FOIA Number: 2006-0885-F

FOIA MARKER

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Collection/Record Group:	Clinton Presidential Records
Subgroup/Office of Origin:	Health Care Task Force
Series/Staff Member:	General Files
Subseries:	

OA/ID Number:	3595
FolderID:	

Folder Title:
Staff: Magaziner, Ira [1]

Stack:	Row:	Section:	Shelf:	Position:
S	53	2	3	3

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. memo	From: Lloyd Cutler; RE: Personal Data Statement Questionnaire (7 pages)	00/00/0000	b(6)

COLLECTION:

Clinton Presidential Records
Health Care Task Force
General Files
OA/Box Number: 3595

FOLDER TITLE:

Staff: Magaziner, Ira [1]

2006-0885-F
db4207

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

- C. Closed in accordance with restrictions contained in donor's deed of gift.
- PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
- RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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SJS, INC.

IRA C. MAGAZINER

Ira C. Magaziner is President of SJS, Inc., a public policy strategy firm addressing economic and social issues facing America in the 1990s. SJS earns revenues from corporate strategy work. Most of these revenues (including all profits) are used to fund pro bono and charitable work -- over $2 million during the past three years. In addition, Mr. Magaziner has for the past three years, donated more than half of his time to this nonrevenue-generating work.

Prior to forming SJS from 1979-1989, he was founder and President of Telesis, an international corporate strategy consulting firm with offices in the United States and France. Mr. Magaziner sold Telesis to Towers Perrin, Inc. in 1986 and continued to manage it until December 31, 1989. Telesis rapidly grew from start-up to over $10 million in revenue in the U.S. and Europe (over $20 million including affiliates in Australia and Japan.)

Prior to forming Telesis, from 1973 to 1979, Mr. Magaziner worked for the Boston Consulting Group in Boston, London and Tokyo.

CORPORATE STRATEGY CONSULTING

During the past two decades, Mr. Magaziner has conducted hundreds of corporate strategy studies for companies based around the world. Clients have included General Electric, Corning Glass Works, Rubbermaid, Volvo, Black & Decker, Hillenbrand Industries, and Ikea among others. Clients within these firms usually have included the CEO or the head of a specific business.

Mr. Magaziner has devised detailed strategies for investment, cost cutting, management reform, marketing and new product development.

The essence of corporate strategy is to find ways for companies to gain market share and improve profitability by investing wisely. Mr. Magaziner has pioneered techniques for strategic cost analysis to help companies gain competitive cost advantage. He also has developed techniques for market segmentation to help companies gain value in the marketplace.

During his career, Mr. Magaziner has studied hundreds of companies, analyzed thousands of workplaces, researched hundreds of markets in detail and participated in scores of international business negotiations.

Industries in which he has worked in-depth include computers, medical electronics, furniture, textiles, wholesaling, adhesives, consumer electronics, major appliances, small appliances, paper and pulp, power generation, automobiles, food, steel, machine tools, food equipment, retailing, aircraft, glass and ceramic products, telecommunications, power tools, sanitary and food storage containers, electrical supplies, motors, defense weapon systems, insurance, medical durables, hardware, printing, computer software, shipbuilding, construction

equipment, marine engines, heavy machinery, plastics, specialty chemicals, pharmaceuticals, coal, iron and copper mining, among others.

Over 40 of his corporate studies involved work in Japan, during which he has analyzed over 200 Japanese workplaces. He has lectured to corporate and academic audiences for over a decade on Japanese business practices and Japanese industrial policy.

Over 50 of his studies involved work in Europe. He has analyzed over 300 European workplaces in countries such as Sweden, Germany, France, Italy, Spain, Great Britain and Ireland. He has lectured throughout Europe to companies, government ministries and academic institutions on corporate strategy and economic development.

For well over a decade, he has participated in business negotiations in China and the former Soviet Union and has worked extensively in developing nations such as Mexico, Brazil, Singapore, Korea, Taiwan and Indonesia.

GOVERNMENT CONSULTING

In the late 1970s, Mr. Magaziner helped develop ways to use corporate strategy concepts and tools for analyzing the industrial competitiveness of nations. These approaches have since found common use in many countries.

He was commissioned by Coalitions of Government, Business and Labor leaders in Sweden (1978), Ireland (1981), Israel (1985), and Ontario, Canada (1987), and by the New York/New Jersey Port Authority (1988) to study ways to improve industrial competitiveness of their nations or regions.

PUBLIC SERVICE

Mr. Magaziner has a commitment to public service.

Education and Skills

He chaired the Commission on Skills of the American Workforce from 1988 to 1991, along with co-chairs Bill Brock, Ray Marshall and Hillary Clinton. He oversaw the research and writing of America's Choice: high skills or low wages!, the Commission's report, which is being implemented in a significant number of states. He led all 34 members of that Commission from disparate backgrounds to reach consensus on recommendations for the reform of America's education and training systems.

He has spoken on behalf of this effort on over 250 occasions over the past two years throughout the country. He has received numerous awards including the Friend of Education Award from the American Federation of Teachers and the Annual Service Award from the National Community College Association.

He serves as chair of the Rhode Island Skills Commission, a 176 member body which is implementing America's Choice in Rhode Island. All committee members reached

consensus on a plan for Rhode Island which is now being executed. The NEA and AFT have both donated staff at their own expense to assist this effort as have the Rhode Island Departments of Education and Employment and Training. The effort is supported by the state's Chambers of Commerce, the AFL CIO, the Urban League and other relevant organizations.

He serves on the board of Tougaloo College in Mississippi and has been a member of the Board of Trustees of Brown University. He also serves on the advisory boards of RE: Learning (chaired by Ted Sizer) and the Quality Education for Minorities Network (QEM.)

He served as a Visiting Professor at the University of Rhode Island and a Visiting Scholar at Bryant College, and served on the advisory board of the Sloan School of Management Review at MIT.

Health Care

Three years ago, he founded Aging 2000, an organization which conducted a two year study on health care in Rhode Island. The 180 person Aging 2000 steering committee represents consumers, advocacy groups such as the AARP and Gray Panthers, nurses, doctors, social workers, health care providers (hospitals, nursing homes, visiting nurse services and social service agencies), insurers, state officials and educators.

Aging 2000 has successfully brought together leaders from all segments of the health care system in Rhode Island, forged a common vision among them and initiated a process to create new models for care.

Consortia are now being formed to implement these models in Rhode Island.

During the course of this study, he spent months interviewing elderly consumers of health care, visiting nursing homes and interviewing residents, following nurses and doctors as they went through their daily activities in hospitals and nursing homes, accompanying visiting nurses on their rounds, visiting senior centers and analyzing the cost structures and business strategies of health care providers.

Mr. Magaziner has led an effort through the March of Dimes of Rhode Island to institute model outreach programs to reduce infant mortality in high risk areas of Rhode Island. He organized two children's festivals to raise funds for the efforts and helped design and evaluate the programs. He also serves on the Rhode Island March of Dimes Board of Directors and has received their Outstanding Citizen of the Year Award.

He served on the board of the Rhode Island Group Health Association and helped negotiate its merger with the Harvard Community Health Plan which saved it from bankruptcy.

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A short history of Mr. Magaziner.

DIES IRA

By Jacob Weisberg

Nothing adorns the walls of Ira Magaziner's office. There are, in fact, no objects of aesthetic contemplation—just some pieces of government-issue, faux-colonial furniture and bookshelves overflowing with bound studies, reports and three-ring notebooks. The twenty or so red and blue binders, which have labels such as "Tollgate II" and "Tollgate IV" scribbled on their spines in black magic marker, contain the product of Magaziner's health care task force, probably the most ambitious policy study in the history of the federal government. Five hundred experts met in almost continuous secret session for the first five months of 1993. They gathered in "clusters" and "working groups," sometimes until 2 a.m. on Sunday mornings. They subjected each other to papers, presentations and slide shows. Finally, their work was offered up for criticism by "contrarians" and "auditors."

To Magaziner, who devised this elephantine process, the notebooks comprise a kind of Talmud of health care reform. "Those books on the shelf up there are going to serve us very well as we go through the congressional process," he says with a prideful glance. "We've looked at so many different options and analyzed so many different scenarios and so on that as problems are found and people are trying to find different solutions, we're going to have backups. If you don't like this one, there's this one that we rejected." The books detail what Magaziner says are some 800 "movable parts" in the Clinton plan, and explain how each element can be adjusted without compromising the integrity of the whole. If, for instance, the president wants to concede to his adversaries on insurance premium caps, all he has to do is turn to the notebooks that contain the reports of the "Budget and Caps" working group (part of the "New System Organization" cluster). They delineate the rejected options: no global budget, fixed fee schedules or something called a "feebate," which involves a tax on high-cost health plans and a rebate on low-cost ones.

The binders are the finest flowering of Magaziner's methodological passion. That passion, depending on one's perspective, is either an expression of genius or of folly. Talk to Magaziner for a few hours—he'll want to talk more—and you cannot help but be overwhelmed by his casual mastery. He has studied health care with a manic ardor—fifteen hours a day, seven days a week for twelve months—and he understands it as well as many people who have spent their entire careers on the subject. With his drab, unkempt zealotry, ascetic diligence and barely audible mutter, Magaziner seems to aspire to the status of a policy monk. "On a scale of one to ten, his affect level is about a minus two," says Ted Marmor, a professor at the Yale School of Organization and Management who has advised Bill Clinton on health care.

This inverted charisma is strangely compelling. When you whisper, people have to listen closely. The stories of Magaziner's tireless globe-trotting on behalf of corporate America, in which he survives on iron rations of spaghetti, Cokes and Mallomars, or of the fancy dinner parties during which he wanders into the kitchen to find a bag of pretzels, underscore the appealing side of his Naderite persona. Here is a pure, unmaterialistic man—despite his millions—who is determined to bring rigor and integrity to the seamy world of politics. On the other hand, there is a sneaking hubris to what he is doing that is just as striking—and faintly unsettling. One man sets up a system to anticipate every objection to and possible problem in transforming a trillion-dollar sector of the American economy. He speaks in management jargon and fetishizes a process that looks to most people like chaos. Magaziner's guiding idea is that rational planning can solve any problem, social, economic or spiritual. His universe is one in which the uncertainty principle and the law of unintended consequences do not exist; his career is testimony to the belief that for every problem there exists a total solution. With skeptical eyes, Magaziner's binders start to look like the policy version of Borges's infinite library.

This view of government is not that of the Clinton administration as a whole. Despite the president's noted fondness for a jolly policy seminar, the other major initiatives of his first year were developed in more modest fashion. Clinton's budget was not the product of an economic Manhattan Project, nor was his national service plan. Thirty-two people are working out welfare reform—not 500. The difference is Ira Magaziner. As Magaziner's career has evolved, his approach to problem solving has remained an intense constant; and, despite the best intentions, his efforts at total solutions have constituted a chain of partial disasters.

Magaziner is one of those people whose character appears to have been fully formed by adolescence. Early photos show him looking more like the young Bob Dylan than Big Bird, but in them he burns with the same disheveled fervor, the same intense, otherworldly focus as now. As a lower-middle-class Jewish teenager in Long Island (his father was a bookkeeper in a tomato-packing house), he organized a strike at a summer camp and a boycott of a student organization because of segregation. But his first characteristic project was overhauling the curriculum of Brown University. In this, we see the hallmarks of Magaziner's later work: the committees, the massive research, the big report and the strenuous effort to convince others of his conclusions. What's unique about the Brown study is that he succeeded in lobbying his plan through largely intact, and that twenty-five years later you can assess the results.

Like many members of the Clinton generation, Magaziner began his career as a 1960s radical. But like Secretary of Labor Robert Reich, who pursued similar curricular reforms at Dartmouth, Magaziner was a nerd among revolutionaries. His idea for a fun way to spend summer vacation after his sophomore year in 1967 was to review Brown's curriculum and develop proposals for improving it. He read John Dewey, Ortega y Gasset and Alfred North Whitehead. He buried himself in the university archives, examining records of previous reform efforts. He then wrote, with Elliot Maxwell, a fellow student, a 400-page essay titled "Draft of a Working Paper for Education at Brown University." Section Three is modestly titled "Brief History of the American University." "First, there is great difficulty in defining what is meant by knowledge," Magaziner writes at one point. "We have discovered no universal formula for the development of the intellect," he acknowledges at another.

Despite its naiveté, the report is a thoughtful study of curricular issues—and a stunning work for a 19-year-old. Its conclusions, though not especially radical in the context of 1968, were in sync with the times, even a few decades ahead. Studying the great works of Western Civilization meant the transmission of "a particular culture," and was, as the phrase went, not relevant. The idea of general education requirements "suffers from a lack of vitality and meaningfulness." The report pushed for ending distribution requirements, freshman English and the foreign language requirement. Exams should be take-home, not be due for a month and be given only when "educationally valuable." Magaziner also argued for reducing the course load and eliminating grades. ("How can the development of internal values take place under the highly pressured system which accents motivation by artificial external incentives?" the paper deftly asked.)

Magaziner then went to work selling his ideas. A faculty committee given the report in his junior year did little with it; Magaziner drummed up student pressure and won the appointment of a more serious committee the next year, which included student members, himself among them, for the first time. That committee's recommendations were adopted by the Brown faculty in 1969. In the end, what came out was "pretty close" to what he recommended, Magaziner says. Brown dropped its required courses, cut the number of credits needed for graduation from thirty-two to twenty-eight and eliminated "D"s and "F"s.

The so-called New Curriculum turned Brown into what Magaziner's friend Derek Shearer calls "one of the hottest schools in the country." Magaziner remains a campus cult figure to this day, and students have fought pitched battles to preserve what he wrought. But the school has also become notorious for its abdication on the question of what liberal education means. Brown does not require even a glancing encounter with the great books or ideas of Western Civilization. Its students can go straight into film studies or semiotics without stopping to read Plato or Shakespeare, gaining the basics of physics or learning to write in English. For those who want to party and get good grades while choosing chic-sounding courses from a cafeterialike menu, there's no more congenial place in academe. The 1994 *U.S. News and World Report* rankings, which are assembled by polling presidents, deans and admissions directors, put Brown's academic reputation at the bottom of the Ivy League.

After leading a graduation-day protest against Henry Kissinger, who was receiving an honorary degree, Magaziner went to Oxford as a Rhodes Scholar. There he pursued his own laissez-faire ideas about education: he read according to his own plan in economics and sociology, and showed up for lectures at Oxford, Cambridge and the London School of Economics. He also met Bill Clinton. The two shared an interest in civil rights, and in opposing the Vietnam War. Magaziner spent much of his time in London organizing protests; his involvement was heavier and more radical than Clinton's, and it included a friendship with Vanessa Redgrave. The difference between Magaziner and Clinton, says classmate James Fallows, was "the difference between somebody who planned to run for office and somebody who didn't."

When he returned home in 1971, Magaziner organized a group of Brown and Oxford classmates to take up residence in the small, working class town of Brockton, Massachusetts. Magaziner found Brockton through an Oxford classmate whose parents lived there. He wanted to transform a small city into a model of social democracy; Brockton was to be a case study. As at Brown, he began with a six-month study of the town's power structure, sifting through deeds and documents. "We did a very thorough analysis of what was going on, who was benefiting and so forth. We also researched a whole series of corrupt deals which had gone on for years," he remembers. In this case, though, there was no written report—just a weekly paper called the *Brockton Examiner*. The project was a unique example of Magaziner pursuing a social change agenda from the outside. He and fellow participants never introduced themselves to the mayor. Instead, they launched a renters' assistance program, a food co-op and a labor support group. They rehabilitated run-down houses, fought development and protested polluting factories.

Magaziner is defensive about his time improving

Brockton, calling it "in retrospect a pretty quixotic venture." His disillusionment seems to stem in part from the fact that the students became unpopular with many of those they were trying to help. But Magaziner says real disenchantment set in when several of the shoe factories that were the mainstay of the town's economy closed suddenly. "I think I came to realize that what we were doing was outside the mainstream," he says. In 1973, after two years, he and his friends abandoned Brockton, leaving no durable legacy. Magaziner says the desire to make money had nothing to do with his career change.

Management consulting meant a different culture, but intellectually it was less of a departure than it appeared. Consultants study, analyze, write reports and try to sell recommendations to the companies that hire them. At BCG, the hottest firm in the field in the early 1970s, Magaziner was renowned for thoroughness, slovenliness and workaholism. Former colleagues still tell of him paying secretaries out of his own pocket to work through the weekend, and of his coming soaking wet or without shoelaces to meetings with corporate bigwigs.

In the 1970s BCG was known for a type of analysis called the "product portfolio" or the "growth-share matrix." Its consultants would divide a firm's assets into four quadrants: dogs, stars, cows and question marks. The idea was to milk your low-growth but high market share cash cows, kick out your low-growth, low-revenue dogs and fund your high-growth but low market share stars (as well as your potentially high-growth question marks). Magaziner's innovation was to apply the formula—which shortly fell out of fashion—to countries. In 1977 he got a BCG client, Volvo, to finance a study of the Swedish economy. He set up a group house in Stockholm, worked for six months and wrote a tract called "A Framework for Swedish Industrial Policy."

The so-called "Boston Report" was controversial in Sweden because it told the government to give up on some industries (dogs) and support others (stars). Magaziner believed Sweden should stop subsidizing sectors in which it could not be competitive, such as shipbuilding, paper mills and coal mines. Instead, he thought, the government should funnel resources to high-tech sectors. Most economists disagreed; they thought Sweden, which was running huge deficits in the 1970s, needed to quit subsidizing industry altogether. Magaziner's report also ignored the high rates of marginal taxation and the bloated public sector, which have led to Sweden's current—and deep—economic crisis. The Swedish study, which went unheeded for the most part by the government, is another well-intentioned effort Magaziner now feels compelled to downplay; he calls it a "feeling-the-way type of report."

Publicity about the Swedish study was enough to offend BCG's corporate sensibility (it is apparently still so embarrassed about the report that it refused a request from the Swedish Embassy to provide a copy for this story). But Magaziner wanted to do more of the same. BCG refused to allow him to do other country studies. So, in 1979 he decided to set up his own shop. Magaziner's wife, Suzanne McTigue, whom he met at BCG, joined him in the new venture, which they called Telesis. The company's p.r. said the name derived from the ancient Greek for "well-planned progress" (though it actually means something closer to "event fulfillment"). Telesis did studies for Ireland, Australia and Israel, among others, as well as private-sector strategic work.

The drift of Magaziner's ideas is captured in his published writing of the time. His 1980 monograph *Japanese Industrial Policy*, written with BCG colleague Thomas Hout, details the Japanese government's intervention in various sectors. "The Japanese ... share a remarkably common view on the legitimacy of national government as guide and mediator," they wrote, admiringly. Magaziner spelled out his views at length in a book he wrote with Robert Reich in 1982, *Minding America's Business*. It argues that business and government should "develop a coherent and coordinated industrial policy whose aim is to raise the real income of our citizens by improving the pattern of investments rather than focusing only on aggregate investment levels." Magaziner now says he didn't mean to advocate European-style industrial policy for the United States. But if the murky book says anything, it says that. "The industrial policies of Japan, West Germany and France have been more successful than U.S. policies because they have explicitly and consciously aimed at improving the international competitiveness of their businesses," he and Reich wrote.

The book is marred by a central fallacy. As Paul Krugman, an economist at MIT, points out in a forthcoming article in *Foreign Affairs*, the authors labor under the misconception that high-value-added sectors of the economy, where they believe the greatest potential for productivity growth lies, are synonymous with high technology. In fact, the highest value-added sectors are cigarettes, petroleum refining, autos and steel. Aerospace and electronics are only average in terms of value added. "Magaziner just announced that he had the solution to the problem of economic growth, without talking to any economists," Krugman says. "It was a stunningly ignorant book—a willfully ignorant book. You can be an industrial policy advocate and get facts right. What's really interesting is that he showed no inclination whatsoever to kick the tires of his idea."

Flawed or otherwise, Magaziner found a laboratory for his ideas in Rhode Island, which had been his home for several years. The Greenhouse Compact, so called because it attempted to "grow" high-tech businesses, was his most ambitious public policy foray to date when he began it in 1982. It was nothing less than an attempt to develop an industrial policy for the state. The Greenhouse Compact had, naturally, all the accoutrements of a Magaziner project. He began with a mammoth study of the history and condition of Rhode Island industry, then wrote a 1,100-page report. The idea of the $250 million plan was to emulate the Japanese or Europeans in fostering the development of industries that were likely to prosper. Again Magaziner proved to be a fine analyst of problems, in this case the state's industrial decline. But once again, it was far from clear that his audacious total solution would solve those problems.

Magaziner did a good job winning the support of elites, including bankers, business people, organized labor, the news media and the state legislature, which passed the plan overwhelmingly. He had, it seemed, everyone who mattered except the public. The biggest source of resistance was a proposed one-time surcharge on incomes. But the plan also appeared to present a ripe opportunity for the sort of political corruption for which mob-dominated Rhode Island is famous. Shortly before the plan came up for a vote, two Democratic Party leaders appointed themselves to the Greenhouse commission. "People thought it was a deal for the insiders," says Paul Choquette, head of the state's largest construction company. "The opposition pictured it as a big brother kind of program." It was defeated by a 4 to 1 margin.

Because it was never tried, we'll never know if the Greenhouse would have worked. But economists point to several fundamental flaws in the concept. The first was regarding a small state as an island. Rhode Island, which depends on its neighbors, Massachusetts and Connecticut, doesn't function as an independent economic entity. Thus it was bizarre for Magaziner to evaluate the state's trade balance with other states. But the larger problem is that when even very smart people try to pick winners they don't always pick right. Magaziner was specific about which he thought were hopeless cases: heavy industry and manufacturing. And he named those he thought were going to thrive in the coming decade: robotics, thin film materials, underwater electronics and food preservation. As it turned out, the biggest job growth in Rhode Island since 1983 has been in the service sector, an area to which Magaziner has never paid much attention.

Magaziner, however, seems to have drawn a different lesson from the Greenhouse failure: not that government can't guide private investment effectively, but that it should structure its involvement differently. Greenhouse led him to his current view that industrial policy needs to be broader and less industry-specific, focused "less on sort of microintervention" and "more on getting the horizontal policies," in his lingo. As his ideas evolved, Magaziner looked for a chance to try his experiment in a national laboratory. He advised Walter Mondale and Michael Dukakis (as well as Gary Hart) during their doomed campaigns.

DRAWING BY VINT LAWRENCE FOR THE NEW REPUBLIC

After Greenhouse, Magaziner returned to Telesis. "He was involved as a consultant for foreign governments—Japan, Sweden, Ireland—that were taking a very interventionist strategy," says Mark Patinkin, a Rhode Island writer who became a friend of Magaziner's when the two collaborated on a book some years later. "He felt it was a more enlightened strategy we were missing the boat on." Because of the secrecy under which consultants operate, it is hard to assess the quality of Magaziner's work. It is never clear just what he advised, whether the company took his advice and if its success or failure resulted from his counsel. Magaziner stresses he had "a very high retention rate among clients"—at $600 per hour. "That's usually an indication that what you're doing is working," he says. "You can't get away with bullshitting a company." Well, sometimes you can, but Magaziner doesn't coast very far on the schmooze factor. As he says, "I don't have the kind of personality where CEOs hire me to go play golf with them." And he is thought well of at places like Corning, where he consulted on catalytic converters, and Rubbermaid, where he offered advice on the threat from office supply superstores.

