makes it so difficult to knock out any incumbent congressman due to the campaign finance laws and all of that. But let me ignore that and just take up this business of inclusion. The Republican party nationally, and I think we haven't gone after it properly, gets still a very, very small share of the minority vote. For instance, the Black community is 10, 12% of the nation, a large number of people. The Republican Party gets 10 - 15% of that Black vote. If the Republican Party were able to raise that vote to even 25%, we would have control of both houses of the United States Congress. Now what I am suggesting is that we have not made what I think should be a proper effort to appeal to people who are very willing to be appealed to. My own experience in New Jersey is if you take a program, and a conservative program, and you take it to people – I went some places with the former mayor of Newark, Ken Gibson, former Black mayor of Newark – he said, at one point he said, this man not only goes where I've never seen a Republican before, he's going where I've never seen a White man before. But if we take our message there, if we take our message to the ghetto, to the Black churches, to the barrios and all of that, and talk about, I think, in our party, good conservative solutions to some of the problems that are plaguing those people's lives, ways to create opportunity through better schools and safer streets, ways to create jobs in cities, then we can crack that. We can start showing these people that we can earn their vote. And if we do that, we, I believe, can become the majority party in this country for a good

number of years to come.

HAROLD BURSON: Governor, this is one I think you'll like. As you prepare to leave office, your last year, what do you consider have been the most successful things that you've done as governor?

THE HONORABLE THOMAS H. KEAN: Oh, gee, success, well, anybody who is slightly arrogant could speak a long time about that too. But I think things like the Transportation Trust Fund which really put \$4 - \$5 billion into rebuilding the state's infrastructure. It was important. I could talk about our environmental laws, you know, I think the nation's leading law to clean up toxic waste, leading ocean program really. But let me say this, when I put all of the things we've done together, all the education reforms, everything together, I think one of the most important things that I think I may have done for the state is to give the state a new sense of pride. You know, states are like people. If you don't feel good about yourself, if you don't have a sense of self-worth, then you're not going to get very much accomplished. I think New Jersey had some of that problem, a little bit of an inferiority complex, encouraged occasionally by our friends across the Hudson. (Laughter) And one of the things I hope I've been able to help is the idea that we, in New Jersey, can really do anything, that we can be national leaders in solving a number of the nation's problems, and there is no problem too big for New Jersey people to try and solve and take the lead. If I've established that kind of a feeling in the state, that any problem can be overcome, then I think that may be perhaps the greatest accomplishment. (Applause)

WILLIAM SCHREYER: And you're no longer intimidated by Pennsylvania either, are you? Dick Thornburgh, Dick Thornburgh, you threatened to invoke your powers under the 1980 Classified Information Procedures Act to bar disclosure of national secrets in the Oliver North trial. The net result, the major charges were dropped. Some critics or cynics, depending upon how you look at it, charged this was a smokescreen to get Mr. North or his superiors off the hook. Any comments you'd like...

THE HONORABLE RICHARD L. THORNBURGH: I knew you'd get to that case. Let me say this. Obviously, I can't comment on the particulars of the case that's now proceeding in Washington, but I must tell you what my responsibility is as Attorney General of the United States. It is, first of all, to ensure that this defendant as any defendant in any criminal case in these United States gets a fair trial. It is secondly, however, to ensure that in no proceeding anywhere in these United States, civil or criminal, our national security is compromised by the unregulated disclosure of sensitive, classified information. The balancing act that is involved in making those determinations is complicated here by the fact that this case is not being handled by the Department of Justice in the ordinary course of our affairs, but is being handled by an independent counsel. I have worked my utmost to devise a way, in cooperation with the court and the independent counsel, to ensure that both of those conflicting assignments are carried out to the best of my ability. And I am satisfied that at this juncture, that has been accomplished. And I am determined to see that it will be accomplished throughout this trial. And again, with

apologies, I obviously cannot discuss the particulars of this case, but I hope you have a little bit better understanding of precisely what's involved in carrying out the process of obtaining a very important balance between the integrity of our judicial process and the security of our nation.

HAROLD BURSON: General, in the law enforcement area, after drug abuse, what are your top two or three priorities?

THE HONORABLE RICHARD L. THORNBURGH: Well, my priorities are the president's priorities, Harold, as you can imagine. Fortunately, the two presidents that I've been privileged to serve share a commitment in important areas. The federal government is not a local police force. Our law enforcement responsibilities are very specialized. They exist in the number one priority of drugs because drug trafficking is an interstate, indeed international operation that calls for us to cooperate with law enforcement agencies around the United States and around the world. Secondly, in the area of federal priority is the whole area of organized crime – the traditional organized crime that has been the monopoly holder of racketeering enterprises for most of the 20th century, again reaching overseas. White collar crime, because of its sophistication and because of the difficulty that is involved in following the paper trails that are used to disguise illegal transactions is yet another priority. We have an important responsibility for the integrity of governmental institutions. That means carrying out the often-sensitive and usually difficult investigations against the betrayal of the public trust by those who hold public office. And we have a very important responsibility in law enforcement to cooperate with our