The instances where more is known, sadly, tend to be the high-profile disasters—though the extent of Magaziner's culpability is uncertain. The biggest was Magaziner's work for General Electric's refrigerator division. It began as a typical Magaziner effort. The company was losing money on its machines, so Magaziner crisscrossed the globe taking apart compressors—refrigerator engines. "He got right down into the grubbiness of the thing," says

Donald Awbrey, a G.E. general manager in charge of the project. Magaziner managed to get inside the factories of G.E.'s competitors in Malaysia, Singapore, Denmark, Italy and Japan, and "trapped everything he could in his mind," Awbrey says. Magaziner's conclusion was that if G.E. devised a rotary compressor, instead of its old-fashioned reciprocating compressor, it could produce fridges for less than its competitors could. Magaziner convinced CEO Jack Welch, and G.E. built a new plant in Columbia, Tennessee. In his 1989 book, *The Silent War,* Magaziner takes credit for saving hundreds of American jobs. But the new compressors were defective, and G.E. ended up losing half a billion dollars when it had to replace 1 million of them. "It was a design flaw," Magaziner says, "combined with the fact that they rushed it to market." Another nonsuccess was Wang. Magaziner was brought in to try to save the computer company, which was close to bankruptcy in 1990. He recommended paring down the workforce and moving out of hardware in favor of software. As he says, "We basically recommended they go through a radical restructure. And that was a devastating conclusion that organizationally couldn't be accepted." The company has since emerged from bankruptcy protection, but no one there will talk about Magaziner.

In the late 1980s Magaziner reached what Patinkin calls a fork in the road. "He had one of the dream business strategy consulting jobs. He would fly to Paris for a meeting, fly to Japan, fly to Sweden, then fly back to speak to a few Fortune 500 CEOs," Patinkin says. "But past a certain point he was bored by it. What he really wanted to do was economic strategy on a national basis." In 1986 Magaziner decided to sell Telesis—for $6 million—and to start a new firm that would serve as a personal policy study institute. He called it SJS, after the initials of his three children, Seth, Jonathan and Sarah. He also decided to write another book.

The Silent War, infinitely more readable than the book he produced with Reich, is a kind of *Jungle Book* of competitiveness. It tells the story of how Korea became king in microwave ovens, how Volvo thrived by moving into luxury cars, how Corning cornered the market in optical waveguides and so on. But there is an odd contradiction at the heart of the book. Magaziner and co-author Patinkin argue for an explicit if less micro-focused industrial policy; they assert the need for an equivalent of the National Security Council to direct resources to American companies for R&D, worker training and export assistance. But their most dramatic examples are of companies such as Corning and A.T. Cross in the United States, and Samsung in Korea, which prospered by investing in research and thinking about their global competition—and without government help. In the field of high-definition television, where Magaziner argued that U.S. companies were sure to flop without subsidy, he has since been disproved, as American companies have trounced their planned and subsidized competitors.

The view of trade as a technological war being lost by the United States got Magaziner into hot water soon after his book came out. When two scientists at the University of Utah claimed they had demonstrated the existence of nuclear fusion at room temperature, the school had no trouble recruiting Magaziner—for $20,000 per month—to argue for $25 million in federal support. Magaziner had long complained that technologies developed in America, like VCRs, had a bad habit of moving overseas. As recounted in Gary Taubes's book *Bad Science,* he testified to a congressional committee in 1989 that cold fusion threatened to do the same. The Japanese had "fusion fever," he said. Thus the United States had better gamble on it "for the sake of my children and all of America's next generation." Cold fusion, of course, turned out to be a complete chimera.

In the 1980s episodes like this helped give industrial policy a bad name and Magaziner removed the phrase from the thumbnail biography included in *The Silent War.* He also revised his ideas to move even farther away from direct government intervention in specific sectors. The two big projects he undertook at SJS focused on problems common to all or most American industry: training and health care. The first of the two studies, sponsored by the National Center on Education and the Economy, of which Hillary Rodham Clinton was a fellow board member, was another classic effort. As chairman of the commission, which gathered two former secretaries of labor, several CEOs and union chieftains, Magaziner spent a year bouncing between Germany, Denmark, France, Japan, Singapore, Ireland and—of course—Sweden to see how other countries trained workers. According to his report, the commission interviewed 2,000 people and read "a small mountain of government and private reports."

Magaziner discovered that most executives didn't think they suffered from a skills shortage. But that didn't dampen his enthusiasm for designing another plan. The problem was that businesses "still cling to old forms of work organization." The blueprint detailed in his 1990 report, "America's Choice: High Skills Or Low Wages!," is an amazingly complicated answer to it. Magaziner recommended a pay-or-play arrangement—analogous to the health care concept later fashionable with Democrats. Under his system, all employers would be required either to spend 1 percent of payroll on training or to contribute the same amount to a public fund. Education would be remade around the issuance of certificates of "mastery." An infrastructure of boards and agencies, sketched out in elaborate flowcharts that fill the margins of the report, would be created to administer the plan.

In many respects, Magaziner's training system resembles the alliance system envisioned in his health care proposal. A federal board would monitor state boards which in turn would oversee regional and local boards. Here, the purpose would be to certify training programs, administer tests and so on. It would be up to the boards, for instance, to decide whether to issue certificates allowing 16-year-olds to work, But once again, it's not clear that this cumbersome bureaucracy, with an annual cost of $73 *billion,* would produce any benefit. With all the regulation in the world, it would still be next to impossible to determine whether private expenditures were going toward useful training. Studies of smaller-scale existing programs by the Labor Department have mostly shown negligible to modest effects.

A parallel effort was the "Aging 2000" project in Rhode Island, which was finished in 1991. Once again, Magaziner did a huge study, delving into the history of federal health care reform efforts and making hospital rounds with doctors and nurses. He was horrified by the layers of micromanagement double-checkers second-guessing the decisions of other checkers. "It became clear that the incentives were all wrong," Magaziner says. "It was leading to massive, massive inefficiencies." His report—400 pages—suggested improvements in hospital procedure to heighten efficiency. Many of the ideas are good ones. As with Greenhouse, however, he was unable to translate them into reality, or even into real-life experiment. He figured out how the system should work, but was not able to persuade any doctors, hospitals or patients to serve as guinea pigs. Marsha Fretwell, the medical director of Aging 2000, acknowledges that after nearly four years of research, nothing has actually happened. She says the best prospect for Aging 2000 is as a health care alliance under the Magaziner-Clinton plan.

Magaziner's ideas found two vehicles in the 1992 election cycle. The first was Paul Tsongas, whose campaign manifesto, *A Call to Economic Arms*, baldly called for a European-style industrial policy. Magaziner helped write it. The second was Bill Clinton. Magaziner jumped to the Clinton campaign when his old friend decided to run. In early 1992 Magaziner was not yet viewed as Clinton's health policy guru. Indeed, he was expected to become something like industrial policy czar, or secretary of commerce or secretary of labor, the jobs he had been grooming himself for since the 1970s, should Clinton get elected. The positions he promoted within the campaign were along these lines. Magaziner got a version of his training proposal included in *Putting People First*, the Clinton manifesto, which upped the mandate to 1.5 percent of payroll. He was also the chief influence on the plan's "Rebuilding America" section, which recommended government sponsorship of high-speed rail, something called "short-haul aircraft," an agency to channel R&D spending to new industries and "conversion loans" to defense contractors. "Within the chain of campaign he was a free agent," says one campaign alumnus. "But we clearly understood that this was someone who had a special relationship with the candidate and needed attention."

Magaziner also tried to take charge of the development of Clinton's health care proposal, a subject the two had discussed at Renaissance Weekend in 1991 while Magaziner was at work on Aging 2000. In this bid, however, he came into conflict with others on the campaign. Magaziner clashed with Clinton's health adviser, Judith Feder, and others—not over "managed competition," which neither the candidate nor Magaziner had yet endorsed, but over financing issues. On the basis of his observations in Rhode Island, Magaziner asserted that universal coverage could be paid for solely through administrative savings, and by 1996. "A lot of his instincts on health care spending were due to what he witnessed as a business consultant," says Clinton economic policy adviser Gene Sperling. "He was extremely optimistic in the amount of savings that you could generate." Feder and others on the campaign believed universal coverage would require new taxes or spending cuts. After a contentious eleventh-hour conference call, *Putting People First* was published without any figures for health care.

Once Clinton was elected, it still seemed Magaziner would end up having something to do with economics. Reich, who was in charge of economic policy for the transition, devised what he called "counterstaffing": assigning people to subject areas that contradicted their basic proclivities. Magaziner, the chief backer of expensive new schemes, was put in charge of deficit reduction. In this role he became, briefly, the most adamant internal advocate of fulfilling Clinton's pledge to halve the deficit in four years. Typically, Magaziner thought the goal could be achieved mostly by increased efficiency, with little in the way of cuts from existing programs (the revised savings estimates for Al Gore's Reinventing Government proposals suggest otherwise). He also worked on defense conversion, arguing that the transition from military to civilian production should not be "left to market forces."

During the transition Magaziner and Reich became involved in a power struggle, the details of which remain foggy. According to a story by David Segal in *The Washington Monthly*, Magaziner made a power grab, asking that he be given control over health care and the Department of Labor. Reich, reportedly, then went to Clinton and told him, more in sorrow than in anger, that his old friend Magaziner was too radical. Reich and Magaziner say this didn't happen. (Magaziner denies he and Reich have had a falling out, but rather have had merely "personality conflicts." Reich says they're great friends.) But Magaziner not long ago told John Mulligan of the *Providence Journal-Bulletin* that he turned down Labor and Commerce, which sounded like a dig at Reich since most in the administration don't think Magaziner was offered either. Magaziner told me he didn't want a Cabinet post. But according to another senior official, Magaziner was distraught at not getting one, and campaigned to be put in charge of domestic policy, a position that went to Carol Rasco. Instead, he ended up as special assistant to the president with responsibility—under Hillary Rodham Clinton—for health care.

Various people in the administration wanted to run the health care effort: HHS Secretary Donna Shalala, Feder and Rasco. After the inauguration, it was still in doubt who would really be in charge. But Magaziner grabbed hold of the issue by setting up his enormous study process and keeping others at a distance from it. "Ira has been the choke valve on information flow to the president," says one Clinton health care adviser. "He effectively shut Donna and the others out." But what seemed like a pure power grab was also Magaziner approaching the issue the way he always has.

The result was perhaps the apogee of Magaziner's management consultant career. He designed the task force as a series of fifteen compartmentalized "clusters," with thirty-four subordinate "working groups." According to Marmor, this is the way firms like Telesis operate. "You comprehensively cover the landscape, dividing up the industry into component parts," he says. "This keeps the drones at work and leaves the strategic consultant at the center." Magaziner revealed himself to be a control freak. Some task force participants were chagrined when he wouldn't give them home numbers of colleagues on other working groups. The reason was he didn't want independent power bases developing. Members of different groups were to meet only in tollgate sessions, where they would present options to him, the tollkeeper, sometimes for ten hours at a time. Magaziner says he learned the tollgate concept through his work for Japanese corporations. It's a process, he says, for "projects where you have a relatively short amount of time to accomplish a very complex task and you have to bring together people with expertise in a whole series of different disciplines and keep them on the same time schedule."

Given Magaziner's past, the problems of the Health Security Act do not exactly come as a surprise. It is analytically sound, but politically clumsy. Magaziner has sold the plan to his most important client—CEO Bill Clinton—but has failed with almost everybody else in the company. The division heads Lloyd Bentsen, Donna Shalala and Laura Tyson—are miffed they weren't involved in developing the plan, and greeted it with skepticism. And because Magaziner produced his proposal in secret (which he now says was a mistake) before presenting it to Congress, he failed to bring key shop-floor managers into the process. "Part of the reason Congress doesn't like him is that he couldn't give them the information they needed in a reliable way," says one task force member. "They were supposed to endorse the plan without having input that was consistent." Magaziner seems to make a new enemy every time he visits Capitol Hill. Committee chairmen find him arrogant and inflexible. So do rank and file members. Rhode Island Republican Representative Ron Machtley was surprised, for instance, when Magaziner upbraided him for not supporting the president. "He's probably the world's worst politician," says Awbrey, who worked with Magaziner at G.E. and Rubbermaid.

Magaziner says he has been advocating bringing a political person in since the spring. But what he means is someone to handle the public relations job. He doesn't want anyone else negotiating with Congress on the president's behalf. Even now that Harold Ickes has finally agreed to become deputy chief of staff (with power over health care), Magaziner continues to give off don't-tread-on-me vibes. "A lot of what's going to be happening with Congress is the policy, and the policy changes. And I'll continue to be in charge of that because I know the policy best." And that could lead to a disaster with the many members of Congress who dislike Magaziner more than they dislike his proposal.

Above all, the technocratic logic and total ambition of the Clinton health care plan speak to Magaziner's past in a way that is ominous for the president's future. What Magaziner has always lacked is an awareness of how the systems he designs can go askew in practice. He sees very clearly the faults in existing arrangements. But he never subjects his own contrivances to the same scrutiny. At Brown he designed a curriculum that would be ideal if all students were angels, or Iras. Some are. Many more coast through. In the Greenhouse Compact, he made a similarly optimistic assumption about one of the most rotten political cultures in the country, an assumption the electorate fortunately didn't share. In his constant attempts at grandiose industrial policy, he smartly sees where fallible economic actors go wrong, but then absurdly overestimates the power of the economist and the politician to avoid the same problems.

With the health care plan, this tendency reaches a crescendo. Magaziner sees existing vice, arguing, for example, that doctors, prompted by self-interest and self-protection, often supply too much care in the form of unnecessary tests and procedures. And he rightly tries to correct this problem. But he doesn't worry about abuse by those who will wield enormous power under *his* system through the new structure of a health care alliance. "The people this plan trusts the most, those who are absolutely filled with good will, who do nothing but the best for society, are governors and state legislators," says Lawrence O'Donnell, chief of staff of Senator Daniel Patrick Moynihan's Finance Committee, "the people who gave you congressional districts." O'Donnell worries that the alliances "will become permanent employment armies for governors." There is also the hazard of alliances being infiltrated by the people they are supposed to regulate. One of the few existing models of a managed competition plan, Florida's, has been plagued by this problem. "The purchasing alliances are going to wield enormous influence, and special interests are going to try to influence them," says Bob Rogan, spokesman for Florida's Agency for Health Care Administration. "Based on our experience you have to guard against that."

"Magaziner is not an incremental guy," says Patinkin. "He doesn't like to hit a single. He only tries to hit home runs." The people Magaziner calls his political heroes—Jefferson, Louis Brandeis, Adlai Stevenson, Eleanor Roosevelt—shared this quality. They were, he says, "not full of the social graces of their times," but were "willing to take risks, personal risks," in their pursuit of radical change. "They succeeded sometimes and failed sometimes. But they didn't crumble. They would keep going ahead with it."

Right-wingers misunderstand Magaziner by casting him as an ultraliberal with a faith in government solutions. That's not really the case. Magaziner's blueprints have become less and less government-based over the years, in keeping with political fashion. But he does remain in his heart a social planner with an unbounded faith in the grandiose systems he designs, whatever mixture of private sector and public sector they draw upon. His recipe may work this time. Unfortunately, there's little in his record to support that hope. •

IRA C. MAGAZINER

Ira C. Magaziner, an internationally known corporate and government strategist, is Senior Advisor to the President for Policy Development and is managing the development of the President's health care reform initiative.

CORPORATE STRATEGY CONSULTING

Until his appointment by the President, Mr. Magaziner led SJS, a public policy strategy consulting firm which earned revenues from corporate work and invested them in pro bono policy development projects and charity work in Rhode Island. From 1979 to 1989, Mr. Magaziner worked as founder and President of Telesis, an international corporate strategy consulting firm with offices in the United States and France. Mr. Magaziner worked as a corporate strategist with the Boston Consulting Group from 1973 to 1979.

GOVERNMENT CONSULTING

In the late 1970's, Mr. Magaziner pioneered the adaption of corporate strategy concepts and tools of analysis to the industrial competitiveness of nations. He undertook commissions by coalitions of government, business and labor leaders in Sweden, Ireland, Israel, and Ontario, Canada, and the New York/New Jersey Port Authority.

PUBLIC SERVICE

Education and Skills

Mr. Magaziner served as chairman of the Commission on the Skills of the American Workforce from 1988 to 1991, along with former Secretaries of Labor Bill Brock and Ray Marshall. He oversaw the research and writing of America's Choice: high skills or low wages!, the commission's report recommending major reforms in America's system of education and job training.

Health Care

In 1990, Mr. Magaziner led a group of Rhode Island community leaders to undertake a two-year study of health care for the aged. Mr. Magaziner spent months talking with consumers of health care, nursing home residents, nurses and doctors, a first-hand experience that has served him well in his White House post.

PUBLICATIONS

Mr. Magaziner has co-authored three books:

Japanese Industrial Policy, 1980, with Thomas Hout, a colleague from the Boston Consulting Group.

Minding America's Business - The Decline and Rise of the American Economy, 1982, with Secretary of Labor, Robert Reich.

The Silent War - Inside the Global Business Battles Shaping America's Future, 1988, with Mark Patinkin, journalist.

IRA C. MAGAZINER

Ira C. Magaziner, Senior Advisor to the President for Policy Development has managed development of the President's health care reform initiative.

Prior to his appointment to President Clinton's White House staff, Mr. Magaziner earned respect as one of American's most successful corporate strategists, directing major policy analysis for many of America's major corporations.

In 1989, Mr. Magaziner sold Telesis, a strategy consulting firm he founded in 1979 and formed SJS, a public policy strategy firm. SJS earned revenues from corporate strategy work and invested them into pro bono policy development projects and charity work for Rhode Island. The firm contributed more than $2 million in consulting resources to various projects during the past three years.

From 1979 to 1989, Mr. Magaziner worked as founder and President of Telesis, an international corporate strategy consulting firm with offices in the United States and France. Mr. Magaziner sold Telesis to Towers Perrin, Inc. in 1986 and continued to manage it until December 31, 1989. From its founding, Telesis rapidly grew to more than $10 million in annual revenue in the U.S. and Europe (more than $20 million including affiliates in Australia and Japan.)

Prior to forming Telesis, Mr. Magaziner worked as a corporate strategist for the Boston Consulting Group in Boston, London and Tokyo from 1973 to 1979.

CORPORATE STRATEGY CONSULTING

During the past two decades, Mr. Magaziner conducted hundreds of corporate strategy studies for companies competing in the global economy. Major clients included General Electric, Corning Glass Works, Rubbermaid, Volvo, Black & Decker, Hillenbrand Industries, and Ikea among others. Clients within these firms usually included the Chief Executive Officer or the head of a specific division or business.

In his role as corporate strategist, Mr. Magaziner devised detailed plans for investment, market positioning, cost reduction, management reform, marketing and new product development.

The essence of corporate strategy is to gain market share and improve profitability through wise investment. Mr. Magaziner pioneered techniques for cost analysis that allowed companies to gain competitive advantage. He also developed techniques for market segmentation that helped companies move ahead in the marketplace.

During his career, Mr. Magaziner analyzed the work and performance of hundreds of corporations, markets, factories and plants. He also participated in scores of international business negotiations.

Industries in which he worked include computer hardware, medical electronics, furniture, textiles, wholesale distribution, adhesives, consumer electronics, appliances, paper and pulp, power generation, automobiles, food, steel, machine tools, food equipment, retailing, aircraft, glass and ceramic products, telecommunications, power tools, sanitary and food storage containers, electrical supplies, motors, defense weapon systems, insurance, medical durables, hardware, printing, computer software, shipbuilding, construction equipment, marine engines, heavy machinery, plastics, specialty chemicals, pharmaceuticals, coal, iron and cooper mining.

His areas of expertise include Japanese business practices and international industrial policy. More than 40 major corporate studies involved work in Japan, including assessing the performances of more than 200 Japanese plants and factories. He has lectured to corporate and academic audiences for over a decade on Japanese business practices and Japanese industrial policy.

More than 50 major corporate studies involved work in Europe including analysis of over 300 European workplaces in countries such as Sweden, Germany, France, Italy, Spain, Great Britain and Ireland. He has lectured throughout Europe to corporate managers, government ministries and academic institutions on corporate strategy and economic development.

For well over a decade, he participated in business negotiations in China and the former Soviet Union and worked extensively in developing nations such as Mexico, Brazil, Singapore, Korea, Taiwan and Indonesia.

GOVERNMENT CONSULTING

In the late 1970s, Mr. Magaziner pioneered the adaptation of corporate strategy concepts and tools of analysis to the industrial competitiveness of nations. He undertook commissions by coalitions of government, business and labor leaders in Sweden (1978), Ireland (1981), Israel (1985), and Ontario, Canada (1987), and the New York/New Jersey Port Authority (1988), studying methods to improve the industrial competitiveness of their nations or regions.

PUBLIC SERVICE

Education and Skills

Mr. Magaziner served as chairman (?) of the Commission on the Skills of the American Workforce from 1988 to 1991, along with former Secretaries of Labor Bill Brock and Ray Marshall. First Lady Hillary Rodham Clinton also was involved with the Commission. He oversaw the research and writing of America's Choice: high skills or low wages!, the Commission's report, recommending major reforms to America's system of education and job training. A number of states including Oregon, Rhode Island, New York and Indiana have since adopted approaches to worker training recommended by the Commission.

Mr. Magaziner crisscrossed the country speaking on behalf of this effort on over 250 occasions as a result of his involvement, during the past two years. He received numerous awards including the Friend of Education Award from the American Federation of Teachers and the Annual Service Award from the National Community College Association.

Mr. Magaziner served as chairman of the Rhode Island Skills Commission, a 176-member body implementing America's Choice in Rhode Island, an effort supported by the state Chamber of Commerce, the AFL-CIO, the Urban League and other organizations.

He served on the board of Tougaloo College in Mississippi and has been a member of the Board of Trustees of Brown University. He also serves on the advisory boards of RE: Learning (chaired by Dr. Theodore Sizer) and the Quality Education for Minorities Network (QEM).

He taught as a visiting professor at the University of Rhode Island and a Visiting scholar at Bryant College, and has served on the advisory board of the Sloan School of Management Review at MIT.

Health Care

Three years ago, Mr.Magaziner founded Aging 2000, a groups of community leaders undertook a two-year study on health care for the aged in Rhode Island. The 180-person Aging 2000 steering committee represented consumers, advocacy groups such as the American Association of Retired Persons and Gray Panthers, nurses, doctors, social workers, hospitals, nursing homes, visiting nurse services, social service agencies, insurers, state officials and educators.

Aging 2000 successfully brought together leaders from all segments of the health care system, forged a common vision and initiated the creation of new models for care. Consortia are now being formed to implement these models in Rhode Island.

During the course of the Aging 2000 study, Mr. Magaziner spent months interviewing consumers of health care, nursing home residents, and nurses and doctors. He accompanied a number of physicians, nurses and other health professionals as they went about their daily work in hospitals and nursing homes. He went with visiting nurses on their rounds of patient's homes and, visited senior centers. The research team analyzed the cost structures and business strategies of health care providers.

Mr. Magaziner also led an effort undertaken by the March of Dimes of Rhode Island to institute model outreach programs with the goal of reducing infant mortality in high-risk areas of Rhode Island. He organized two festivals for children to design and evaluate the programs. He served on the Board of Directors of the Rhode Island March of Dimes in 19_____ and received their Outstanding Citizen of the Year Award.

He served on the board of the Rhode Island Group Health Association and helped negotiate its merger with the Harvard Community Health Plan.

The Environment

Mr. Magaziner served as treasurer and a member of the executive committee of Green Seal, a private, non-profit group developing "Green Seals of Approval" to assist consumers in identifying environmentally sound products. Dennis Hayes serves as founder and chairman of the group in partnership with Underwriters Laboratories.

Mr. Magaziner served on the board of Save the Bay, New England's largest grass roots environmental group for five years. Save the Bay is dedicated to cleaning up Narragansett Bay and its tributaries in Rhode Island and Southeastern Massachusetts. He directed the development of a strategic plan for the organization and helped prepare a plan for cleaning up the Blackstone River and Mount Hope Bay.

Economic Development

Mr. Magaziner served on the Competitiveness Council's Advisory Commission on Technology Policy, a group that brought top research and development directors from many of America's leading technology companies together.

He testified before Congress on numerous occasions on issues related to economic development, defense conversion, industrial competitiveness, technology policy, education and workforce skills.

In 1983 directed a pro bono study for the Greenhouse Compact Commission in Rhode Island. The Commission's recommendations for economic development in Rhode Island were endorsed by the Governor, business and labor groups, civil rights and social service advocacy groups and approved by both chambers of the state legislature but failed to win approval from the voters of Rhode Island in a ballot referendum. The recommendations were then submitted to the voters of Rhode Island and defeated.

Human Services

In 1991-1992 Mr. Magaziner undertook a pro bono study of the cost and organization of human service delivery in Rhode Island sponsored by the major public and private funders of social services.

The research team interviewed more than a thousand consumers of social services, visited more than a hundred social service agencies, talked to several hundred ministers, priests, social workers and community volunteers who work with poor and disabled people, and analyzed the costs, cash flow and organization of the social service system. The group also studied innovative state and local social service programs. ???????????????

Mr. Magaziner has served on the boards of trustees of Community Services of Southeastern New England, The International Institute of Rhode Island, the Rhode Island Rape Crisis Center, the March of Dimes, the Rhode Island Food Bank, the Jewish Federation of Rhode Island, and Meeting Street School for children with disabilities.

He also has served on the advisory board of the Center for Public Integrity in Washington, a research organization involved with issues of public ethics.

PUBLICATIONS

Mr. Magaziner has co-authored three books associated with his work as an economic analyst:

- Japanese Industrial Policy, published in 1980 and co-authored with Thomas Hout, a colleague at the Boston Consulting Group.

- Minding America's Business - The Decline and Rise of the American Economy, published in 1982 and co-authored with Secretary of Labor Robert Reich.

- The Silent War - Inside the Global Business Battles Shaping America's Future, published in 1988 and co-authored with journalist Mark Patinkin.

He also has written numerous articles on business strategy, international economics, education policy and skill development, as well as technology policy.

ACADEMIC BACKGROUND

Mr. Magaziner graduated in 1969 as valedictorian from Brown University and attended Balliol College, Oxford as a Rhodes Scholar.

While at Brown, he initiated and wrote a report on education reform and organized a student and faculty effort that led to a major overhaul of the university curriculum.

PERSONAL BACKGROUND

Mr. Magaziner was born on November 8, 1947 in New York City and attended public schools in Far Rockaway and Lawrence, New York. He now resides in Bristol, Rhode Island with his wife, Suzanne, and three children, Seth (9), Jonathan (7) and Sarah (5).

THE NATIONAL HEALTH CARE CAMPAIGN

To: Meeghan

From: Beth

430 SOUTH CAPITOL STREET, S.E. WASHINGTON, D.C. 20003 202 863-7174
TO VOLUNTEER AND CONTRIBUTE 1 - 800 - 923 - 1993

THE SEXY, IRRESISTABLE AND OTHERWISE "DO-ABLE" MEEGSTERS:
THE ENDORSEMENTS.

"I'd do her on the Thanksgiving table, right in front of Mom and Dad."
Jeffrey Eller
(He's clearly very close to his parents...)

"I think she's the hottest. Of course, I'm not the best judge..."
Matt Dorsey

"She's fantastic looking -- and I'm so tired of blonds these days. And I hear she's pretty politically savvy, not that I care..."
John F. Kennedy, Jr.

"She's my inspiration. Look for her on my next album cover."
Eddie Vedder

"Meeghan? She's simply a goddess. If only I hadn't married...and I was 20 years younger. Nah, if only I hadn't married...Actually, Meeg, if you're available...."
Warren Beatty

"We've been trying to get her to be 'Miss February' for years! Too bad she's over 22, otherwise I'd consider her myself..."
Hugh Heffner

^BC-DOLE-HEALTH-CARE 4THADD
^THE REUTER TRANSCRIPT REPORT

.STX

x x x (Applause.)

Q. Well, Senator, I was wondering, as the leader of the loyal opposition, how you react to the war room mentality that we've heard so much about in place within the White House and how you reconcile that with the need to debate the issue? And secondly, and perhaps even more importantly, is how do you reconcile the contradictory kinds of messages it seems that we're getting from the American public? On the one hand, there's a crisis that most people acknowledge, but at the same time people say they're not willing to pay additional taxes to fund a solution. I'm just wondering how you reconcile both those.

SEN. DOLE: I haven't. But in any event, I -- (laughter) -- it doesn't mean in the Congress you can't comment on things you haven't reconciled. (Laughter.) That's one advantage we have. We don't have to know anything about it to speak on it. So -- (laughter) -- and some demonstrate it every day. (Laughter.)

But in any event, I think the war room mentality -- I think that'll sort of -- I hope that sort of wears off when we get back to the real debate. This is not a political campaign. This is a very important issue. But I can understand any administration, when they have a program they think is very important to the people of the United States and to them, because it is, they want to go out and try to sell it and try to get people locked in early on. So they go into these debates with -- you know, with a lot of support.

Now, the overnight poll showed 56 percent, or 57 percent. I'm not certain that would be very comforting if I were down there. Because the budget showed 75 percent after the president made his speech earlier this year; then it dropped to 34 percent. It's like anything else. If you just tell people what time it is, then tell later how the watch was made, you know, when you start telling them about all the details of this plan, people are going to get a little frightened or they don't understand it, and they're going to revert back to ``Wait a minute, I'll keep what I have'' or ``Don't change it.'' They're afraid of more government.

So it seems to me that we're ready to go, and I think -- in about another week, I think all this hype will end, and then we'll get down to serious business. But it's like anything else. Once the TV cameras are gone and people start focusing on the generalities, it's like a flood. You know, when you're filling up the sandbags and TV's there; then the water's recede, you have to remove the sandbags. I've never figured out who did that, because there wasn't any TV there. (Laughter.) And it's sort of like health care right now. Right now

.ETX

.STX

there's all the hype and all the good things, and then we get down to serious hearings. They're going to get pretty dull. Day after day after day. But that's how we're going to put it together. And I hope we can do it in a nonpartisan way as the Republican leader.

Eller's "I'd do-ya" Promise Draws Fiery Response:

White House playboy Jeff Eller's offer to "do" innocent Meeghan Prunty has drawn vehement and wide-ranging criticism. Below are just some of the comments we've overheard:

♦

"I'm shocked. Just shocked. My little Jeffy..."
Momma Eller (from her cute American farm in Indiana)

♦

"I'll never be able to look at Jeffrey the same way at holiday dinners -- especially when he asks for a thigh."
Uncle Eller

♦

"This is just the kind of behavior we can expect from Liberals."
Haley Barbour

♦

"I think there should be an investigation. We don't know if he's done anything wrong...we just know there are some questions to be asked. For God's sake, this is Thanksgiving we're talking about..."
Senator Bob Dole

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001. memo	From: Lloyd Cutler; RE: Personal Data Statement Questionnaire (7 pages)	00/00/0000	b(6)

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Health Care Task Force
General Files
OA/Box Number: 3595

FOLDER TITLE:

Staff: Magaziner, Ira [1]

2006-0885-F
db4207

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P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
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P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

July 1, 1993

MEMORANDUM FOR JEFF ELLER AND IRA MAGAZINER

FROM: CAROLYN GATZ

SUBJECT: PRESS PACKET ON IRA

Attached is a rough cut at putting together the press packet you requested.

We re-drafted Ira's bio statement and gathered press clippings that seemed appropriate. We have press clippings related to his Aging 2000 Project and the Commission on the Skills of the American Workforce coming Tuesday.

You also mentioned obtaining statements of support from the President. Could you offer guidance about how to accomplish that task?

Any other ingredients? Please let me know if you think we're on the right track.

Thanks.

IRA C. MAGAZINER

1. **<u>Business Consulting Career - Recent Clients</u>**

Corning Glass Works

- James R. Houghton
  Chairman of the Board and CEO
  Corning Incorporated
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  Houghton Park
  Corning, NY 14831
  (607) 974-8332

- Roger Ackerman
  President and COO
  Corning Incorporated
  Mail Stop HPCB094
  Corning, NY 14831
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- Robert L. Ecklin
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  Environmental Products Division
  Corning Incorporated
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  (607) 974-8080

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  Appliance Park
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  Ikea North America
  Plymouth Commons
  Plymouth Meeting, PA 19462
  (215) 834-0180 Ext. 202

- Bo Ekman
  Chairman
  SIFO Management Group, AB
  NYBROKHEN 7, S-111
  48 Stockholm, Sweden
  46-8-679-7040

Hillenbrand Industries

- Lonnie Smith
  Executive Vice President
  Hillenbrand Industries
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  Batesville, IN 47006
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Wang

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  Former Chairman and CEO

Consulting Associates

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  President and CEO
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  Mississauga, Ontario L5N3A7
  (416) 821-6625

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  Exchange Consulting Group
  Exchange Place
  Boston, MA 02109
  (617) 973-1200

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  Manager Director - International
  Towers Perrin
  245 Park Avenue
  New York, NY 10167
  (212) 309-3744

- Jim Kiley
  Retired CEO
  Towers Perrin
  (818) 707-4623

2. Rhode Island Business

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  Providence, RI 02903
  (401) 278-5887

- Paul J. Choquette
  President and CEO
  Gilbane Construction company
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  Providence, RI 02904
  (401) 456-5905

- Edward McElroy
  Secretary Treasurer
  American Federation of Teachers
  555 New Jersey Avenue, NW
  Washington, DC 20001
  (202) 879-4415

- Alan G. Hassenfeld
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  1027 Newport Avenue
  Pawtucket, RI 02862
  (401) 727-5102

- Richard M. Oster
  President and CEO
  Cookson America, Inc.
  40 Exchange Terrace
  Providence, RI 02903
  (401) 521-1000

3. Commission of Skills of the American Work Force for the National Center on Education and the Economy

- William E. Brock
  Senior Partner
  The Brock Group
  1155 Connecticut Avenue, NW
  10th Floor
  Washington, DC 20036
  (202) 296-1901

- Ray Marshall
  Chair in Economics & Public Affairs
  University of Texas at Austin
  Drawer Y, University Station
  Austin, Texas 78713
  (512) 471-6242

- John Scully
  Chairman, President & CEO
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  Mail Stop 38A
  10431 North DeAnza Blvd.
  Cupertino, CA 95014
  (408) 974-2228

- Alan Wurtzel
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  Circut City Stores, Inc.
  1747 Corcoran Street, NW
  Washington, DC 20009
  (202) 265-3232

- James B. Hunt
  Governor, North Carolina
  Poyner & Spruill
  3600 Glenwood Avenue
  Raleigh, NC 27612
  (919) 783-6400

- Thomas H. Kean
  Former Governor of New Jersey
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  President's House
  39 Madison Avenue
  Madison, NJ 07940
  (201) 408-3069

- William Lucey
  International Secretary/Treasurer
  American Federation of State, County & Municipal Employees
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  Washington, DC 20012
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- Owen Bieber
  President
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  Detroit, MI 48214
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- Albert Shanker
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  American Federation of Teachers
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  Washington, DC 20001
  (202) 879-4400

4. <u>Green Seal</u>

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  The Bullitt Foundation
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  Suite 821
  Seattle, WA 98104
  (206) 343-0807

- Norman Dean
  President
  Green Seal
  1875 Connecticut Avenue, NW
  Washington, DC 20009
  (202) 986-0520

- Jan Hartke
  Vice President
  Humane Society of the US
  2100 L Street, NW
  Washington, DC 30037
  (202) 778-6132

5. <u>Center for Public Integrity</u>

- Charles Lewis
  Director
  Center for Public Integrity
  1910 K Street, NW
  Suite 802
  Washington, DC 20006

6. Rhode Island Skills Commission

- Dr. Eleanor M. McMahon
  Distinguished Visiting Professor
  Taubman Center for Public Policy
  P. O. Box 1977
  Brown University
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  (401) 863-2201

- Marcel A. Valois
  Executive Vice President
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  Blackstone Valley Electric Office Park
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  Senior Vice President for Government Relations
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  (401) 838-2125

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  Executive Director
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  177 Union Street
  Providence, RI 02903
  (401) 521-2255

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  Superintendent
  Woonsocket School District
  108 High Street
  Woonsocket, RI 02895
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- Peter McWalters
  Commissioner of Education
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  (401) 277-2031

- John M. Robinson
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  Department of Employment and Training
  101 Friendship Street
  Providence, RI 02903
  (401) 277-3732

7. Aging 2000

- Roberta Hawkins
  Alliance for Better Nursing Home Care
  1213 Elmwood Avenue
  Providence, RI 02903
  (401) 785-3340

- Rev. William Nisi
  Director of Pastoral Care
  Interfaith Health Care Ministry
  Room 369 Aldrich Building
  Rhode Island Hospital
  Providence, RI 02903
  (401) 444-8356

- Richard Bidwell
  Gray Panthers
  28 Armstrong Avenue
  Providence, RI 02903
  (401) 351-5127

- Anna Prior
  Elderly Advocate
  562 Main Avenue
  Warwick, RI 02886
  (401) 739-7326

- Steve Baron
  President
  The Miriam Hospital
  164 Summit Avenue
  Providence, RI 02906
  (401) 331-8500 Ext. 2000

- Eleanor Slater
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  North Kingstown, RI 02854
  (401) 294-9000

- Renee Shield, Ph.D.
  Medical Anthropologist
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  One Richmond Square
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8. <u>March of Dimes</u>

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- Doug Ashby
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- William Allen
  Executive Vice President
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  Providence, RI 02906
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- George Nee
  Executive Director
  AFL-CIO
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- Shelia Blumstein
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- Richard Salomon
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12. <u>State Government</u>

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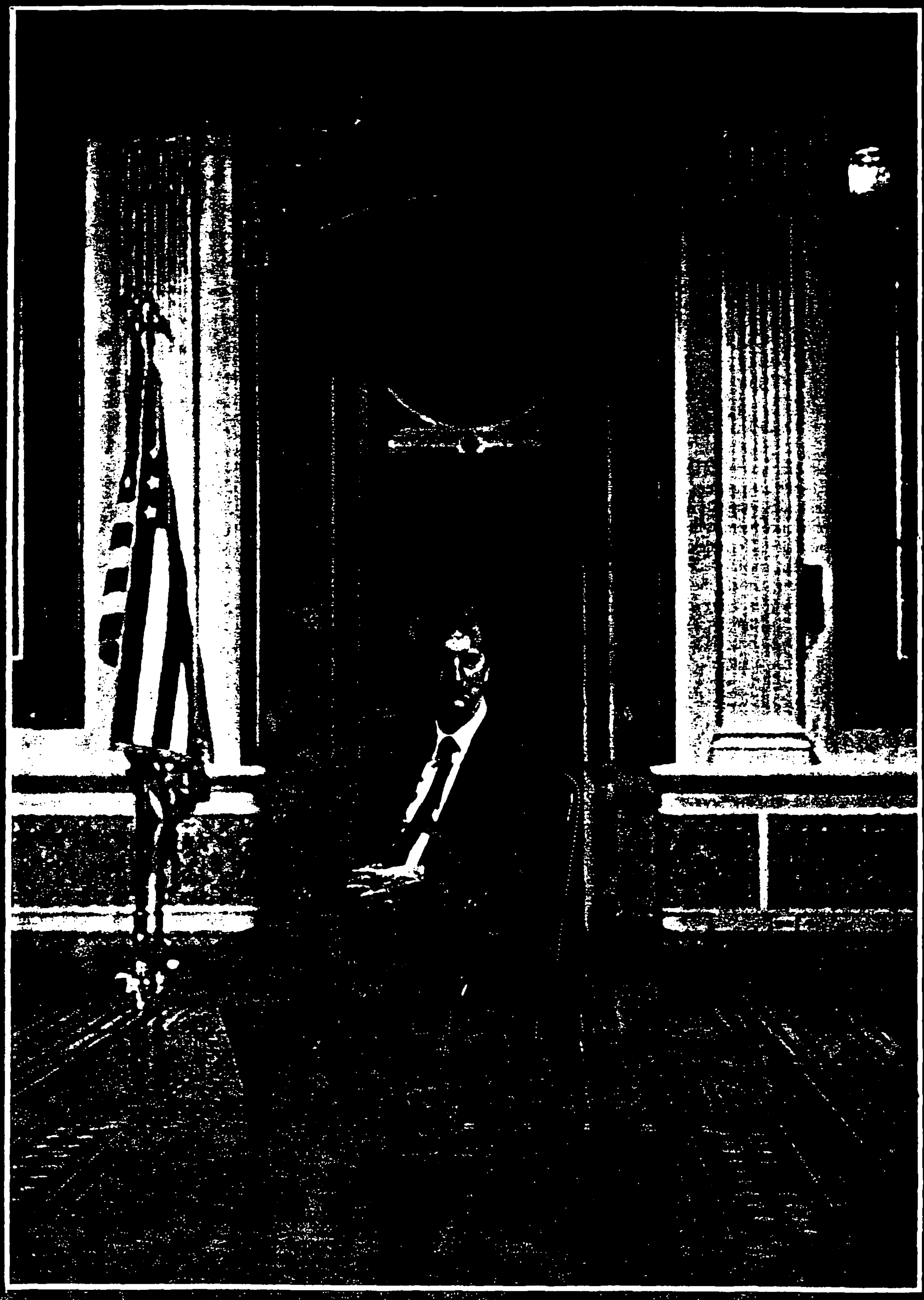

Mr. Magaziner Goes to Washington

Surviving on pizza and potato chips, working twenty hours a day, Rhode Island's brainiest guy learns what it really takes to make things happen.

By Stewart M. Powell

From the conference room on the second floor of the Old Executive Office Building rises the din of youthful subordinates welcoming their boss, the senior White House adviser for policy development in charge of health care reform.

"Ira, Ira, Ira," they chant as Ira Charles Magaziner strides toward his chair, his hair gray and unruly, his eyes distant and serene, his lanky frame stooped ever so slightly by—could it be?—the weight of impossible dreams.

It is a weekday, shortly after 7:00 a.m., more than an hour before Washington's rush hour peaks. Guards from the uniformed branch of the United States Secret Service have just opened the wrought-iron gates downstairs to let in flex-time employees who are in by 7:00 a.m. and out by 3:00 p.m.

Magaziner has been at work for hours already, poring over dog-eared memos strewn across his government-issue wooden desk. The floor-to-ceiling bookcases in his spacious office are brimming with reports laid askew as though scooped up and moved hastily the night before. Straight-backed wooden chairs still huddle around the coffee table

Ira Magaziner takes his place in the hallowed halls of Washington, where his no-nonsense style is fast earning him a curious reputation among the capital's old guard.

Photograph by Daniel Borris

The challenge of finding a remedy for the nation's health care woes rests squarely on the shoulders of Magaziner, here flanked by Secretary of Health and Human Services Donna Shalala and First Lady Hillary Rodham Clinton.

STEPHEN CROWLEY

from the last brainstorming session to reshape the nation's $940 billion health care system.

Magaziner's corner suite, with a reception area, inner sanctum, and conference room, is the ultimate perk for a high-ranking presidential aide. The suite overlooks the Ellipse, the Washington Monument, and the Jefferson Memorial on the banks of the Potomac River, virtually the same view as from the Oval Office in the nearby West Wing of the White House.

The coveted office signals that the occupant is on the inside in the new administration and is courted by a capital city that takes its cues from the pecking order at 1600 Pennsylvania Avenue.

This time, though, the office is occupied by the ultimate outsider, an austere man who calls Rhode Island home, a rich man with little patience for perquisites or rituals of power.

His ways differ sharply from those who have been in this office before.

Sensing that the capital's incestuous bureaucracies and turf barons rule the city by day, Magaziner quietly toils away deep into the night, often putting in marathon twenty-hour days to think unencumbered by Washington's ways. He has what White House planner David Dreyer calls a "five o'clock shadow at one in the afternoon."

Magaziner's workaholic style quickly became the talk of a gossipy town within weeks of his arrival last winter. By word of mouth, his sleepless, college-grind schedule quickly reached mythological proportions, earning him grudging respect from even the competitive White House twentysomethings and thirtysomethings who thought they might come to superiors' attention by burning the midnight oil.

The forty-five-year-old Magaziner merely works at his own pace, without regard to the internecine competition, because he has work to do and the work must get done. Once, he scheduled a three-hour meeting with President Bill Clinton on a Friday evening, then followed it a few weeks later with a brainstorming session with staffers that began at eleven o'clock on a Saturday night. Quipped one awestruck colleague: "The nerd's gone wild."

Magaziner has dreamed, debated, eaten, and napped in this office, but there is hardly a hint of him here. Missing are the personal touches, the pictures, the books, the plaques. It is as though Magaziner came reluctantly to help a beleaguered friend, but left his heart at home.

MAGAZINER'S WHITE HOUSE ASSIGNMENT culminates a life's worth of achievement, and makes him one of the most high-powered Rhode Islanders in national political history.

He is a long way from the ardent boy from Far Rockaway, New York, the brilliant son of a bookkeeper, who before the ripe age of seventeen had picketed against unfair housing policies, organized a waiters' walkout at an Adirondacks summer camp, and marched on Washington for racial equality. At Brown University in the 1960s, he gained more momentum, becoming class president, valedictorian, and leader of a curriculum overhaul.

In the ensuing years, he went from social activist in Brockton, Massachusetts, to $100,000-a-year analyst for the prestigious Boston Consulting Group, to owner of the Providence consulting firm Telesis that sold in the late 1980s for an estimated $6 million, while in the meantime authoring several books on global economics. In early 1990, he started the public-policy think-tank SJS Incorporated, a hotbed in recent years for experimental thinking that has made Rhode Island a kind of laboratory for far-sighted studies of economics, the elderly, and health care.

Magaziner has often intertwined his private business ventures with local activism. For instance, he volunteered the resources of Telesis to help map a revival of the Rhode Island economy. That effort culminated in the Greenhouse Compact in 1984, a plan that, if voters had accepted it, would have cultivated public-private partnerships and provided government incentives for industrial job growth.