state and local counterparts in aiding them in addressing problems of street crime and violent crime to assure the observation of what I've always felt has been the first civil right of every American, and that is the right to be free from fear in our homes and on our streets and in our communities. So that what we are is part of a team that begins on Main Street and ends around the world in international cooperative efforts. And our charge is to see that those law enforcement responsibilities are carried out in an environment where the civil rights and civil liberties of every American citizen are absolutely observed. Sometimes that makes it tough, but in the final analysis we recognize that law enforcement has to be a leader in observing those civil rights and civil liberties lest it lose its credibility and support in the community that it's designed to serve. This president has said that he wants to achieve a kinder, gentler nation. But I think President Bush knows that in order to achieve that kinder, gentler America, we're going to have to be rougher and tougher with some Americans. And I refer particularly to those who dominate drug violence in the inner cities, the kind of terrorism that takes too many innocent lives. In the nation's capital, last year there were 369 murders, 70% of which were drug-related. If that doesn't tell you why drugs and the drug trade are the number one priority, then I don't know what could. But it means that we've got to ratchet up our determination and capability in this area above all in order to serve the American people in a way that you all deserve.

WILLIAM SCHREYER: I believe, Harold, that we've been asked to give, each of us give one more question to our guests. And so since you asked Governor Kean what he considered to have been his most successful accomplishments, what would you say, Governor, have been your

greatest frustration as governor. I know you'll answer that in a very positive way.

THE HONORABLE RICHARD L. THORNBURGH: Having to serve two terms and give it up. Let me just transgress on your time a minute, Bill, to add something to what Tom Kean said about our party. And I ask you to raise your sights a little from just looking at the Congress. The fact of the matter today, the Republican Party for the first time in its history is a national party. There are Republican governors in Florida, North and South Carolina, Alabama, Texas, Oklahoma, New Mexico, and for a while in Arizona. That means that all the way across the Sun Belt, you have Republican governors in the statehouse and Tom and I know that the way to build a party is to begin to get that key position and you're finding state and local officials elected and with the re-apportionment coming up in 1990 with more Republicans in office, you're going to see, I think, the kind of resurgence that's taking place in so many states sweep across the country. That's to supplement what Tom Kean said. And let me reinforce another thing he said about the politics of inclusion, the need to reach out by Republican Party candidates. I would not have been elected Governor of Pennsylvania in 1978 if I hadn't gotten 58% of the Black vote in that state and gotten it through the type of campaigning that Tom Kean described, reaching out to non-traditional constituencies, sharing a message of a party which relates to the individual as an individual and not as a member of some voting block. And Tom Kean has set a standard for this politics of inclusion that has been picked up by this president and by the Chairman of the Republican National Committee, Lee Atwater. And the actions that have been taken to make our party a party of all the people, in the early months of this administration I predict are going to

bear fruit in months and years to come. It might even someday attract me back to politics, Tom, who knows?

WILLIAM SCHREYER: I'd like to ask Governor Kean the same question.

THE HONORABLE THOMAS H. KEAN: First of all, let me second everything Dick just said including maybe even attracting him back to politics. But I guess in the governorship, things at the state level always had frustrations. One of them in New Jersey is the fact I've been trying for four or five years now to get the legislature to pass a program to lower automobile insurance rates in the state of New Jersey. (Applause) We've got a little breakthrough tomorrow. We're going to have an announcement tomorrow where we think we may finally have a breakthrough in the legislature. But that's been just a continual frustration. And if I don't get a couple of other things I'm after now, I'm after a Coastal Commission to protect our coast once and for all and coordinate a quarter of a billion dollar spending program for the clean ocean, and we're trying to get a program to lower property taxes in the state. There are some things like that. If I don't get those, I'm going to be frustrated before I leave office, but I think I'm going to get those.

HAROLD BURSON: Governor Kean, I have one final question and that is one of your predecessors as governor of New Jersey was also president of a university. And he went on to become President of the United States. Does that constitute a precedent? (Laughter)

THE HONORABLE THOMAS H. KEAN: There was a great president of an educational institution who went on to become Attorney General of the United States, Dick Thornburgh. I mean you can go anywhere from...No, I think that, to me, although nothing I've ever or probably ever will do in my life is more challenging and more enjoyable than being governor of New Jersey, the idea of actually taking on a small liberal arts institution which is already a great school and trying to make it even greater, I think is going to be fun – meeting with those kids, working with the faculty. You know Dick and I were talking about that. He did some of that before he became Attorney General and it's just thoroughly satisfying and enjoyable. Having said that, while I'm at Drew I will continue to be active in politics because I think everybody ought to be active in politics and I'm going to do that. (Applause)

CHAIRMAN RAND V. ARASKOG: Well, we would certainly like, on behalf of the Economic Club of New York, to thank two very unusual speakers put together tonight for the Club. We have a tradition here and that is that we always give our speakers one of these Steuben Apples. This one looks a little bit, for Governor Kean, like a New Jersey tomato, or maybe a Pennsylvania apple. But under any circumstances, we thank you so much for being with us, both of you, and for a really informative program that we all enjoyed. Thank you. (Applause)