As a key player in President Clinton's massive and beleaguered health care reform effort, Magaziner orchestrated a staggering day-by-day schedule for working groups of more than five hundred experts, and he is still spearheading the mission with the supreme, unspoken confidence that it will all work out.

One insider likens Magaziner's job to the Manhattan Project, the intense program to beat Nazi Germany in the creation of an

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atomic bomb during World War Two. "You're throwing five hundred strangers into a room and saying, 'Solve the world's greatest problem,' " the official says. "You hope when you put it together, the whole thing works."

Both Clinton and Magaziner know the stakes. If the health care proposal Magaziner is drafting rallies the nation, the forty-six-year-old president could be the first elected Democrat to win a second term since Franklin D. Roosevelt did in 1936. But if Magaziner's effort fails, Clinton could see his dreams disappear.

Their joint venture tests a deep affection burnished since they crossed paths on the greenswards of Oxford University as Rhodes scholars. Magaziner admires Clinton's insatiable appetite for detail, not only for what it says about the president's ability to grasp complicated issues, but also because it means he pays attention to those he employs. "I've never worked for him directly before," Magaziner says. "I think he respects and listens to the people that he's with. You know, he is an unassuming guy, and the fact that he is president doesn't mean that he acts any differently than he did before."

With the stakes so high, many people in Magaziner's shoes might have been daunted by the idea of designing a national health care system. There might have been a flicker of anxiety, a modest admission that this is the project of a lifetime. But the risks barely ruffle this taut, unflappable man, and even a job of the current magnitude is not enough to faze him. Overhauling a health care system that accounts for nearly one-sixth of the nation's economic activity, is, for Magaziner, just another crash project for a demanding client.

Hillary Rodham Clinton, who leads the health care effort, regards Magaziner as her partner in reform. "[He] understands numbers and understands costs and can come up with the best possible compromise and consensus among people who come from different points of view," she says.

OFFICIAL WASHINGTON, a city dotted with monuments to legendary patriots, has rarely seen a self-deprecating patriot quite like Magaziner. The conservative city eyes the brainy, restless intellectual with understandable caution. His seeming indifference to the courtesies of power worry a clubby world where small talk and bonhomie grease the skids for hard-nosed bargaining over strongly held political differences.

For his part, Magaziner admits, "I don't feel that comfortable in Washington. It's not my kind of city, and I think even if I were to stay a number of years, I would always want to be an outsider."

The outsider hardly endears himself by challenging the sacrosanct as a matter of course. Here is someone, after all, who once urged Congress to spend $25 million to explore the questionable theory that energy could be produced through cold fusion, a theory that has since been discredited by scientists. He makes a practice of raising the politically unthinkable—including a nationwide value-added tax to generate the $100 billion needed to extend health care coverage to everyone.

Magaziner makes no apology for walking up blind alleys—it is part of the job. If he does not explore every avenue, the nation's health care costs could nearly double to $1.7 trillion by 2000 and virtually bankrupt the nation when the Baby Boomers hit retirement, leaving Clinton on the political shoals.

"It's not easy to bring changes to this city," Magaziner laments as he prepares to go public with the health care blueprint. "Often, I've encountered a kind of 'can't-do' attitude. I can't say it has been easy or pleasant."

The clash between the no-nonsense Rhode Islander and the chummy Washington elite was a traffic accident waiting to happen. The capital simply is not used to an outsider "coming in and doing a top-to-bottom review and issuing a set of recommendations," William E. Brock, a former senator from Tennessee and one-time chairman of the GOP, groused in a *Washington Post Magazine* story about Magaziner. "Instead, it's a sort of drip, drip, drip process that you have to stay with and move the ball forward a little every day. He's going to drive himself crazy or drive everyone else crazy."

YET STEADILY, MAGAZINER IS PENNING SOME of the most far-reaching changes ever proposed. He wins wide praise for devotion, if not always for the emerging health care proposals. Sure, House Ways and Means Committee Chairman Dan Rostenkowski has referred to some of Magaziner's evolving plans as "the domestic equivalent of Star Wars," but the chorus generally has been positive.

Senator John D. "Jay" Rockefeller IV, a key force on Capitol Hill, is as surprised as anyone. "What happened was not so much that Ira adjusted to Washington, but that Washington adjusted to Ira."

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says the powerful chairman of the Senate Finance Committee's panel on Medicare and long-term care.

Magaziner's emotionless, analytical manner has been reassuring to officials worried by the economic and political stakes. Rhode Island Representative Jack Reed eyes Magaziner's successful courtship with understandable home-state pride. Washington "quickly appreciated his grasp of the issue, his native intellect, and his unflappable demeanor," Reed says. "I think Washington has a sense of confidence that we have somebody who is truly experienced."

In his work, Magaziner invites contrary points of view, signaling that facts rather than ideology decide outcomes. "He takes notes, and people noticed that," says Rockefeller. "There is nothing too small, too unimportant to overlook to win health care reform."

Magaziner has also won allies by appealing to Republicans in ways that Hillary Clinton cannot. Her passion about the need for change has become a lightning rod for the wary and the partisan. But Magaziner, a proven business consultant and long-time entrepreneur, speaks their language. "He was calm. Republicans just somehow related to him," Rockefeller says.

Magaziner's low-key offensive is bolstered by a loyal, close-knit staff that seems to delight in shared sacrifice. Rhode Islanders Marjorie Tarmey, Denise Ricketson, and Christine Heenan came from SJS. Other aides have signed on as well, for a helter-skelter lifestyle where night merges into day with seamless exhaustion. "Everyone had a sense that it was history in the making," says task-force aide Jason Altmire, and they have worked accordingly.

Dreams run high and tempers run short. "Half the people in our group threatened to quit at least once a day," says John Lantos, a University of Chicago pediatrician who participated on one of the committees. "Then half an hour later, they'd be earnestly at work."

Magaziner, who survives on potato chips and pizza, concedes that making the omelet requires more than a few broken eggs—and egos. "You can't run such a big process with so many people in such a short time without angering some people," he says without undue concern. "And I'm sure I have."

FOR MAGAZINER, THE SACRIFICE USUALLY is unspoken. But by late spring, as the unveiling of the health plan was experiencing delays, he admitted longing for time with his wife, Suzanne, and three children, Seth, nine, Jonathan, eight, and Sarah, five.

Even though they are close—he moved them from their stunning Bristol home on Poppasquash Point to a house he purchased in a million-dollar neighborhood in the northwest section of Washington—he still feels he is not doing enough. "What I do sometimes now is I'll go home and be with the kids a little bit, tell them a story, and then go back to work," Magaziner says. "I certainly haven't been a proper husband or father these past couple of months."

His children attend the private Georgetown Country Day School. He makes it to birthdays and a few soccer games. But he yearns for the time when the health plan is made public and he can throttle back. Regardless of the plan's timetable, his family is spending the summer in Bristol, with him commuting on weekends. "I miss Rhode Island," Magaziner says wistfully. "That's my home. So it's been tough."

Nonetheless, when the excitement and frustrations of his job mount, he confesses it is "very hard to think about the personal price." And the long-term reward if the reforms succeed "will be something [to] look back on and be proud of," he says with typical understatement.

Magaziner is prepared to do whatever is needed to help the president sell the health care plan to Congress and the public. "I expect all hell to break loose when we announce [it]," he says. The pragmatic, detail-oriented mastermind will do his part by bargaining behind the scenes with lawmakers, tough as he knows it will be and as much compromise as he knows it will take. "What we put out won't be perfect. You can't design some new structures, no matter how hard you work on it. And so we look forward to the debate. And where people have good suggestions to make, we'll try to modify what we've done to accommodate them," he says.

The grueling give-and-take threatens to take months, if not years. By then, Magaziner hopes to be immersed in another package of reform, possibly the overhaul of the education system.

For now, though, he braces for the challenge of transforming his revolutionary health care package into the law of the land, a task that would draw the inveterate outsider more deeply into Washington's inner workings.

"It will be a real roller-coaster ride," Magaziner says. "We've just got to try to stay on the track." ■

Stewart M. Powell is White House correspondent for Hearst Newspapers.

Will America Choose High Skills or Low Wages?

If America is to regain its competitive edge in the world market, education and industry must teach all *workers high-performance skills.*

IRA MAGAZINER AND
HILLARY RODHAM CLINTON

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One suggestion from the Commission on the Skills of the American Workforce is work-study programs for non-college-bound students in which they could earn certificates for service and manufacturing vocations.

During the past two decades, the United States has watched as Singapore, Taiwan, and Korea grew from run-down Third World outposts to world premier exporters; as Germany, with one quarter of our population, almost equaled us in exports; as Japan became the world's economic juggernaut. During these transformations, America became the world's biggest borrower.

We have heard the excuses: The countries we beat in World War II are simply regaining their former places in the world. The Europeans and the Japanese are exploiting their low wages. Our competitors are class-ridden countries.

The truth is otherwise: Our former adversaries are doing far better in relation to us than they did before the war. A dozen nations now pay wages above ours. Our distribution of income is more skewed than any of our major competitors, and our poverty rate is much higher.

Our education statistics are as disappointing as our trade statistics. Our children rank at the bottom on most international tests — behind children in Europe and East Asia. Again, we heard the excuses: They have elite systems, but we educate everyone. They compare a small number of their best to our much larger average. The facts are otherwise: Many of the countries with the highest test scores have more of their students in school than we do.

We are not facing the facts about our future. What we are facing is an economic cliff — and the frontline working people of America are about to fall off.

A Drop in Productivity

From the 1950s to the 1970s, America's productivity grew at a healthy pace. The nation was getting richer, and workers lived better on what they earned. Since then, the rate of increase in productivity has dropped dramatically. The distribution of income in the United States has been worsening. Those with college degrees are prospering, but frontline workers have seen the buying power of their paychecks shrink year after year. Since 1969, real average weekly earnings in the United States have fallen by more than 12 percent. And, during the past two decades, our productivity growth has slowed to a crawl. It now takes nearly three years to achieve the same productivity improvement we used to achieve in one year.

If productivity continues to falter, we can expect one of two futures. Either the top 30 percent of our population will grow wealthier while the bottom 70 percent becomes progressively poorer, or we all slide into relative poverty together.

If we are to avert catastrophe, we must make drastic improvements in our rate of productivity growth. But we cannot grow simply by putting more people to work. We must grow by having every American worker produce more. If we do not, our incomes will go into a free-fall with no end in sight.

Going High Performance

We must work more productively and be more competitive. We cannot do this simply by using better machinery, because low-wage countries can use the same machines and still sell their products more cheaply than we can. Nor can we continue to organize work by breaking complex jobs into myriad simple rote tasks, because the world's best companies now use new high-performance work organizations, unleashing major advances in productivity, quality, variety, and speed of new product introductions.

Because most American employers organize work in a way that does not require high skills, they foresee no shortage of people who have such skills. With some exceptions, the education and skill levels of American workers roughly match the demands of their jobs. But if we want to compete more effectively in the global economy, we will have to move to high-performance work organizations.

To do this we must mobilize our most vital asset, the skills of our people — not just the skills of the 30 percent who will graduate with baccalaureate degrees from college, but those of the frontline workers — the bank tellers, farm workers, truck drivers, retail clerks, data entry operators, laborers, and factory workers.

We can do this only by reorganizing the way we work in our stores and factories, in our warehouses, insurance offices, government agencies, and hospitals. We can give our frontline workers much more responsibility, educate them well, and train them to do more highly skilled jobs.

What we are facing is an economic cliff — and the frontline working people of America are about to fall off. If we are to avert catastrophe, we must make drastic improvements in our rate of productivity growth.

If we do this, we can streamline work. We will need fewer supervisors, fewer quality checkers, fewer production schedulers, and fewer maintenance people, so organizations will become more efficient. Because they will be more efficient, they will be able to sell more. Because they will sell more, they can expand. Because they can expand, they can employ more people. Although each operation will require fewer people, society as a whole can increase employment and wages can go up.

The Commission on the Skills of the American Workforce

With hopes of steering a new course for the U.S. before we face a crisis, the Commission on the Skills of the American Workforce came together in June 1989 to analyze the interplay between economic trends and population dynamics. The Commission included a research team of 23 loaned executives from companies, unions, industry associations, and the U. S. Department of Labor.

The team probed into several industries both in the United States and abroad and concentrated on major markets of several states. In total, the team interviewed more than 2,000 people at 550 firms and agencies and analyzed many government and private reports.

The Commission's findings on American industry, labor policy, and education pointed in one direction: Americans are unwittingly making a choice that most of us would not make were we aware of its consequences. It is a choice that will lead to an America where over 70 percent of our people will see their dreams slip away.

This choice is being made by companies that cut wages to remain competitive. It is being made by public school officials who fail to prepare our children to be productive workers. Ultimately, we are all making the choice by silently accepting this course.

We still have time to make the other choice, one that will lead us to a more prosperous future: we can opt for high skills rather than low wages. But to make this choice we must fundamentally change our approach to work and education.

Problems and Solutions

The Commission set out to both identify the problems America faces and recommend feasible solutions. Based on its research, the Commission made several key recommendations for an education and training system.

Problem 1: Two factors stand in the way of producing a highly educated work force — we lack a clear standard of achievement and few students are motivated to work hard in school.

Ohio Department of Education

The Commission recommends that high school students meet nationally established performance-based standards that qualify them for highly skilled jobs. Such standards should be benchmarked to the highest in the world.

One reason that students going right to work after school have little motivation to study hard is that they see little or no relationship between how well they do in school and what kind of job they can get after school.

Recommendation: A new educational performance standard should be set for all students, to be met at or around age 16. This standard should be established nationally and benchmarked to the highest in the world.

Students passing a series of performance-based assessments that incorporate this new standard would be awarded a Certificate of Initial Mastery. Possession of the certificate would qualify the student to choose among going to work, entering a college preparatory program, or studying for a Technological and Professional Certificate, described below.

Problem 2: More than 20 percent of our students drop out of high school – almost 50 percent in many of our inner cities. These dropouts go on to make up more than a third of our frontline work force. Turning our backs on those dropouts, as we do now, is tantamount to turning our backs on our future work force.

Recommendation: The states should take responsibility for assuring that virtually all students achieve the Certificate of Initial Mastery. Through new local employment and training boards, states, with federal assistance, should create and fund alternative learning environments for those who cannot attain the Certificate of Initial Mastery in regular schools.

All students should be guaranteed the educational attention necessary to attain the Certificate of Initial Mastery by age 16, or as soon as possible thereafter. Youth Centers should be established to enroll school dropouts and help them reach that standard.

Problem 3: Other industrial nations have multiyear career-oriented educational programs that prepare students to operate at a professional level in the workplace. America prepares only a tiny fraction of its non-college bound students for work. As a result, most flounder in the labor market, moving from low-paying job to low-paying job until their mid-20s, never being seriously trained.

Recommendation: A comprehensive system of technical and professional certificates should be created for students and adult workers who do not pursue a baccalaureate degree.

Technical and professional certificates would be offered across the entire range of service and manufacturing occupations. A student could earn the entry-level occupation certificate after completing a two- to four-year program of combined work and study. A sequence of advanced certificates could be obtained throughout one's career.

National committees of business, labor, education, and public representatives should be convened to define certification standards for two- to four-year programs of professional preparation in a broad range of occupations. These programs should combine general education with specific occupational skills and should include a significant work component.

Problem 4: The vast majority of American employers are not moving to high-performance work organizations, nor are they investing in training their nonmanagerial employees for these new forms of work organization. The movement to high-performance work organizations is more widespread in other nations, and training of frontline workers is commonplace.

Recommendation: We propose a system whereby all employers will invest at least 1 percent of their payroll for the education and training of their workers. We further recommend that public technical assistance be provided to companies, particularly small businesses, to assist them in moving to higher-performance work organizations.

Problem 5: The United States is not well organized to provide the highly skilled workers needed to support the emerging high-performance work organizations. The training system is fragmented with respect to policies, administration, and service delivery.

Recommendation: A system of employment and training boards should be established by federal and state governments, together with local leadership, to organize and oversee the new school-to-work transition programs and training systems.

We envision a new, more comprehensive system where skills development and upgrading for the majority of our workers becomes a central aim of public policy. The key to accomplishing these goals is finding a way to enable the leaders of our communities to take responsibility for building a comprehensive system that meets their needs. The local employment and training boards would serve as the vehicles for oversight and management of training and school-to-work transition programs, Youth Centers, and job information services.

Implementing America's Choice

Since the release of the report in June 1990, the Commission has promoted awareness of the report's recommendations through speeches and briefing sessions with educators, business and labor leaders, government officials, and advocacy groups. As the report's findings have been disseminated, interest in implementing its recommendations has become widespread.

On the national level, key members of Congress, both Democrats and Republicans, have introduced the High Skills, Competitive Workforce Act of 1991 based on the Commission's recommendations. Without creating a needless new bureaucracy, this legislation (H.R. 3470 and S. 1790) goes a long way toward ensuring that U.S. businesses will remain competitive in the global marketplace and that American workers will continue to enjoy a high standard of living. The act supports national education and job-skill standards benchmarked to world-class standards. It provides grants to local communities to establish Youth Opportunity Centers aimed at bringing high school dropouts back into the education system to ensure that they, too, meet world-class standards. And the bill provides technical assistance to employers to help them train their frontline workers and make the shift to high-performance work organizations. To finance the training, the bill requires employers to invest at least 1 percent of payroll in training frontline workers or contribute to a national trust fund earmarked for training.

We propose a system whereby all employers will invest at least 1 percent of their payroll for the education and training of their workers.

More than 20 states have expressed an interest in working with the Commission on implementation strategies. Oregon, Washington, New York, and Minnesota have already created legislative initiatives to implement the Commission's recommendations. And education groups are moving to do the same.

New Standards for the Schools

Key national groups, including the President's Advisory Committee on Education, the governing board of the National Assessment of Educational Progress, and the National Education Goals Panel, have begun to advocate the development of an examination system consistent with the creation of a Certificate of Initial Mastery.

And recently, President Bush, in his education initiative, "America 2000," announced the development of a national examination system for the nation's K-12 school system. Numerous groups, including the New Standards Project, a partnership of the National Center on Education and the Economy and the Learning Research and Development Center of the University of Pittsburgh, have begun to develop a new student performance assessment system, putting into place

Ohio Department of Education

U.S. school programs should combine general education with specific occupational skills, including a significant work element.

the first steps to making this new system a reality.

Recovering Our Dropouts

It will do no good to raise academic standards for school leavers if large numbers of high school students cannot meet them. The idea of Youth Centers, the Commission's strategy for recovering school dropouts and bringing them up to a high academic standard, is an essential component of the whole strategy for national human resource development.

The Commission is working closely with the William T. Grant Foundation's Commission on Work, Family, and Citizenship and others to develop a national network of Youth Centers. A bill has been submitted to the New York State legislature to create Youth Centers in that state. The Commission is also working to make information available to other states on the characteristics of successful alternative education programs for dropouts.

Preparing Frontline Workers

Most employers in this country have never been seriously involved in setting industry standards for entry-level employment and have no established mechanisms for doing so. Neither do they have a tradition of offering formal, multiyear, on-the-job training programs to high school graduates.

Efforts are currently under way to change American employer attitudes and practices toward work force education. The U.S. Departments of Labor and Education are focusing on work force training and vocational education. The Department of Labor's Commission on Work-Based Learning serves as an advisory commission on workplace training and high-performance work organization.

The Commission on the Skills of

It is unlikely that this country will do what must be done about workers' skills unless there is a strong demand from business and industry for people with those skills.

the American Workforce plans to work with industry associations and key national business organizations to develop certification standards for their industries. This past summer, the Commission participated with the National Governor's Association and the National Council on Vocational Education in an NGA-sponsored conference on new forms of technical and professional preparation programs.

Reorganizing Work

Setting standards must go hand-in-glove with a strategy to reorganize work. Under current forms of work organization, employers do not demand highly skilled workers. It is unlikely that this country will do what must be done about workers' skills unless there is a strong demand from business and industry for people with those skills. That will not happen until employers see the need to embrace high-performance forms of work organization.

The Commission has met with national business groups to begin a concerted campaign to promote an understanding of high-performance work organization. Plans are under way to develop an industry-led technical assistance network to help companies make the transition. Some companies will have the international resources to develop the necessary training programs to upgrade worker skills, while others will need outside consultation.

Building a Comprehensive System

Without a coherent labor market system that embraces national, state, and local government, the Commission's other recommendations will be less effective. Therefore, the Commission has put forth a legislative proposal that we believe is a first step toward uniting disparate pieces of the nation's existing labor market programs. In addition, we plan to publish papers on the elements of the system we believe should be put in place — from postsecondary data systems to a reborn employment service. Then, we hope to convene a working group of state, federal, and national government leaders with business, labor, and education leaders to begin discussions on implementation.

Leaping Ahead

The system we propose provides a uniquely American solution. Boldly executed, it has the potential not simply to put us on an equal footing with our competitors, but to allow us to leap ahead, to build the world's premier work force. In doing so, we will create a formidable competitive advantage.

The status quo is not an option. The choice is between becoming a nation of high skills or one of low wages. The choice is ours. It should be clear. It must be made.

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June/July 1993

Alumni Monthly

Ira's Biggest Test

Ira's Latest Crusade

BY PETER W. BERNSTEIN '73 • PHOTOGRAPHS BY LINDA CREIGHTON

The coauthor of Brown's curriculum has a once-in-a-lifetime chance to overhaul the United States's system of health-care coverage. But will his ideas play with the politicos – and in Peoria?

Ensconced in spacious quarters in the Old Executive Office Building next door to the White House, Ira Magaziner '69 is doing what he has done periodically since he was an undergraduate twenty-five years ago: compiling a voluminous report that seeks fundamental change. This time, however, the subject under scrutiny isn't the Brown curriculum, the American workforce, or the Swedish economy – all topics he has tackled in the past – but the U.S. health-care system.

As assistant to the President for policy development, Magaziner, formerly a Rhode Island-based business consultant, is director of the Clinton Administration's Health Care Reform Task Force. The group's head, of course, is First Lady Hillary Rodham Clinton. Since January 25, when the task force was officially formed, Magaziner, along with the 500-member group, has contemplated every aspect of American health care. The results of their effort have been much discussed. Hardly a day passes without a new story about what will or will not be included in the President's health-care plan. But the official unveiling, originally scheduled for early May, keeps getting pushed back; the latest release date projected by the Administration is mid-to-late summer.

Magaziner has the graying hair and pallid complexion of a career bureaucrat – and a new $7.50 haircut. His desk is piled with papers. Behind it on a credenza are more than a dozen thick briefing books that are the basis for the health-care reform plan. A draft is now in its final stages and, according to Magaziner, all but a few of the major decisions have been made. He is mum on some of the key details, but he says much of the press speculation about the plan is wrong.

As is his custom, Magaziner has been running on all cylinders to get the report done. The newspapers have reported his insatiable capacity for hard work: He arrives at the office at 4:30 A.M., seven days a week. When Ira asks for something by 4, according to one story making the rounds, his staff inquires whether he means 4 A.M. or 4 P.M. In spite of his backbreaking schedule, however, the Magaziners are settling in. The family has moved from a hotel to a house in one of the city's high-rent neighborhoods. The Magaziner kids, like First Daughter Chelsea Clinton, are enrolled in an elite, but liberal, private school.

Magaziner expects to find himself at the center of a gathering storm. In the press, he's been portrayed as a longtime FOB (Friend of Bill). They met, as did a handful of other Administration officials (including Labor Secretary Robert Reich, with whom Magaziner later coauthored a book), when they were Rhodes Scholars at Oxford. Magaziner has been described as a brilliant analyst who has had difficulties, particularly in the public arena, getting his policy prescriptions implemented. While he concedes that he has had some failures, he points to successes as well. What was dubbed the Greenhouse Compact, an ambitious and expensive plan that Magaziner proposed to jump-start Rhode Island's moribund economy (*BAM*, December '83/January '84), ignited a statewide debate before being rejected by more than three-quarters of the voters in a 1984 referendum. But a 1990 report he wrote on skills of the American workforce sparked a renewed national interest in apprenticeship programs and, according to Magaziner, prompted more than twenty states to implement such programs.

Peter Bernstein is executive editor of U.S. News & World Report *and chairman of this magazine's board of editors.*

Pausing only to take a phone call from Hillary Clinton and nibbling on a lunch of tuna salad and a Coke, Magaziner sat down recently to talk for several hours about his first days in Washington, his relationship with President and Mrs. Clinton, the need for health-care reform, and his prospects for success. Excerpts from that conversation follow.

On Washington and the First Couple

Is Washington a rougher place than you expected?

Not really. The overwhelming sense is not of roughness; it's just that you're running through a field of marshmallows in terms of getting anything done. There's a can't-do attitude in this town that I haven't seen anywhere else. You expend twice as much energy to get something done.

In Rhode Island, if people don't like what you're doing, they'll tell it to your face in no uncertain terms. I prefer that. In Washington people will smile at you and they're your best friend, and then they'll stab you in the back.

You've known Bill Clinton a long time. Has being president changed him?

One amazing thing about Bill Clinton is he hasn't really changed. He's still very easy to get along with, doesn't have pretentions, is a tremendous listener, extremely smart, very knowledgeable, and a very caring person.

Why is he having so much trouble?

A month ago everybody was saying everything is wonderful, and now he's having trouble, and a month from now everything will be wonderful again. He was down and out and in terrible trouble at about seven or eight different points during the campaign, and here he is president.

I think the difficulties of getting a huge deficit-reduction plan past Congress shouldn't ever be underestimated. Inevitably there is going to be a lot of acrimony. But once that's accomplished, which I think it will be, we may get to another phase in the cycle. You've got to flow with these short-term ups and downs.

You've worked with Hillary Clinton before. How has your relationship changed?

When we've worked together in the past, we've been on more of an equal footing. In this case, she's in charge, obviously. But we have a very good and easy relationship. She's extremely bright, she is very committed, she argues her point strongly, she's compassionate, a very good leader, and I respect her tremendously. We tell each other exactly what we think, and we enjoy arguing points back and forth. She's very secure and doesn't mind when people disagree with her.

Reinventing the U.S. health-care system

There were more than 500 people involved in the health-care task force. In retrospect, do you think it worked?

There are a couple of reasons why health-care reform hasn't been done before. One is that you have a lot of different areas that have to be covered if you're going to do comprehensive reform. People who understand about insurance reforms or people who understand about the structure of a benefits package or who have worked on issues of mental health or long-term care or the problems of rural areas or the problems of urban areas – all are very different groups. In order to get the right mix of people around each of the major issues, we needed a big group of people. I jokingly called it "managed chaos."

> "Compared to most of the people I've met in Washington, I'm more oriented toward markets and competition"

We've produced a set of books on each topic which are very detailed and which reflect some of the best thinking and experience in each of these areas. We've been able to knit that together into a plan that I believe will stand the test of public scrutiny and will also work.

Some of your critics accuse you of favoring big government and government intervention. Will that be the case with health-care reform?

I do think the government has some responsibilities toward the citizens of the country that only government can do. If the government didn't try to guarantee that everybody should have access to decent health care, it wouldn't happen. We've had a couple of centuries of the government not providing that guarantee. The government needs to set goals and frameworks for achieving them.

But what I've been pushing all along, against what is the natural tendency in Washington, is a more private-sector-oriented competitive solution. You have in Washington a lot of people who believe that there should be a government-run system, a single-payer system, a system that brings Medicare to the country as a governmental system with microregulation and everything else. But I've been strongly advocating, as has the President, more of a managed-competition approach that allows competitive forces to work, with the government just setting the ground rules. Compared to most of the people I've met in Washington, who think that the government ought to microregulate the health-care system, I'm much more oriented toward markets and competition.

You advised the Clinton campaign on health care and knew quite a bit about the subject before the task force was formed. How have your ideas changed as you've gone through the process?

Even if you give everybody universal coverage, there are certain areas of the country – urban and rural underserved areas – where the infrastructure is not adequate. My feeling going into this was that you would require health plans to set up in those underserved areas. People who had experience in those underserved areas said, "Look, even if you require some of those bigger health plans to come in here, there might be a real differences in the quality of a facility in the poor urban area versus a facility in the suburb." What you really need to do is put greater emphasis on incentivizing the development of health plans from within those communities.

Another instance in which my thinking changed is on how you would bring about and finance a system of universal coverage. One of the biggest problems you face is designing a system that works for low-wage as well as high-wage companies. This may sound like a detailed technical question, but it's a very important one.

If you look at the 37 million Americans who are uninsured right now, 85 percent of them are people who work for companies that pay lower wages. The reason they and their families are uninsured is because health care has become so expensive. A health-care policy for a $15,000-a-year worker – that's a person earning $7.50 an hour – might cost $5,000. So you'd be spending 33 percent of the total wage on health care. That's a very difficult thing to do for a company and the individual. You need to put the right kind of incentive system in place and the right kind of financing structure so employers can afford it.

My thought going in was that you could put a major subsidy scheme together for low-wage firms or small firms. But as you look further, you discover that you'd have to set up eligibility requirements for one-third of the American population, determine incomes, and then try to subsidize

millions of businesses. It would be a bureaucratic nightmare. We've had to devise a more practical, much simpler way of doing that, which will accomplish the same result.

Can Americans afford reform?

Most Americans have health insurance and are more or less satisfied with the quality of their care. What's in health care reform for them?

Most people who have health-care coverage are satisfied with what they've got but scared to death of losing it. Under today's system, all it takes to lose your health insurance is for you to lose your job, or move to a new one, or have somebody in your family get sick. Or you might lose it because your employer decides, "I can't pay such a high amount anymore so I'm going to increase the copayments my workers have to make." There's tremendous insecurity, and as health-care costs continue to go up at twice the rate of wages, it will get worse and worse.

Between 50,000 and 100,000 people a month are losing their coverage. For many others, it's becoming less and less affordable. These are real problems with the system that have to be corrected. If we let the problem go, if we punt on it again the way past administrations have, it gets worse and worse. Health-care spending accounts for 14 percent of the economy now, and a higher percentage of people are uninsured than were five years ago. If we don't do anything, spending on health care is projected to increase to 20 percent of the economy by the turn of the century, and there'll be even a higher percentage of people without coverage. At the moment, most Americans have been giving up wage increases to pay for health-care cost increases. As costs come under control, people will see increases in their wages.

If the press reports are right, you're going to offer the many Americans who already have health care a more expensive plan with less freedom of choice.

The reports are 100-percent wrong. Point number one: What we're going to do is not going to cost anybody who has health insurance now more. Point number two: We're going to *increase* choice, not limit it.

First, the choice issue: Increasingly employers are locking their employees into one health-care plan. In some cases, that means they're saying to employees, "The doctor that you used to go to isn't part of our plan." And then the doctor tries to get into the plan, and the plan says, "No, we don't want you; we've got enough doctors." So right now there's a limiting of choice for insured people. We propose to increase the range of choice so that employers will no longer be able to lock people into one plan. People will have the ability to go to health alliances and choose from a wide variety of health care, including fee-for-service, HMOs, and PPOs [Preferred Provider Organizations].

With respect to the question of cost, if people already have comprehensive health insurance, we're not going to require them to pay more in order to insure the uninsured. Nor will their employers have to pay more to cover the uninsured. What will change is that if you lose your job tomorrow, instead of going to nothing you're still going to have insurance at a very good level.

The ones that will pay under our plan are those companies who are not now insuring their employees and those employees who are not now paying for themselves. Right now, people who have insurance are in fact paying for the uninsured. When an uninsured person goes to the hospital, he is treated and usually he can't pay all of the bill. There's $22 billion shifted to cover uninsured medical expenses that insured people are paying in their premiums.

"Americans have been giving up wage increases to pay for health-care cost increases. As costs come under control, wages will increase"

The other thing in the press is this notion of a $100-billion plan. That's nonsense. If you're talking about new federal money that has to be raised, it will be far less than that number. We're probably going to be proposing an increase in the cigarette tax; that may be the only new revenue needed. The size of the cigarette tax will depend on how much long-term care our plan provides.

How are you going to make the health-care plan affordable to small businesses that currently don't insure their employees?

What all other countries do, and what we do for Medicare, is some kind of percent-of-payroll system to spread the cost among all employers. Many small-business owners would like to give insurance to their employees but can't afford it. When I ran my consulting business we paid 30 or 40 percent more for health insurance than many of the larger businesses for whom we consulted, even though we had a relatively young, healthy work force. Why? Simply because we were small and therefore we didn't have the same buying power as a large group; the risk is spread over a smaller number of people. Part of what we've got to do is to create health alliances in which small companies are pooled.

Let me give you a simple way to think about it. The cost of extending insurance to people who don't have it now is a fixed amount. The challenge is to figure out how to cover that cost without creating an overwhelming burden. So first you've got to change the insurance market for small businesses so those companies don't pay forty cents of every dollar in premiums for administration and bureaucracy, as many of them do today. Then you've got to make sure that small business has the same buying power as big business, which we'll do through regional health alliances. And we have to merge the health-care benefits people already get under workers' compensation and auto insurance into one system to save money.

"We're asking the people who need insurance and their employers to pay for it, but we're protecting them from too great a financial burden"

If you say to the companies that currently don't provide insurance that by a certain date – with plenty of time for adjustment – you will cap the premiums they must pay for health insurance at a certain fixed percent of their payroll, and you say to the employees that they need to pay a small percentage of their wages for insurance, then that's fair. You're simply asking the people who need insurance and their employers to pay for it, but you're also protecting them from that requirement becoming too great a burden.

You use competition to make sure that happens. You use the power of the marketplace backed up by protections for small business – and for every other business and individual in America. We cap what small, low-wage businesses have to pay as a percent of payroll, and we put each of these other pieces in place to make sure that commitment holds up. Once those protections are in place, providing health security for all Americans becomes a less daunting task.

But you are saying to those small businesses, You have to pay. And they will argue, rightly or wrongly, that they are not able to pay.

Think about a ma-and-pa retail store on the corner. The ma and pa will be better off right away because they've got their own health insurance. But say you've got a retail store with ten employees. You've got sales of $100 and the cost of goods sold is about $50. You've got about $20 of overhead – utilities and things like that – and about $30 of payroll. What we'd be saying to them is that we're going to give you two years' notice, and then on that $100 of sales you're going to have to pay 90 cents – 3 percent of 30 percent – for health insurance. Then it might go to $1.00 the year after that, and then $1.10, and it could end up at $1.20. That's not going to put people out of business. There's hardly a business where, with a long enough phase-in notice, that kind of increment is going to make the difference.

As far as I'm concerned, it's a matter of equity. When you go down Main Street in any town, you have the drycleaner on the corner that is covering its people, and you have the drugstore that isn't. That drycleaner is paying for that drugstore right now. When the drugstore employees go to the hospital, the costs are shifted right over to the drycleaner.

Eighty percent of the companies in the country are providing insurance. And since 85 percent of those not insured are working, in order to get universal coverage we think this new system is fair.

A square peg in a round hole

The book on Ira Magaziner is that while he has an amazing ability to analyze and absorb information, his solutions to problems are often grandiose schemes that are difficult to implement. Is that a fair comment?

I think *grandiose* is not a particularly valid word. But if what you mean by that is that I think comprehensive change is necessary and that therefore the plans that I would concoct suggest change, then absolutely, I'm guilty. Where other people might change the health-care system incrementally, I think we have to do radical surgery.

However, I don't think that the criticism that my plans are difficult to implement is valid. I've built two successful businesses and have been involved with some of the world's toughest companies for whom the bottom line is very important – G.E. and Corning, to name just two. And I've gotten hired back over and over again to give them practical solutions to problems. So there's a practical nature to what I do that has stood the test in the private sector for almost twenty years.

I may well be a square peg in a round hole in Washington; we'll find out. The President wants me to be a change agent, and I know how to do that. I've done it all my life.

What do you see as your weaknesses in this environment?

I'm not somebody who has as good a mix of social graces as one probably should have in Washington. I tend to be focused on work, and sometimes I'm not good at day-to-day human relations. Second, I tend to work myself and others harder than is sometimes wise. Third, I can be rough with people in argumentation. I like to challenge people's thinking and to have them challenge me. I think where people's security levels may not be as high, I can be rough on them – but I don't mean to be.

Fourth, I take on big, long-odds projects and I don't always succeed. It seems to me that people in public life take on a million small battles, always calculating whether they can win each one. The successful people wind up winning the great majority of what they take on. But at the end of the day, I'm not sure they've accomplished much. What I would rather do is take on big battles that mean something. You wind up losing a bunch when you do that, but when you succeed, you have something you can be proud of. I think people can look at my career and see some successes and some failures. What you can say about all of them is that the efforts were worth undertaking.

There were a number of things I could have done in this administration that would have provided immediate honor and status – cabinet posts that would have been out of the line of fire, for instance. They would have been a hell of a lot safer. But what interested me more was having a chance, even though it was not going to be easy, to try to bring about significant change. I wanted to be able to look back in five or ten years and feel that things were better for a lot of people.

If we can bring about comprehensive health-care reform that gets the growth of these costs under control, that gives everybody health-care security and improves the quality of this system, that will mean something.

"There's a practical nature to what I do that has stood the test in the private sector"

If you were assessing your odds of accomplishing that at this moment, what would they be?

I think they're pretty good, but we're going to have a tremendous roller-coaster ride. We're going to be attacked from all sides. Whatever attacks I've had and the First Lady has had in the press to date are going to be minor compared to what will come when the plan is out. We're going to go through six months or a year where I'm going to be called every name in the book. The plan is going to be criticized and changed. But when it's all over, I think we're going to get comprehensive health-care reform because the people want it. And I believe that what comes out of the process ultimately will look to a significant degree like what we put on the table this year. ■

The health-care process is as important as results

EDWARD M. KENNEDY

Second only to the economy, health care is the most important domestic issue facing America. The health system is broken: Physicians would call it a compound fracture. Out-of-control health costs are bankrupting the federal budget, plaguing the bottom line of businesses, reducing living standards and pricing health care out of reach of many families.

President Clinton's election set the stage for a solution. But designing the right one is no easy task. When Joseph Califano, secretary of health, education and welfare in the '70s, began to develop a national health plan for President Carter, he was appalled to discover how "little was known about what a national health plan might cost, what changes would occur in the use of health facilities, what needs would arise for health personnel" and other information necessary for effective policy-making.

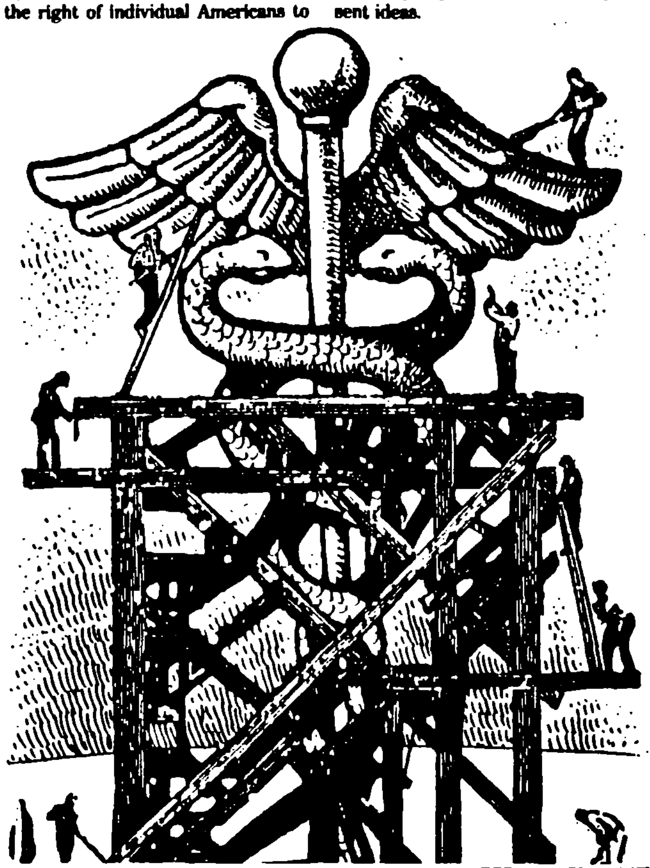
Nearly two decades later the need for reform is far greater, and so is the complexity of the problem. The health care sector represents 14 percent of the nation's gross domestic product; it accounts for $900 billion in public and private spending annually, it employs more than 8 million people and it affects the life of every American.

Reform must deal not only with the four most publicly debated issues – coverage, benefits, financing and cost control – but also with myriad other issues, such as quality of care, preventive care, the role of the private sector and the insurance industry, federal-state relations, medical research and education and the special needs of children, the elderly, the poor, minorities, the mentally ill, the disabled, retired workers, the unemployed and veterans. Since powerful interest groups are poised to oppose any change that adversely affects them, proponents of reform must be ready with persuasive justifications and rebuttals.

With these considerations in mind, President Clinton and Hillary Rodham Clinton made what may turn out to be the most important decision of all on health reform. They decided that the traditional policy-making process in Washington was inadequate. They named Ira Magaziner, a highly regarded management consultant and policy innovator, to direct a task force with a mandate for a broad, inclusive process. Four basic goals were established for reform: The plan must provide basic health security for all Americans without reducing coverage for any; it must curb escalating health costs; it must guarantee quality in health care; and it must assure the right of individual Americans to choose their own doctor and hospital.

Magaziner applied many of the same techniques that he had found successful in designing strategies for large businesses in the private sector, such as breaking down issues into separate components for detailed examination, setting timetables for stages of the process, and achieving quality control by bringing in diverse groups of experts to provide advice and review options.

He established 40 subgroups to prepare elements of the plan. Within weeks, 500 people were at work from Congress, the executive branch and the private sector. More than 1,000 outside groups were invited to present ideas.



Typically, initiatives of this kind are prepared solely within the executive branch by a limited group of White House and federal agency employees who consult with a small number of outside experts and congressional leaders. The old way of doing things had advantages. It was quicker, since fewer people were involved. Because the process was known to be closed, fewer noses were out of joint when experts and interest groups were ignored. Because access was limited, secrecy was easier to maintain until the announcement date.

But the failures of social policy in recent years attest to the superficiality and inadequacy of the traditional approach. The new method has the advantage of bringing together a range of people from different backgrounds and expertise for what the Pentagon calls a bottom-up review. This kind of systematic analysis is unprecedented in domestic policy, but it is essential for an issue as complex as health reform.

Final approval and release of the plan have been unexpectedly delayed while Congress battles over the administration's economic plan. No one will agree with every detail when the proposal is unveiled. But every significant point of view has been exhaustively analyzed. It will be difficult, if not impossible, for special-interest groups to overwhelm the plan with misleading arguments, statistics and public relations tactics.

The American people are less interested in the process than in the result. But process is still important, and it is indispensable to success. The final verdict on the task force will not be reached until the plan is presented, and perhaps not until the debate in Congress is completed. But the prospects are excellent that the comprehensive reform that many of us have worked so long to achieve is finally within reach. And that is no small accomplishment for a new administration.

Edward M. Kennedy is the senior senator from Massachusetts.

Mr. Magaziner Goes to Washington

Surviving on pizza and potato chips, working twenty hours a day, Rhode Island's brainiest guy learns what it really takes to make things happen.

By Stewart M. Powell

From the conference room on the second floor of the Old Executive Office Building rises the din of youthful subordinates welcoming their boss, the senior White House adviser for policy development in charge of health care reform.

"Ira, Ira, Ira," they chant as Ira Charles Magaziner strides toward his chair, his hair gray and unruly, his eyes distant and serene, his lanky frame stooped ever so slightly by—could it be?—the weight of impossible dreams.

Ira Magaziner takes his place in the hallowed halls of Washington, where his no-nonsense style is fast earning him a curious reputation among the capital's old guard.

It is a weekday, shortly after 7:00 a.m., more than an hour before Washington's rush hour peaks. Guards from the uniformed branch of the United States Secret Service have just opened the wrought-iron gates downstairs to let in flex-time employees who are in by 7:00 a.m. and out by 3:00 p.m.

Magaziner has been at work for hours already, poring over dog-eared memos strewn across his government-issue wooden desk. The floor-to-ceiling bookcases in his spacious office are brimming with reports laid askew as though scooped up and moved hastily the night before. Straight-backed wooden chairs still huddle around the coffee table

Photograph by Daniel Borris

The challenge of finding a remedy for the nation's health care woes rests squarely on the shoulders of Magaziner, here flanked by Secretary of Health and Human Services Donna Shalala and First Lady Hillary Rodham Clinton.

STEPHEN CROWLEY

from the last brainstorming session to reshape the nation's $940 billion health care system.

Magaziner's corner suite, with a reception area, inner sanctum, and conference room, is the ultimate perk for a high-ranking presidential aide. The suite overlooks the Ellipse, the Washington Monument, and the Jefferson Memorial on the banks of the Potomac River, virtually the same view as from the Oval Office in the nearby West Wing of the White House.

The coveted office signals that the occupant is on the inside in the new administration and is courted by a capital city that takes its cues from the pecking order at 1600 Pennsylvania Avenue.

This time, though, the office is occupied by the ultimate outsider, an austere man who calls Rhode Island home, a rich man with little patience for perquisites or rituals of power.

His ways differ sharply from those who have been in this office before.

Sensing that the capital's incestuous bureaucracies and turf barons rule the city by day, Magaziner quietly toils away deep into the night, often putting in marathon twenty-hour days to think unencumbered by Washington's ways. He has what White House planner David Dreyer calls a "five o'clock shadow at one in the afternoon."

Magaziner's workaholic style quickly became the talk of a gossipy town within weeks of his arrival last winter. By word of mouth, his sleepless, college-grind schedule quickly reached mythological proportions, earning him grudging respect from even the competitive White House twentysomethings and thirtysomethings who thought they might come to superiors' attention by burning the midnight oil.

The forty-five-year-old Magaziner merely works at his own pace, without regard to the internecine competition, because he has work to do and the work must get done. Once, he scheduled a three-hour meeting with President Bill Clinton on a Friday evening, then followed it a few weeks later with a brainstorming session with staffers that began at eleven o'clock on a Saturday night. Quipped one awestruck colleague: "The nerd's gone wild."

Magaziner has dreamed, debated, eaten, and napped in this office, but there is hardly a hint of him here. Missing are the personal touches, the pictures, the books, the plaques. It is as though Magaziner came reluctantly to help a beleaguered friend, but left his heart at home.

MAGAZINER'S WHITE HOUSE ASSIGNMENT culminates a life's worth of achievement, and makes him one of the most high-powered Rhode Islanders in national political history.

He is a long way from the ardent boy from Far Rockaway, New York, the brilliant son of a bookkeeper, who before the ripe age of seventeen had picketed against unfair housing policies, organized a waiters' walkout at an Adirondacks summer camp, and marched on Washington for racial equality. At Brown University in the 1960s, he gained more momentum, becoming class president, valedictorian, and leader of a curriculum overhaul.

In the ensuing years, he went from social activist in Brockton, Massachusetts, to $100,000-a-year analyst for the prestigious Boston Consulting Group, to owner of the Providence consulting firm Telesis that sold in the late 1980s for an estimated $6 million, while in the meantime authoring several books on global economics. In early 1990, he started the public-policy think-tank SJS Incorporated, a hotbed in recent years for experimental thinking that has made Rhode Island a kind of laboratory for far-sighted studies of economics, the elderly, and health care.

Magaziner has often intertwined his private business ventures with local activism. For instance, he volunteered the resources of Telesis to help map a revival of the Rhode Island economy. That effort culminated in the Greenhouse Compact in 1984, a plan that, if voters had accepted it, would have cultivated public-private partnerships and provided government incentives for industrial job growth.

As a key player in President Clinton's massive and beleaguered health care reform effort, Magaziner orchestrated a staggering day-by-day schedule for working groups of more than five hundred experts, and he is still spearheading the mission with the supreme, unspoken confidence that it will all work out.

One insider likens Magaziner's job to the Manhattan Project, the intense program to beat Nazi Germany in the creation of an

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atomic bomb during World War Two. "You're throwing five hundred strangers into a room and saying, 'Solve the world's greatest problem,'" the official says. "You hope when you put it together, the whole thing works."

Both Clinton and Magaziner know the stakes. If the health care proposal Magaziner is drafting rallies the nation, the forty-six-year-old president could be the first elected Democrat to win a second term since Franklin D. Roosevelt did in 1936. But if Magaziner's effort fails, Clinton could see his dreams disappear.

Their joint venture tests a deep affection burnished since they crossed paths on the greenswards of Oxford University as Rhodes scholars. Magaziner admires Clinton's insatiable appetite for detail, not only for what it says about the president's ability to grasp complicated issues, but also because it means he pays attention to those he employs. "I've never worked for him directly before," Magaziner says. "I think he respects and listens to the people that he's with. You know, he is an unassuming guy, and the fact that he is president doesn't mean that he acts any differently than he did before."

With the stakes so high, many people in Magaziner's shoes might have been daunted by the idea of designing a national health care system. There might have been a flicker of anxiety, a modest admission that this is the project of a lifetime. But the risks barely ruffle this taut, unflappable man, and even a job of the current magnitude is not enough to faze him. Overhauling a health care system that accounts for nearly one-sixth of the nation's economic activity, is, for Magaziner, just another crash project for a demanding client.

Hillary Rodham Clinton, who leads the health care effort, regards Magaziner as her partner in reform. "[He] understands numbers and understands costs and can come up with the best possible compromise and consensus among people who come from different points of view," she says.

OFFICIAL WASHINGTON, a city dotted with monuments to legendary patriots, has rarely seen a self-deprecating patriot quite like Magaziner. The conservative city eyes the brainy, restless intellectual with understandable caution. His seeming indifference to the courtesies of power worry a clubby world where small talk and bonhomie grease the skids for hard-nosed bargaining over strongly held political differences.

For his part, Magaziner admits, "I don't feel that comfortable in Washington. It's not my kind of city, and I think even if I were to stay a number of years, I would always want to be an outsider."

The outsider hardly endears himself by challenging the sacrosanct as a matter of course. Here is someone, after all, who once urged Congress to spend $25 million to explore the questionable theory that energy could be produced through cold fusion, a theory that has since been discredited by scientists. He makes a practice of raising the politically unthinkable—including a nationwide value-added tax to generate the $100 billion needed to extend health care coverage to everyone.

Magaziner makes no apology for walking up blind alleys—it is part of the job. If he does not explore every avenue, the nation's health care costs could nearly double to $1.7 trillion by 2000 and virtually bankrupt the nation when the Baby Boomers hit retirement, leaving Clinton on the political shoals.

"It's not easy to bring changes to this city," Magaziner laments as he prepares to go public with the health care blueprint. "Often, I've encountered a kind of 'can't-do' attitude. I can't say it has been easy or pleasant."

The clash between the no-nonsense Rhode Islander and the chummy Washington elite was a traffic accident waiting to happen. The capital simply is not used to an outsider "coming in and doing a top-to-bottom review and issuing a set of recommendations," William E. Brock, a former senator from Tennessee and one-time chairman of the GOP, groused in a *Washington Post Magazine* story about Magaziner. "Instead, it's a sort of drip, drip, drip process that you have to stay with and move the ball forward a little every day. He's going to drive himself crazy or drive everyone else crazy."

YET STEADILY, MAGAZINER IS PENNING SOME of the most far-reaching changes ever proposed. He wins wide praise for devotion, if not always for the emerging health care proposals. Sure, House Ways and Means Committee Chairman Dan Rostenkowski has referred to some of Magaziner's evolving plans as "the domestic equivalent of Star Wars," but the chorus generally has been positive.

Senator John D. "Jay" Rockefeller IV, a key force on Capitol Hill, is as surprised as anyone. "What happened was not so much that Ira adjusted to Washington, but that Washington adjusted to Ira."

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says the powerful chairman of the Senate Finance Committee's panel on Medicare and long-term care.

Magaziner's emotionless, analytical manner has been reassuring to officials worried by the economic and political stakes. Rhode Island Representative Jack Reed eyes Magaziner's successful courtship with understandable home-state pride. Washington "quickly appreciated his grasp of the issue, his native intellect, and his unflappable demeanor," Reed says. "I think Washington has a sense of confidence that we have somebody who is truly experienced."

In his work, Magaziner invites contrary points of view, signaling that facts rather than ideology decide outcomes. "He takes notes, and people noticed that," says Rockefeller. "There is nothing too small, too unimportant to overlook to win health care reform."

Magaziner has also won allies by appealing to Republicans in ways that Hillary Clinton cannot. Her passion about the need for change has become a lightning rod for the wary and the partisan. But Magaziner, a proven business consultant and long-time entrepreneur, speaks their language. "He was calm. Republicans just somehow related to him," Rockefeller says.

Magaziner's low-key offensive is bolstered by a loyal, close-knit staff that seems to delight in shared sacrifice. Rhode Islanders Marjorie Tarmey, Denise Ricketson, and Christine Heenan came from SJS. Other aides have signed on as well, for a helter-skelter lifestyle where night merges into day with seamless exhaustion. "Everyone had a sense that it was history in the making," says task-force aide Jason Altmire, and they have worked accordingly.

Dreams run high and tempers run short. "Half the people in our group threatened to quit at least once a day," says John Lantos, a University of Chicago pediatrician who participated on one of the committees. "Then half an hour later, they'd be earnestly at work."

Magaziner, who survives on potato chips and pizza, concedes that making the omelet requires more than a few broken eggs—and egos. "You can't run such a big process with so many people in such a short time without angering some people," he says without undue concern. "And I'm sure I have."

FOR MAGAZINER, THE SACRIFICE USUALLY is unspoken. But by late spring, as the unveiling of the health plan was experiencing delays, he admitted longing for time with his wife, Suzanne, and three children, Seth, nine, Jonathan, eight, and Sarah, five.

Even though they are close—he moved them from their stunning Bristol home on Poppasquash Point to a house he purchased in a million-dollar neighborhood in the northwest section of Washington—he still feels he is not doing enough. "What I do sometimes now is I'll go home and be with the kids a little bit, tell them a story, and then go back to work," Magaziner says. "I certainly haven't been a proper husband or father these past couple of months."

His children attend the private Georgetown Country Day School. He makes it to birthdays and a few soccer games. But he yearns for the time when the health plan is made public and he can throttle back. Regardless of the plan's timetable, his family is spending the summer in Bristol, with him commuting on weekends. "I miss Rhode Island," Magaziner says wistfully. "That's my home. So it's been tough."

Nonetheless, when the excitement and frustrations of his job mount, he confesses it is "very hard to think about the personal price." And the long-term reward if the reforms succeed "will be something [to] look back on and be proud of," he says with typical understatement.

Magaziner is prepared to do whatever is needed to help the president sell the health care plan to Congress and the public. "I expect all hell to break loose when we announce [it]," he says. The pragmatic, detail-oriented mastermind will do his part by bargaining behind the scenes with lawmakers, tough as he knows it will be and as much compromise as he knows it will take. "What we put out won't be perfect. You can't design some new structures, no matter how hard you work on it. And so we look forward to the debate. And where people have good suggestions to make, we'll try to modify what we've done to accommodate them," he says.

The grueling give-and-take threatens to take months, if not years. By then, Magaziner hopes to be immersed in another package of reform, possibly the overhaul of the education system.

For now, though, he braces for the challenge of transforming his revolutionary health care package into the law of the land, a task that would draw the inveterate outsider more deeply into Washington's inner workings.

"It will be a real roller-coaster ride," Magaziner says. "We've just got to try to stay on the track." ■

Stewart M. Powell is White House correspondent for Hearst Newspapers.

advisers. One of Clinton's politicos wanted him to study Garry Wills's new book on Lincoln to try to learn how to become more succinct. Clinton studied it and even spoke with Wills. But his inclination is to explain as much as he can. Being succinct strains his powers, as his nominating speech for Dukakis in 1988 made painfully obvious. Clinton sees the interconnections among the issues and wants to tell you all about them. His flaw is more than the desire to please; it also flows from his cast of mind. In the end, reducing his content to easy themes might have made it harder for him to make his case; for what he needed—and wanted—to defend was substantive politics. He had to present his character whole—pol as wonk, wonk as pol, all of a piece.

Clinton's fall forced him to defeat narrow conceptions of the Democratic Party and to forge a new coalition and political identity for himself. The figure who takes governing seriously is what the country wants but has had trouble seeing in Clinton. Now his nomination testifies to his perseverance, highlighting a morality tale that tells itself. And as the Democrats gather in Madison Square Garden, the very early Clinton, who was there all along, is reemerging. •

Clinton's best idea.

APPRENTICES' SORCERER

By Morton Kondracke

Thanks to Bill Clinton—and, at least equally, to Hillary Clinton—the U.S. political system is almost certain to do something constructive for a truly "forgotten" group: the 60-odd percent of high school graduates who either don't go to college or don't finish. These are people whose life prospects are being eroded by the failures of American schools, by increased foreign competition, and by the information-age economy's demand for skills.

Under the influence of his wife and two old friends and economic advisers, Ira Magaziner and Robert B. Reich, Clinton has made upgrading worker skills a central part of his agenda both as governor of Arkansas and as a presidential candidate. The campaign has advanced such ideas as youth apprenticeships, "lifetime learning," and a European-style tax on corporations for worker training. The press and rival candidates have focused mostly on his proposals for middle-class tax cuts and tax increases for the rich, but his training initiatives are likely to do more to advance future prosperity.

Reich and Magaziner contend that upgrading the skills of workers is the most efficient way to improve American productivity and competitiveness—far superior, Reich says, to giving big tax breaks to individuals or corporations, which can spend the proceeds as easily overseas as in the United States. Reich, Magaziner, and Hillary Clinton knew each other as college student body presidents in 1968 and 1969 (at, respectively, Dartmouth, Brown, and Wellesley). Bill Clinton, Reich, and Magaziner were students at Oxford together. The four comprise a cozy little group and have been talking to each other about economics, industrial policy, politics, and education for twenty-four years.

Clinton's high-profile espousal of worker training has forced the Bush White House to promote kindred "empowerment" ideas. Labor Department officials have been drawing up programs to help the non-college bound for four years, but weren't able to get through to Bush or his domestic advisors until the campaign loomed. Bush proposed a training agenda in January, including apprenticeships and reform of high school vocational and post-secondary career education, but he did not send legislation to Congress until April. Nothing is likely to pass this year because training is caught up in election-year political wars, but the chances are it will pass next year, regardless of who is elected president.

The problem both candidates are addressing is this: the average income of young people who don't attend college is going down. According to one 1990 study, inflation-adjusted earnings for workers under 25 with only a high school diploma are 28 percent lower than they were fifteen years ago. A 1992 Department of Labor report said that the percentage of white high school graduate males 25 and older who do not make enough money to keep a family of four out of poverty has risen from 8.3 to 22.2 since 1969. The proportion for blacks has gone from 20 percent to 41 percent, and for Hispanics, from 16 percent to 36 percent. Ten years ago high school graduates with no college made 74 percent of the wage of a college graduate; in 1991 they made 65 percent.

Hillary Clinton has been addressing this trend for more than five years, and Reich for even longer. In 1987, as a board member of the W. T. Grant Foundation, she helped produce a landmark report, "The Forgotten Half: Non-College Youth in America," that focused not only on the 15 percent of young people who drop out of school before graduating and never return, but also on the 41 percent whose education stops with high school and the 20 percent who start but don't finish college. (Twenty-four percent of all young people now finish college, up from 11 percent in 1960.) Hillary was also on a commission on skills chaired by Magaziner, which in June 1990 produced an even more influential report, "America's Choice: High Skills or Low Wages!" It recommended creating a nationwide system of technical and professional certificates for workers and incentives for employers to train workers and reorganize workplaces to use highly trained labor rather than new machines.

The commission traveled to six countries where corporations participate in "play or pay" training schemes under which they either train their own workers or contribute to a government pool to do so. In Germany corporations are required to spend 2.3 percent of payroll for training; in Sweden and Ireland, 2.5; France, 1.5; and Japan, 1 percent. In the United States employers spend an average of 1 percent on training, but 70 percent of that goes for seminars for executives and marketing employees (often at cushy retreats) rather than production workers. Clinton is recommending a 1.5 percent requirement, which may cost corporations as much as $30 billion a year.

When the "America's Choice" report was completed, Hillary Clinton became chairman of a task force on implementation of its recommendations. In the fall of 1990, she also got the Arkansas Department of Education started on apprenticeship planning, and Bill Clinton pushed the resulting legislation into law in 1991. The state is currently setting up six initial programs to begin this fall. After two years of combined school and training and two more years of training and work, students are supposed to be capable, certified, (and employed) health, computer, radio, or machine technicians.

The Bush administration actually beat Arkansas into the field with six apprenticeship demonstration programs in 1990, created by the Department of Labor's Office of Work Based Learning. Training was nowhere on Bush's own agenda, though, until Lynn Martin became secretary of labor in 1991. She claims that Bush has become an enthusiast on the subject—and, indeed, in some respects his program is bolder than Clinton's.

Bush opposes employer mandates and tax credits. Instead, his "Jobs 2000" legislation places sixty federally funded training programs, including high school vocational education programs and for-profit "proprietary" schools, under supervision of local private industry councils to ensure that programs meet their standards and needs. There's a hitch, however: for-profit trade schools are represented by a powerful lobby in Washington, the Career College Association, which has successfully resisted efforts to link eligibility for receipt of federal student aid checks with placing students in jobs.

Bush should be commended for tackling the proprietary schools, but he's dreaming if he thinks the $55 million he has proposed spending—just over $1 million a state—will spur apprenticeships. The administration plan basically calls for better delivery of job training services that the government currently provides, at a cost of $18 billion. Clinton's apprenticeship scheme, which according to his recent economic plan would cost $1.5 billion in new funds, is bolder as well as more honest about cost.

In any case, the "forgotten half" is no longer as forgotten as it was. Members of Congress have introduced eight other apprenticeship or worker-training packages. Proposals to address the issue will be part of both Republican and Democratic platforms, and Ross Perot presumably will be along with his own ideas. Between Clinton and Bush, however, Clinton is more likely to make noncollege Americans a priority. After all, it wasn't until he started hollering about it that Bush admitted there was a problem. •

Jim Pinkerton and Bill Clinton.

PARADIGM'S LOSS

By Mickey Kaus

In 1988, as director of "opposition research" for the Bush-Quayle campaign, James Pinkerton discovered a furloughed killer named Willie Horton in the past of Democratic presidential candidate Michael Dukakis. The rest is history. In late 1991, as a policy planner in the Bush White House, James Pinkerton ventured an opinion about Democratic presidential candidate Bill Clinton. "I noted with interest Bill Clinton's 'New Covenant' speech," Pinkerton told a Washington symposium. "It seems to me that a Republican could take that speech, change about ten words, and have a pretty good message for the GOP primaries, not to mention the general election."

At the time, Pinkerton had good reason to like Clinton. For more than a year he had been having regular dinners with several Clinton advisers as part of the "New Paradigm Society," a group founded by Pinkerton and Democrat Elaine Kamarck to explore the possibility of a left-right consensus on domestic policy. The New Paradigm envisions a form of government activism that would (in Pinkerton's words) "expand individual choice, empower the poor, and create decentralized, flexible, and adaptable institutions" to replace old-style "centralized bureaucracy." Letting parents choose from among competing schools and letting public housing tenants buy their apartments are the paradigmatic New Paradigm schemes.

Pinkerton wasn't the first to talk about a New Paradigm. Journalist David Osborne coined the term. But the NP is the concept that turned Pinkerton from a gawky political hack into someone *Mademoiselle* actually put on its list of "the greatest lovers of the Western world." I remember going to a Christmas party in 1989 and finding myself in a corner, talking policy with this giraffe-like man who seemed to wear his trousers up around his navel. He was funny and open-minded—at the time he was pushing an idealistic plan to give underclass kids jobs planting trees. Soon I was attending his "paradigm" meetings. The next November budget director Richard Darman sneered at the NP idea in a speech, and Pinkerton sneered back, a brilliant career move. A *Washington Post* "Style" profile quickly followed. In 1990, when I attended the same Christmas party, there was a distinct buzz in the room. "Jim Pinkerton's here!" "Did you see Jim Pinkerton?" "I think Pinkerton's already left." "No he hasn't." People were elbowing Jody Powell out of the way to get to him (just as a decade earlier they

After Diagnosing a Case of Out-of-Control Costs, Health Strategist Magaziner Now Must Find Cure

By RICK WARTZMAN
And HILARY STOUT
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON – A few weeks before the election, some of Bill Clinton's top advisers began suggesting that he put off his plans to overhaul the nation's health-care system and concentrate for the time being on the economy.

But up in Providence, R.I., a longtime friend of the president-to-be was busy churning out reams of data illustrating that the two issues are inextricably linked. Unless the relentless rise in health-care costs could be brought under control quickly, the numbers showed, the sluggish economy never really would recover.

Ira Magaziner

Ira Magaziner's argument won out. Now, though, he has to do far more than just demonstrate the problem: He has to come up with the solution.

The White House has recruited hundreds of the nation's leading experts to craft a plan to overhaul the health system, but it's Mr. Magaziner, a relative newcomer to the field, who has the power. Hillary Rodham Clinton, chairwoman of the administration's health-care task force, clearly is in charge of this remarkable undertaking. But as the leader of the "working group" putting together the details of the proposal, Mr. Magaziner is the one who has his hands on the plumbing.

He is using his authority to focus on swift and drastic medical cost control. Some fear Mr. Magaziner may be taking on too much, too fast. "I think he is overly optimistic about the possibilities of quick savings," says Henry Aaron, an economist at the Brookings Institution whose advice was sought by the Clinton campaign. But Mr. Magaziner is solidly backed by the only two people who really matter – the president and Mrs. Clinton.

'As Quickly as Possible'

Costs have to be restrained "not five years from now, but as quickly as possible," Mr. Magaziner says in his first interview since taking the helm of the working group. "If you don't do health reform – and I mean now – the budget is busted again in two years." Of the $800 billion that the nation spends each year on health care, he figures that $130 billion goes for unnecessary tests and procedures and $70 billion for unnecessary administrative costs.

A highly successful business consultant, Mr. Magaziner is widely admired for his keen intellect and the fact that he isn't beholden to any particular camp in the debate over health-care reform. "If you didn't have Ira Magaziner to make this work, you'd have to invent him," says Paul Ellwood, a physician and organizer of an influential group of academics and medical industry executives seeking solutions to the health crisis.

But some worry that the rapid savings Mr. Magaziner is seeking could end up undermining the administration's long-term strategy for extending health coverage to the 37 million Americans who don't have it while curbing costs permanently.

"Health-care reform is going to take a lot longer than anyone would like to hear, including Ira," says Steven Baron, president of Miriam Hospital in Providence, who worked with Mr. Magaziner on a plan to make Rhode Island's medical delivery system for the elderly more efficient. "If you err on the side of saving money now, you're probably not talking about real reform." Even some advising the White House task force are wary of Mr. Magaziner's zeal.

Work for GE, Rubbermaid

Yet Mr. Magaziner's background has obviously convinced him he can succeed. In the business world, he has solved highly complicated problems for General Electric Co., Rubbermaid Inc. and other corporate giants, sometimes practically overnight. "He has come in with pretty brutal data about how we're the high-cost producer in a certain area and need to improve on that or we're going to have real trouble," says James Houghton, the chairman of Corning Inc. "Costs are a part of his thinking."

Two years ago, Mr. Magaziner helped lead a study of the health-care system in Rhode Island that broke down the cost of medical services as if they were products on a factory floor. The report, which even medical industry veterans found eye-opening, showed that only 48 cents of every dollar spent on health care in the state actually goes toward healing the sick; the rest is basically for bookkeeping and other overhead. Nurses, the report found, may spend half their time on duty filling out forms.

Given those findings, few who worked with Mr. Magaziner on that project would be surprised to see the White House task force recommending that whole layers of the health-care bureaucracy simply be stripped away. Currently, for example, a hospital bill paid under the federal Medicare program for the elderly can go through as many as six layers of review: doctors and nurses, a hospital's utilization review department, a fiscal intermediary, a so-called peer review organization, a "super" peer review organization and, finally, the Health Care Financing Administration in Washington. "It's checkers checking other checkers," Mr. Magaziner says.

Still, many health-care experts aren't as confident as Mr. Magaziner that the layers can be done away with, and dollars saved, so easily. "Ira's estimate of how much was waste is not agreed to by everybody," says Patrick Mattingly, president and medical director of Harvard Community Health Plan of New England. "We just can't take away some of it."

Special Panel

As rapidly as Mr. Magaziner thinks he can whittle the bureaucracy, he knows that a comprehensive reform plan will take time to implement. So, meanwhile, he has set up a special panel to explore short-term options. It is looking at several possibilities that advocates say would impose discipline in the system but would surely be politically explosive: an outright freeze on all medical prices, similar to the economy-wide controls imposed by President Nixon in the early 1970s; requiring private insurers to reimburse doctors and hospitals at Medicare's rates, which are at least 10% lower than fees private insurers now pay; and limiting the annual increase in insurance premiums.

While Mr. Magaziner says he is committed to market competition as the ultimate way to rein in health costs, many people feel that such government mandates would run counter to his grand goal. "Once you get on a price-control regime, it's hard to get off," Bill Gradison, a former congressman who is now president of the Health Insurance Association of America, says he told Mr. Magaziner recently.

Even if short-term price controls are successfully lifted, Mr. Gradison and others argue that they could stifle the innovation that is necessary to holding down costs in the marketplace. Additionally, once the controls are lifted, some believe that prices would soar, much as they did when President Nixon ended federal price restraints in the spring of 1974.

Beyond directly controlling costs, of course, lies the daunting task of extending health coverage to all Americans. It is no secret that Mr. Clinton wants to meet this challenge through "managed competition," a blend of free-market forces and government regulation, under which employers and individuals would band together in giant pools to shop for health coverage. The hope is that the tremendous buying power of these pools would heighten competition among insurance companies, doctors, hospitals and other health-care providers, lowering costs and improving quality for everyone.

Mr. Magaziner is the one who "brought the basic managed-competition concept to the Clintons," says Dr. Ellwood, who is considered the father of the theory. "He felt it was very practical and pragmatic."

Actually, it's probably more apt to describe managed competition as complex and untested. That Mr. Magaziner would be attracted to such an approach is fitting. As a 45-year-old father of three, whose high forehead is covered by a tousled mop of hair that is more salt than pepper, Mr. Magaziner is too old at this point to be called a whiz-kid. But he is a radical thinker – trained, he says, to "do in my mind a whole series of what-if's . . . to think of all the possible scenarios that can screw something up."

"He often sees things in a different cast than everybody else," says Robert Rubin, the head of the White House National Economic Council. Adds Treasury Secretary Lloyd Bentsen: "The ideas just sort of effervesce."

Most important, when he comes up with one, Mr. Magaziner has an open door to the president, whom he has known since they were Rhodes scholars 23 years ago. He also has a self-described "very easy relationship" with Mrs. Clinton, with whom he has worked closely in the past. He now meets her every morning in her West Wing office.

Attempting health-care reform isn't Mr. Magaziner's first seemingly quixotic pursuit. As a Brown University student in the late 1960s, he persuaded the administration to revamp the entire curriculum, a move that brought the school enormous popularity. A few years later, he joined a group of young idealists hoping to revitalize the downtrodden community of Brockton, Mass.; results were disappointing. A decade ago, Mr. Magaziner pushed an industrial policy plan in Rhode Island; voters rejected it by a 4-to-1 margin.

It is doubtful, though, he has ever worked harder. Over lunch at the White House a few days after the inauguration, Mr. Magaziner handed the president a schedule showing completion of the health plan at the end of May, a month beyond the "first 100 days" pledge that Mr. Clinton had made during the campaign. But Mr. Clinton crossed out the date, saying that if things slipped beyond the 100-day deadline, it could jeopardize the plan's chances of getting through Congress this year.

It is now 59 days and counting. Many a morning, Mr. Magaziner wakes up well before sunrise in his hotel suite, and arrives at the Old Executive Office Building by 4 a.m. to read and write. At 7, there's a staff meeting. By 9:30, he's in with the first lady. Often, he can still be found in the office 12 hours later, considering all the what-if's.

An Idealist's New Task: To Revamp Health Care

By ROBERT PEAR
Special to The New York Times

WASHINGTON, Feb. 25 — He made radical changes in the curriculum at Brown University. He led a band of young idealists working for social change in Brockton, Mass. He tried unsuccessfully to make his home state of Rhode Island into a laboratory for his theory of industrial policy.

And now he is trying to revamp the nation's health-care system. Ira C. Magaziner is President Clinton's senior adviser for policy development. But he works mostly for Hillary Rodham Clinton in her effort to devise a plan to control health costs and guarantee health care for all Americans.

Mr. Magaziner, who is 45, is variously described as a complex, intense man; a shy, eccentric genius; a harsh taskmaster who works harder than anyone on his staff.

"Ira is a nonlinear thinker," said Stephen H. Crolius, a 37-year-old consultant at Telesis, a company founded by Mr. Magaziner. "Most people are used to thinking in terms that proceed logically from A to B to C to D. Ira can go immediately from A and B to G."

Ira C. Magaziner

Born: Nov. 8, 1947, New York City.

Hometown: Bristol, R.I.

Education: Public schools of Far Rockaway, Queens, and Lawrence, L.I.; Brown University; Oxford University.

Career highlights: 1971-73, neighborhood organizer, Brockton, Mass.; 1973-79, Boston Consulting Group; 1979-89, president of Telesis, a business consulting concern; 1990-92, president of SJS Inc., a consulting concern. 1988-91, chairman, Commission on the Skills of the American Work Force. Also involved in public policy studies like the Greenhouse Compact, for industrial development, and Aging 2000, for health care, in Rhode Island.

Family: Married to Suzanne McTigue; two sons and one daughter.

Interests: New York Giants football fan; New York Yankees baseball fan; travel with his children.

'An Outsider in Washington'

Following an edict he imposed on other officials, Mr. Magaziner refused to discuss the Administration's health-policy review. By his own account he is "an outsider in Washington," a novice in the capital's corridors of power. But he presides over a policy-making apparatus like nothing seen here in decades: more than 300 economists, health-policy experts, Government employees and consultants racing to assemble a major health-care proposal by May 1.

"He is worth several million dollars, but I think he owns one rumpled suit, which he doesn't press," said Mark Patinkin, who wrote a book with Mr. Magaziner in 1988. "He spends 90 percent of his mental energy thinking about policy. He lives to solve policy problems."

Mr. Magaziner's career as a business consultant illuminates his approach to health policy. He has immersed himself in vast quantities of detail and data, just as he did when he worked for clients like Volvo, General Electric, Corning, Wang Laboratories and the Governments of Israel and Sweden.

He has established more than two dozen committees to study aspects of health policy, including cost controls, long-term care and mental health. Each team must meet seven deadlines. Each deadline, in his jargon, is a tollgate. He spends his time talking with these committees, with members of Congress and with lobbyists from groups like the Health Insurance Association of America.

Mr. Magaziner was a Rhodes Scholar at Oxford University with Bill Clinton, and his intellectual imprint is evident in Mr. Clinton's campaign manifesto, "Putting People First."

In a 1990 study called "America's Choice: High Skills or Low Wages," Mr. Magaziner said the nation must train workers and reorganize the workplace to meet challenges of the 21st century. As candidate and as President, Mr. Clinton has often talked about the need for "an economy of high-wage, high-skill jobs."

Consultant and Agitator

For nearly 20 years, Mr. Magaziner was a consultant to blue-chip companies, which he often charged more than $500 an hour, colleagues say. But he also advised Walter F. Mondale and Michael S. Dukakis, the Democratic candidates for President in 1984 and 1988, and he has not abandoned his past as a political agitator.

Roger G. Ackerman, president of Corning, which makes glass and high-tech materials, described Mr. Magaziner as "a tremendous encyclopedia, the best consultant ever retained by the company. He said Mr. Magaziner helped Corning compare itself with foreign competitors.

"Ira constructed a model of what we were up against by visiting foreign countries and collecting huge amounts of information about our competitors' taxes and labor costs," Mr. Ackerman said in an interview. "Based on his advice, we decided to make a big commitment to the liquid-crystal display business in Japan, and it's been a success story for Corning."

On the other hand, in 1989, Mr. Magaziner told a Congressional committee that the Federal Government should invest in research on "cold fusion," lest the United States fall behind Japan and European countries in developing this technology. Congress, he said, must not "dawdle and wait until the science is proven." The science, however, has still not proved commercially valuable.

Led Curriculum Reform

Mr. Magaziner grew up in New York City, the son of an accountant who worked at a tomato-packing company. As valedictorian of the class of 1969 at Brown, he led efforts to liberalize the curriculum. Through noisy rallies and quiet negotiations, he persuaded faculty members to move away from large lecture classes and toward individual instruction and independent study.

"The goal was to eliminate most of the requirements and let students have greater freedom to choose their courses," said Elmer E. Cornwell Jr., a professor of political science at Brown. "Ira and another student drafted a very comprehensive report, and most of their recommendations were adopted by the faculty. A great deal of Brown's popularity flows from the 1969 curriculum reform. We were viewed as an avant-garde kind of place."

After two years at Balliol College, one of the oldest colleges at Oxford University, Mr. Magaziner and several friends went to Brockton, an old shoe-manufacturing center 19 miles south of Boston, for a local experiment in social democracy that sought to reverse the city's economic decline.

In an effort to give more power to the residents of Brockton, Mr. Magaziner and his friends supported liberal candidates for local office and established a food cooperative, a weekly newspaper, a tenants' rights organization and a nonprofit corporation to repair dilapidated housing.

"We were very idealistic, committed and earnest," said Joshua C. Posner, who graduated from Brown in 1971. "After a couple of years, it became clear we were not going to change the world starting with Brockton. Ira realized there was a lot about the real world that he didn't know, and he wanted to learn. That's why he went to the Boston Consulting Group in 1973, to be a business strategy consultant."

This was a turning point in Mr. Magaziner's career. At this time, his friends say, he moved toward the center of the political spectrum.

"Up till then, Ira had seen big business as an institution to be skeptical about," Mr. Patinkin said. "But a number of Brockton shoe factories shut down because of foreign competition. All his work to help the needy was overwhelmed by the closing of those factories. Ira realized that corporate and economic success was the truest path to save the world, to create prosperity for those who didn't have it."

In 1979 Mr. Magaziner formed his own consulting concern, Telesis, to develop his ideas on industrial policy and to advise corporate clients. In 1986 he sold it to Towers Perrin, a big consulting company, for a sum estimated by Rhode Island businessmen at $6 million. He formed another consulting concern, SJS Inc., in 1990.

Mr. Magaziner put his economic ideas to a test in 1984. He was the chief architect of a $248 million industrial development plan for the State of Rhode Island. The proposal was called the Greenhouse Compact, an allusion to the fact that Mr. Magaziner wanted to establish "greenhouses" to nurture promising industries like robotics. But the plan was overwhelmingly rejected by voters in a state referendum.

An agitator turned consultant who now presides in the corridors of power.

Recalling the referendum, Prof. George H. Borts of Brown, who describes himself as a free-market economist, said, "Ira's economic ideas were primitive, just off the wall." He maintained that Mr. Magaziner seemed to assume that Rhode Island, the nation's smallest state, could develop its own economy and thrive on exports. That notion is absurd, Professor Borts said, because Rhode Island is economically dependent on its neighbors, Massachusetts and Connecticut.

In addition, Mr. Borts said: "There was great suspicion that the Greenhouse Compact would favor some firms at the expense of others. Businessmen feared their competitors would be subsidized by the state."

But many ideas from the Greenhouse Compact, like the proposal for government aid to high-tech industries, showed up in Mr. Clinton's economic proposals.

J. Joseph Garrahy, a Democrat who championed the Greenhouse Compact as Governor of Rhode Island in 1984, said, "Leading educators and businessmen saw it as a valid way of trying to help the state out of its economic difficulties."

Representative John F. Reed, a Rhode Island Democrat, said: "Ira's predictions about the state's economy have unfortunately been borne out. If we didn't do anything, he warned, the job base and the manufacturing base would decline. He was right."

In the national health-care industry, as in the Rhode Island economy, Mr. Magaziner wants to stimulate free-market competition, but he also welcomes the firm guiding hand of government. Thus, the President's Task Force on National Health Care Reform is considering "interim cost controls" like limits on doctors' fees and hospital charges.

Edward J. Caron, a vice president of Providence College, who worked with Mr. Magaziner at Telesis and SJS Inc., said: "Ira thinks in very broad strokes. His health-care reform proposal will be well-supported and well-documented. But he will need nuts-and-bolts people to put his strategy into effect in the real world at the level of the average person because he thinks at a more global level."

Philadelphia Inquirer 9/6/93

Ira Magaziner, guru of health-care reform

By Steve Goldstein
INQUIRER WASHINGTON BUREAU

His job may be the toughest in the nation: Selling the plan to a skeptical public.

WASHINGTON — Twenty-two years ago, while finishing a stint at Oxford University as a Rhodes scholar, Ira Magaziner underwent knee surgery for an old basketball injury.

This was before the era of in-and-out arthroscopic procedures, so he was hospitalized for a week. The American was impressed that the British National Health Service treated him at no expense.

Doctors told him to rest quietly at home. Instead, aided by a classmate, he hauled his full-length cast onto a train to London, there to resume coordinating demonstrations against the war in Vietnam.

"There was no way he was going to let this thing debilitate him," recalled the friend, Richard Crocker, now a dean at Elizabethtown College in Pennsylvania.

"He's always had this determination to continue the crusade," said Crocker. "No matter what the petty limitations."

As Magaziner has raised his goals, the limitations have become less petty.

In his 45 years, this student activist-turned-millionaire-corporate-strategist-turned-national-policy-guru has attempted to revolutionize a university, a town and his adopted state of Rhode Island.

Now, the task is merely the nation's $940 billion health-care industry. A maelstrom is brewing this fall over President Clinton's plan to radically overhaul the medical system, and Magaziner sits squarely in the middle of it.

As Clinton's health-care guru, Magaziner may have the toughest job in the country this month, for it has come time to finish crafting the plan and begin selling it to a skeptical America.

That's fine, because the only challenges that excite him are the ones from which most turn away — the

See MAGAZINER on A4

Guru of plan on health reform

Knight-Ridder Tribune / CAROL POWERS

Ira Magaziner (left) meets with health advisers in the Old Executive Office Building. He says that after health care, he will "move on to something else — unless I get run out of town first."

MAGAZINER from A1

Everests of problem-solving.

"He's always wanted to effect public policy at a very high level," said W. Edward Wood, a former Rhode Island official who worked with him.

Said Carolyn Gatz, a senior policy aide who has known him for years: "Ira's willing to have a go at things that seem impossible."

Rhode Island Treasurer Nancy Mayer worked with him on a statewide health-care study a few years ago.

"He wanted to overhaul the system, not just fine-tune it," Mayer said. " 'Pretend you've been *dropped* on this planet from Mars,' he told us. 'What would you create?' "

Magaziner is anything but conventional.

Faced with the requirement of an athletic background to get the Rhodes scholarship, he admitted that he wasn't much for organized sports.

So he offered to arm-wrestle the members of the selection committee.

■

Anecdotes about Magaziner's personal traits tend to fall into four categories: Food. Fashion. Forgetfulness. Focus.

His legendary junk-food diet of pizza, Mallomars, potato chips and grilled-cheese sandwiches make his boss, Bill Clinton, seem like the Jogging Gourmet.

He is a blue-jeans personality inside a corporate uniform, and suits hang on the tall, gangly Magaziner like they're still on the rack.

In April, Magaziner and deputy policy director Judith Feder were driving to a congressional conference on health care in Jamestown, Va., but became so engrossed in conversation that they overshot the turnoff, realizing the error only as they hit North Carolina.

Chronically late, Magaziner finds it difficult to end discussions. Longtime scheduling chief Marjorie Tarmey adds an hour-buffer between his commitments.

"Ira's willing to have a go at things that seem impossible."

Carolyn Gatz, policy aide

As a business consultant, Magaziner became famous for working right up to deadline. On a trip to see a client — having been up most of the night — Magaziner told colleagues that he would organize slides on the plane, then discuss the presentation during a 30-minute limo ride.

Seeing a new assistant's eyes widen at such eleventh-hour planning, Ed Wood tried to break the tension.

"OK, Ira," he said. "What do we do on the elevator?"

Technically, Magaziner is Clinton's senior adviser for policy development. In reality, this shy, stork-like man is the administration's Big Picture Guy.

"If I was running a department, most of what I would have to do is managing the status quo," he said during a conversation in his curiously impersonal office in the Old Executive Office Building. "In this job, I can be free to push the change agenda."

So Magaziner has a list. Health care happens to be first. Next may come educational skills or competitiveness issues, both of which he has worked on in the past.

"I'll help get health care through Congress and then move on to something else — unless I get run out of town first," he said.

■

"Don't be fooled," Magaziner recently told a convention of the United Steelworkers of America. "You will hear terrible things about the Clinton plan. The special interests will say they are for reform, but look carefully at what they say."

This is a new role for Magaziner: salesman. After getting burned on a huge economic plan in Rhode Island, which was rejected in a public referendum, Magaziner learned there was more to effecting public policy than studying it.

He will need allies to sell the health-care reform plan, due for release on Sept. 22.

To develop the blueprint, Magaziner organized 500-plus health-care professionals into 30 issue-related working groups and drove them 15 hours a day, often seven days a week. When the plan was drafted, he asked outside consultants and special interests to offer criticism.

Magaziner wanted a plan rooted in human experience.

"One of the things frustrating to me is the number of bright, able people in the agencies here who really don't understand what effect their regulations have," he said.

While crafting a health agenda for Rhode Island, Magaziner followed nurses around with a stopwatch, logging how much time was spent on paperwork. He interviewed patients and administrators.

One of his stock stories concerns an elderly hospital patient with a respiratory ailment who resisted being discharged because Medicare wouldn't reimburse the cost of oxygen treatments at home.

A home nurse was forced to bring the patient back to the hospital and walk him up and down the corridor until he was thoroughly winded, so the oxygen levels in his blood would permit home treatment — and reimbursement.

Roberta Hawkins, executive director of the Alliance for Better Nursing Home Care in Providence, said everyone had been dubious that Magaziner and his eager helpers would alter what had become a miserable situation.

"After a few months I said to Ira, 'Who the hell do you think you are that you can change this system?' " said Hawkins. "He said, 'I'm someone that cares.'

"He inspires people to think he can make a difference," said Hawkins.

And he did, she said.

In an administration thick with workaholics, Magaziner's minions stand out.

"He's not an easy guy to work for or with, but his honesty comes through," said Dr. Risa Lavizzo-Mourey, a task-force member on leave from the Public Health Service.

During the intensive study process on the health-care plan from February to April, Magaziner began one session at 8 a.m. Saturday, recessed at midnight, then reconvened from Sunday morning until 8 p.m.

As they packed up to go, Magaziner said: "Thank you all for coming. Now, have a great weekend."

In early March, he appeared at a Saturday night session while suffering from pneumonia.

It was then, Gatz says, as Magaziner looked at the 150 or so professionals around the big table in the Treaty Room of the Old Executive Office Building and considered how many had left their families and jobs behind, that he understood the commitment to this project.

"That's when he first thought this might really work," she said.

■

Ira Charles Magaziner grew up in a middle-class family in Far Rockaway, N.Y., and Lawrence, Long Island, the son of a homemaker and bookkeeper in a small tomato-packing business.

His heroes were Eleanor Roosevelt and Supreme Court Justice Louis D. Brandeis — "people who had broken molds, who weren't afraid to take on matters of principle."

At Brown University, where he began in 1965, he was class president all four years and a leader of the student protests against the war in Vietnam and other social causes.

"He was able to mobilize a lot of independent people," said classmate Peter Laarman.

Magaziner's overriding passion at Brown was directed at overhauling the curriculum, which he did in a 425-page tome.

Excerpts of his 1969 valedictory speech appeared in Life magazine, alongside those of a student activist from Wellesley College named Hillary Rodham.

But it was Bill Clinton whom Magaziner met first, at Oxford.

"When you see him, he doesn't say hello like most people. He asks you a policy question."

Thomas Kean
Ex-N.J. governor

When he returned to the United States, Magaziner sought to apply some of what he had learned to create social democracy. His first attempt was in blue-collar Brockton, Mass., a down-at-the-heels shoemaking center best known as the home of Rocky Marciano.

Despite exhaustive research on the political and economic system, Magaziner and his team of volunteers achieved only modest results: a food co-op, some rehabilitated housing and a community newspaper.

Magaziner joined the Boston Consulting Group, a high-powered corporate strategy firm. He worked hard, made partner and piled up an impressive list of loyal clients.

Many of these clients followed him in 1979 when he and other BCG members formed their own company, Telesis, in Providence R.I., doing corporate strategy and economic-development studies.

Though he had some notable flops — advocacy of a discredited cold-fusion project, for one — he has a long list of fans who cheerfully paid him $600 an hour and more.

"I still would go anywhere that Ira Magaziner said to go," said Robert Ecklin, a vice president of Corning Glass Works. "I would put him near the top of Clinton's real-world thinkers."

Goran Carstedt, president of Ikea North America, first met Magaziner when Carstedt worked with Volvo in the 1970s.

Carstedt said he stopped being surprised at Magaziner's talents when he watched the American explain the U.S. economy in 30 minutes to 300 Swedish Volvo dealers and their spouses.

In 1983, Magaziner offered his services and those of Telesis to Rhode Island to develop an economic revival plan. The 11,000-page study, which became known as the "Greenhouse Compact," proposed creating research "greenhouses" to nurture new ventures.

Although it enjoyed a lot of official support, a $110 million bond issue was given a 4-1 thumbs down by the Rhode Island voters.

Magaziner says he didn't spend enough time communicating with the public about the plan — something he has vowed not to let happen with the health-care plan.

Magaziner sold Telesis in 1988 for $6 million, freeing him to pursue big policy projects. He formed yet another consulting firm, SJS — the first initials of his three children — and took on the statewide health-care study in Rhode Island.

"That effort was very formative for me," said Magaziner. "It gave me a real sense of the bureaucracy and waste in the system, its unfairness and the insecurity of the people it is supposed to cover."

In 1990, he served with Hillary Rodham Clinton on a panel put together by the National Center on Education and the Economy to examine the skills of the U.S. workforce. Recommendations from the study are being implemented in at least 20 states.

Team member Ray Marshall, a former secretary of labor, said Magaziner had the ability "to impose order on chaotic information."

"It was the most successful commission I've ever served on," said Marshall.

Another member, former New Jersey Gov. Thomas Kean, was struck by Magaziner's intensity.

"When you see him, he doesn't say hello like most people," said Kean. "He asks you a policy question."

Of course, this is the Magaziner that the suits see.

The people back home in Bristol, R.I., know a different guy — one who sat outside the post office on Hope Street to sell raffle tickets for the PTA.

They know the guy who raised money at a 1991 school fair by agreeing to take a 20-minute turn in the dunking booth.

And they believe that as long as he is in Washington, things can't all be bad.

"I sleep better at night," said Providence lawyer Jeffrey Davis, "knowing that Ira is lurking around the center of the administration."

Health care adviser 'obsessed' with task

By Judi Hasson
and Judy Keen
USA TODAY

On the mantle in Ira Magaziner's office, there's a sign that says it all:

"It's May 3rd, stupid."

Only 26 days away, that's the date that Magaziner, the top White House adviser on health reform, says President Clinton's health care task force was to deliver recommendations Clinton can send to Congress and sell to the public.

The sign echoes the key to Clinton's campaign, when the No. 1 issue was explained by a sign saying, "It's the economy, stupid."

For Magaziner and many Americans, now health care is No. 1. And Magaziner — working closely with first lady Hillary Rodham Clinton, who chairs the president's task force — says it's important to deliver by May 3, or very soon after that.

"We knew we had to do health care first; we knew we had to do it this year," he says.

Lying awake at night, the gentle, soft-spoken Magaziner runs over the details again and again of what the administration is trying to do in designing the biggest social change in American life in a generation.

"I'm obsessed with it because it's such a big responsibility," says Magaziner, who looks more like a rumpled college professor than the millionaire consultant he is.

THE MAGAZINER FILE

AGE: 45. Born Nov. 8, 1947

EDUCATION: Brown University, A.B., 1969; Oxford University, Rhodes Scholar, 1969.

EXPERIENCE: President of SJS Inc., a public-policy strategy firm that researches economic and social issues (1989-92); president and founder of Telesis, an international corporate strategy consulting firm (1979-89); corporate consulting for the Boston Consulting Group in Boston, London and Tokyo (1973-79); author of three books.

Worked on "Aging 2000," a two-year study of Rhode Island's health-care system.

FAMILY: Married to Suzanne McTigue; sons Seth, 9, and Jonathan, 7; daughter Sarah, 5.

SPARE TIME: All spent on work these days. To exercise, he climbs the stairs of the Old Executive Office Building next to the White House where his office is.

Pressure to produce something different isn't new for Magaziner.

"I've worked this hard in my life before," he says.

Back home in Rhode Island, friends and colleagues call Magaziner a "whiz kid" who has specialized in helping major companies solve complicated problems with ease.

"Ira is one of the smartest human beings I've ever met," says Thomas Anton, a public policy professor at Brown University. "His mind has an infinite capacity to grasp details and ideas in a way which is quite startling."

"He's very much like Bill (Clinton)," says former Massachusetts Gov. Michael Dukakis. "That very inviting kind of manner which basically says, 'Look, I may be bright ... but you people know a lot more than I do about what's going on.'"

But not everyone is a fan.

"Ira Magaziner may be the brightest guy in the world, but you can't marry managed competition and price controls," says the conservative Heritage Foundation's Robert Moffit, referring to two keys to the administration's plans. "You might as well try to make the Earth flat."

An undergraduate during the Vietnam era, Magaziner started making his mark early. He waged a successful campaign to overhaul the curriculum at Brown University.

"It ~~changed the image from~~ a second-rate ~~Ivy League~~ school to a first-rate one. He ~~did it almost single-handedly~~," says Stuart Altman, health expert at Brandeis University.

As a private consultant, he tried — but failed — to get Rhode Island to pump millions of dollars into revitalizing state industries. He spent two years studying health-care problems in Rhode Island.

Now, he rises before dawn for a grueling day that often doesn't end until near midnight — with a break only to go home and tell a bedtime story to his three children.

And the clock ticks on. Details are demanding attention. Decisions have to be made because people want change — especially, he says, they want to be sure they'll always have medical care they can afford.

"There is a tremendous insecurity in the system," Magaziner says. "I would say that most Americans would value getting rid of that insecurity."

USA TODAY · WEDNESDAY, APRIL 7, 1993

Ira M.

^BC-IRA national editors:WA
^Clinton health-care guru draws many admirers
(PHOTOS; details below)
(HAS TRIMS)
By Steve Goldstein
Knight-Ridder Newspapers

WASHINGTON In his 45 years, Ira Magaziner has attempted to revolutionize a university, a town and his adopted state of Rhode Island.

Now the task is the nation's $940 billion health-care industry. A maelstrom is brewing over President Clinton's soon-to-be-released plan to radically overhaul the medical system, and Magaziner sits squarely in the middle of it.

As Clinton's health-care guru, Magaziner may have the toughest job in the country selling reform to a skeptical public.

That's fine with him, because the only challenges that seem to excite him are the ones from which most turn away the Everests of problem-solving.

``If I was running a department, most of what I would have to do is managing the status quo,'' Magaziner said during a conversation in his curiously impersonal office in the Old Executive Office Building next to the White House.

``In this job, I can be free to push the change agenda.''

Magaziner is anything but conventional.

(EDITORS: BEGIN OPTIONAL TRIM)

Anecdotes about Magaziner's personal traits tend to fall into four categories: Food. Fashion. Forgetfulness. Focus.

His legendary junk-food diet of pizza, Mallomars, potato chips and grilled-cheese sandwiches makes his boss, Bill Clinton, seem like the Jogging Gourmet.

He is a blue-jeans personality inside a corporate uniform, and suits hang on the tall, gangly Magaziner like they're still on the rack.

In April, Magaziner and deputy policy director Judith Feder were driving to a congressional conference on health care in Jamestown, Va., but became so engrossed in conversation that they overshot the turnoff, realizing the error only as they hit North Carolina.

Chronically late, Magaziner finds it difficult to end discussions. Longtime scheduling chief Marjorie Tarmey adds an hour buffer between his commitments.

As a business consultant, Magaziner became famous for working right up to deadline. On a trip to see a client having been up most of the night Magaziner told colleagues that he would organize slides on the plane, then discuss the presentation during a 30-minute limo ride.

Seeing a new assistant's eyes widen at such eleventh-hour planning, Edward Wood, who worked with Magaziner on the project, tried to break the tension.

``OK, Ira,'' he said. ``What do we do on the elevator?''

(END OPTIONAL TRIM)

While crafting a health-care agenda for Rhode Island a few years ago, Magaziner followed nurses around with a stopwatch, logging how much time was spent on paperwork. He interviewed patients and administrators.

One of his stock stories concerns an elderly hospital patient with a respiratory ailment who resisted being discharged because Medicare wouldn't reimburse the cost of oxygen treatments at home.

A home nurse was forced to bring the patient back to the hospital and walk him up and down the corridor until he was thoroughly winded so the oxygen levels in his blood would permit home treatment and reimbursement.

Roberta Hawkins, executive director of the Alliance for Better Nursing Home Care in Providence, said everyone had been dubious that Magaziner and his eager helpers would alter what had become a miserable situation.

``After a few months I said to Ira, `Who the hell do you think you are that you can change this system?''' said Hawkins. ``He said, `I'm someone that cares.'

``He inspires people to think he can make a difference,'' said Hawkins. And he did, she said.

``He wanted to overhaul the system, not just fine-tune it,'' said Rhode Island Treasurer Nancy Mayer, who worked with Magaziner on the statewide health-care plan. ```Pretend you've been dropped on this planet from Mars,' he told us. `What would you create?'''

To develop Clinton's health-care reform blueprint, Magaziner organized 500-plus health-care professionals into 30 issue-related working groups and drove them 15 hours a day, often seven days a week. When the plan was drafted, he asked outside consultants and special interests to offer criticism.

Magaziner wanted a plan rooted in human experience.

``One of the things frustrating to me is the number of bright, able people in the agencies here who really don't understand what effect their regulations have,'' he said.

During the intensive study process on the health-care plan from February to April, Magaziner began one session at 8 a.m. Saturday, recessed at midnight, then reconvened from Sunday morning until 8 p.m.

As they packed up to go, Magaziner said: ``Thank you all for coming. Now, have a great weekend.''

``He's not an easy guy to work for or with, but his honesty comes through,'' said Dr. Risa Lavizzo-Mourey, a task force member on leave from the Public Health Service.

Ira Charles Magaziner grew up in a middle-class family in Far Rockaway and Lawrence, N.Y., the son of a homemaker and a bookkeeper in a small tomato-packing business.

His heroes were Eleanor Roosevelt and Supreme Court Justice Louis D. Brandeis ``people who had broken molds, who weren't afraid to take on matters of principle.''

(EDITORS: BEGIN OPTIONAL TRIM)

At Brown University, where he began in 1965, he was class president all four years and a leader of the student protests against the war in Vietnam and other social causes.

``He was able to mobilize a lot of independent people,'' said classmate Peter Laarman.

Magaziner's overriding passion at Brown was directed at overhauling the curriculum, which he did in a 425-page tome.

Excerpts of his 1969 valedictory speech appeared in Life magazine, alongside those of a student activist from Wellesley College named Hillary Rodham.

But it was Bill Clinton whom Magaziner met first, at Oxford, where both were Rhodes Scholars.

When he returned to the United States, Magaziner sought to apply some of what he had learned to create social democracy. His first attempt was in blue-collar Brockton, Mass., a down-at-the-heels shoe-making center best known as the home of heavyweight boxer Rocky Marciano.

Despite exhaustive research on the political and economic system, Magaziner and his team of volunteers achieved only modest results: a food co-op, some rehabilitated housing and a community newspaper.

Magaziner spent more than a decade working on corporate strategies and economic development studies. Though he had some notable flops advocacy of a discredited cold-fusion project, for one he accumulated a long list of fans, some of whom have cheerfully paid him $600 an hour and more.

``I still would go anywhere that Ira Magaziner said to go,'' said Robert Ecklin, a vice president of Corning Glass Works. ``I would put him near the top of Clinton's real-world thinkers.''

(END OPTIONAL TRIM)

In 1983, Magaziner offered his services and those of Telesis, a consulting group, to Rhode Island to develop an economic revival plan. The 11,000-page study, which became known as the ``Greenhouse Compact,'' proposed creating research ``greenhouses'' to nurture new ventures.

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NAME: IRA MAGAZINER

SECTION: Part A; Page 1; Column 1; National Desk

LENGTH: 2460 words

HEADLINE: COLUMN ONE;
A LIFETIME OF PUSHING THE LIMITS;
FROM HIS SUMMER CAMP DAYS TO YEARS AS A BUSINESS MEGA-CONSULTANT, IRA MAGAZINER
HAS TRIED TO CHANGE THE WORLD. NOW HE'S TRYING TO OVERHAUL THE U.S. HEALTH CARE
SYSTEM.

BYLINE: By EDWIN CHEN, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY:

He arrived without fanfare, an Ivy League theorist in service to his ideals, and he quickly set out to plot big changes. He recruited an army of like-minded reformers and began dissecting the issues with missionary fervor, churning out lofty memos on how to make things better.

Twenty years ago, that was Ira Magaziner, leading a quixotic attempt to bring grass-roots democracy to Brockton, Mass., a struggling blue-collar town that was home to heavyweight boxing champion Rocky Marciano.

The youthful effort to transform a community fizzled, but Magaziner is still at it. And if his modus operandi hasn't changed, his ambitions surely have.

Instead of trying to remake a city, he's out to change America.

As director of the White House Task Force on National Health Care Reform, Magaziner -- working closely with First Lady Hillary Rodham Clinton -- has assembled more than 500 experts to help draft the Administration's agenda for health care reform. Perhaps the most ambitious plan of its kind, it promises to transform the way every American receives -- and pays for -- medical care.

With delivery of a huge draft of the plan to President Clinton imminent, the moment of truth is at hand. And Magaziner has almost as much at stake as the President himself.

As a hard-driving consultant who made millions advising major corporations, Magaziner has been widely recognized for his ability to analyze and devise ways to handle the most difficult financial and strategic problems.

His devotion to hard work is such that aides who arrive for afternoon meetings toting sandwiches have found themselves still laboring -- food untouched -- at 3 a.m.

Yet after a series of forays into the realm of public policy -- from trying to transform Brockton to a higher-profile effort to remake the entire economy of Rhode Island -- Magaziner is still looking for the big win.

Producing a full-scale redesign of America's health care system could provide it. Or the effort could go down in history as a foolhardy exercise by a man who critics say is far too steeped in academia and too naive about the workings of government.

It is clear that Magaziner, the would-be health reformer, has incorporated lessons learned from past failures. And he is apparently gambling that this, his third try in the public policy arena, will be a charmed one.

"Ira's best trait is also his riskiest trait: He never tries to hit a single, but always a home run," said longtime Rhode Island journalist Mark Patinkin, who spent two years writing a book with Magaziner on global economic competition.

"Ira does not think small," agreed task force spokesman Robert Boorstin, special assistant to the President for policy coordination.

For Magaziner, a frizzy-haired, slightly rumpled, 45-year-old former Rhodes scholar now holding his first real government job, thinking big is what life should be about.

"The you-can't-do-that attitude here is a bit demoralizing, and it can sap your energy," he said. "But if we can get something accomplished, it'll really be something."

Restructuring the health care system is "very complicated," Magaziner conceded. "But other things I've done were pretty complicated too."

Cites Track Record

He is equally dismissive of skeptics who say that the system he designed for developing the health care plan, complete with a series of review gantlets he calls "tollgates," is too complex and too academic.

"I have a successful, 20-year career in the private sector, which doesn't take too kindly to people with ideas that don't work. And I had one of the most successful track records as a business strategy consultant -- with firms that had pretty hard folks to please," Magaziner said in a monotone that belies his annoyance.

"So my ideas have had to be practical and to stand the test of time."

*

For Magaziner, the notion of testing himself and the system came early in life.

The gangly, shy New Yorker grew up in a household that idolized Franklin and Eleanor Roosevelt.

"There was this idealism that flowed through the household and the sense that you should be committed to doing something just beyond yourself," Magaziner said.

As a teen-ager, he sold tickets for a Lena Horne concert to benefit the Congress for Racial Equality and joined the 1963 civil rights march on Washington.

Magaziner grew up in Far Rockaway, the son of an accountant for a small company. The family moved from Queens to a modest house that straddled the Nassau County border because the schools were better. He played basketball, ran a decent half-mile and got A's in Hebrew school.

During high school, he was expelled from a national association of student council presidents for leading an anti-segregation boycott.

Louis and Sylvia Magaziner were not wealthy and, until their son was in junior high school, they did not own a car. The family took vacations by bus.

Magaziner remembers on a trip through Virginia when he was in the fifth grade, "seeing lunch counters that had separate seating and separate bathrooms and so on, and being affected by those odd inequities."

At age 15, Magaziner worked as a waiter at a summer camp in the Adirondack Mountains, where he led a walkout to protest working conditions. The strike lasted only two days. Magaziner was fired, and all the other waiters got a raise.

"You need to be sure that people who are with you are really with you when you're doing something," Magaziner said.

At Brown University, he was class president all four years. Many classmates still recall a wildly successful spring festival he organized that featured poet Allen Ginsberg, singers such as James Brown and Dionne Warwick, and 24 hours of Marx Brothers movies.

But Magaziner's most enduring achievement was engineering a wholesale revision of Brown's curriculum, holding rallies and meetings with university officials, and eventually persuading the faculty to abandon course requirements and mandatory grades.

In the spring of 1969, as campus protests against the Vietnam War reached a nationwide crescendo, Magaziner, the class valedictorian, persuaded most of his classmates to stand and, literally, turn their backs on one of the university's honorary degree recipients: Henry A. Kissinger, architect of President Richard Nixon's war policies.

Magaziner's speech, in which he railed against social injustice, also got national attention. Life magazine published excerpts of his address -- alongside those of a student leader from Wellesley College: Hillary Victoria Rodham.

The two would not meet for another decade. Rather, it was Bill Clinton whom Magaziner first met at Oxford University.

Unlike most Rhodes scholars, Magaziner took up residence in London, where he studied political economy at the London School of Economics and continued organizing anti-war demonstrations.

Back in the United States two years later, Magaziner and some friends decided on their own to "reform" the deteriorating community of Brockton, south of Boston.

By day, they worked as clerks, librarians, bank tellers, teachers and laborers. Magaziner worked on the loading dock of a trucking company. By night, the group of 30 or so idealists plotted social reform.

They set up a food co-op, rehabilitated low-income housing, built a children's park and fought against plans for residential construction on the edge of Brockton's largest park. They even published a weekly newspaper dedicated to people who, according to its masthead, "feel cheated in the marketplace and frustrated in the halls of government."

Hundreds of citizens enlisted in the movement. But after two years, the experiment lost steam and the collective dispersed.

"We didn't really understand much about the forces that affected the economy of a town," Magaziner said, conceding that the effort was ill-conceived.

Patinkin put it this way: "What he really wants more than anything is for his kids to have the same opportunities that he had. (But) Brockton made Ira realize that if you really want to help the needy, the path can't be through idealistic '60s pursuits but through economic renewal."

Joins Corporate World

Immediately after leaving Brockton, the newly enlightened Magaziner joined the Boston Consulting Group, a high-powered corporate strategy firm, where he was the in-house iconoclast, working for half the going salary, wearing faded blue jeans amid a sea of pin stripes.

Typically, he worked harder than anyone else, even paying secretaries out of his own pocket to work for him on weekends. Among his cohorts, Magaziner became the first to make partner.

One of his first cases involved the LTV Corp., whose steel division wanted to build a smelting plant, based on the hope of a surge in demand.

Magaziner advised against the multimillion-dollar investment, citing rising energy prices and threats from other metals and foreign competitors. But the company ignored his advice.

Eventually, it filed for Chapter 11 bankruptcy.

Magaziner claims no sense of vindication. "Maybe they would have gone bankrupt even faster if they had accepted our recommendations," he said.

Despite the 18-hour days and seven-day workweeks, Magaziner found time to court and marry a BCG colleague, Suzanne McTigue, a graduate of the Harvard Law School and the Graduate Business School.

In 1979, they and several other BCG members left and formed their own company, Telesis, in Providence, R.I., doing corporate strategy studies for companies all over the world. In addition to consulting for General Electric

Co., Black & Decker Corp. and Corning Glass Works, they also did economic development studies for the governments of Ireland, Sweden, Britain, Belgium and Ontario, Canada.

At Telesis, women were given a six-month maternity leave -- with pay. But Magaziner also drove his employees hard -- as he did himself. After returning from a rare Caribbean vacation with his family, he confessed to a friend that he got "a little bored."

"What really makes Ira happier than anything in the world is working 18 hours a day on policy. No, make that 20 hours," Patinkin said.

In 1983, he offered Telesis' services to help Rhode Island, now his adopted home, develop an economic revival plan, shifting its industrial base from defense contracting, textiles and jewelry to assorted high-tech industries.

Magaziner's involvement led to an 11,000-page report known as the Greenhouse Compact, named for a proposal to launch research "greenhouses" to encourage fledgling ventures.

The idea got off to a fast start, with most of Rhode Island's political, business and labor Establishment backing the $248-million program.

Though the plan was approved overwhelmingly by the Legislature, Magaziner thought it should also obtain the public's blessing. So he included in the plan a $110-million bond issue that went before a voter referendum in 1984.

It lost by a 4-to-1 margin.

"Ira was partly responsible for not being able to devise a strategy to make people understand it," said M. Charles Bakst, a longtime Magaziner watcher and government affairs editor of the Providence Journal newspaper.

"I felt that if we were going to do a program this big, that it was only right to go to the people and do a referendum," Magaziner said.

"Many people, in retrospect and perhaps second-guessing, said: 'You shouldn't have done it with something this complex. That's why you have representative government.' "

Failed to Sell the Public

His real mistake, Magaziner says, and one he hopes not to repeat, was failing to sell the program to the public.

"I learned a lot of lessons from Greenhouse," he said. "It taught me the need to communicate simply and to spend a lot of time on that communication."

Magaziner says he also learned "the importance of doing things from the grass-roots level" and to "do things a little more gradually when you're asking for a significant change."

In 1988, Magaziner sold Telesis for $6 million.

Next he formed SJS, which takes its name from the first initials of each of his three children. The firm spent about 25% of its time doing traditional business strategy consulting and, using the income that generated, devoted the rest of its time to pro bono work on social and economic issues.

One such project was an analysis of Rhode Island's health care system for the elderly.

In 1990, he served with Hillary Clinton on the board of the National Center on Education and the Economy, which sponsored a report on skills of the American work force.

Last year, he toyed with the idea of running for treasurer of Rhode Island but rejected it, telling friends that as a die-hard New York Yankees fan he could never get elected in a state that roots for the Boston Red Sox.

Instead, Magaziner plunged into Bill Clinton's presidential campaign. He became a key adviser and wrote large portions of "Putting People First," the campaign's manifesto.

Getting Mixed Reviews

Five days into his presidency, Clinton announced the formation of the health care task force, naming his wife as its leader and Magaziner as its paid director.

As the task force puts the final touches on its recommendations to Clinton, Magaziner and the First Lady have begun intensive consultations with key members of Congress and representatives of health care interest groups.

So far, Magaziner has received mixed reviews.

"He listens, he challenges and he makes sure that all sides of an issue are heard," said James Todd, executive director of the American Medical Assn. "He does not come with a theology of his own."

But one Democratic member of the House Ways and Means Committee said he is worried about Magaziner's lack of familiarity with the ways of Washington.

This member recalls a recent meeting between Magaziner and Rep. Pete Stark (D-Oakland), who is chairman of the Ways and Means panel's health subcommittee and has his own ideas about health care reform, far different from Magaziner's. Before long, the meeting erupted into a cacophony of raised voices.

Asked about that encounter, Magaziner simply says that he appreciates Stark's candor.

"He's a guy who knows a lot about health care. He's worked at it a long time, and he's got some opinions and is strong about them. But I appreciated his frankness," he said.

"I'm used to company environments, where if somebody disagrees with you, they just say they disagree with you and you sort of shout it out over a table. But it's good. You get a good discussion that way," he added

"But here, you find a lot of people smiling, patting you on the back, and so on and so forth. But they don't really mean it. So it's a less direct atmosphere. Those are the kinds of things that make this more difficult, and not so much the intellectual complexities of the task."

GRAPHIC: Photo, Ira Magaziner: "Other things I've done were pretty complicated too." ; Photo, Out to Change the World: From his summer camp days to years as a business mega-consultant, Ira Magaziner has tried to change the world. Now, as director of the White House Task Force on National Health Care Reform, Magaziner, above, is trying to overhaul the U.S. health care system. And he has much at stake in the effort. AL STEPHENSON / For The Times

TYPE: Non Dup; Profile

SUBJECT: HEALTH CARE REFORM; POLITICAL ACTIVISM

The Atlanta Journal and Constitution

May 14, 1993

SECTION: NATIONAL NEWS; Section A; Page 12

LENGTH: 786 words

HEADLINE: TODAY'S FOCUS: IRA MAGAZINER Meet the unlikely man with a plan for
health

BYLINE: By Susan Baer BALTIMORE SUN

BODY:

Washington - Ira Magaziner, Hillary Rodham Clinton's chief lieutenant for overhauling the nation's health care system, is such a junk food fanatic that he packs half his suitcase with boxes of Mallomars when he travels overseas.

He is such an anti-athlete that, at a loss to prove physical vigor to qualify for a Rhodes scholarship, he thought about offering to arm- wrestle the Rhodes committee.

And as he worked day after marathon day on health care costs and coverage as winter turned to spring, the guy with the rumpled suit and the laissez-faire hair languished with pneumonia and a residual cold-flu- cough malady that he couldn't seem to shake.

"I'm too afraid to see a doctor," he joked to an audience of business leaders.

But there are more salient ways in which Mr. Magaziner, 45, is an unlikely figure to play such an important role in health care reform.

Mr. Magaziner, President Clinton's longtime friend and senior policy adviser, is neither a health care expert nor an economist. Rather, he is a '60s liberal turned business consultant who has made millions toiling for corporate giants.

He has never held a government position before, has had as many failures as successes in the public policy arena, and has a history of proposing big, bold, revolutionary change, the kind Washington usually welcomes like the dog days of August.

"Both Ira's best trait and his riskiest trait," says Mark Patinkin, a

Providence, R.I., journalist who co-wrote a book on global economics with Mr. Magaziner in the late 1980s, "is that he never tries to work the ball down the field. He always tries to throw the bomb for a touchdown."

These days, he has the nation's biggest, most potentially explosive bomb tucked in his arm.

Although the first lady heads the health care task force, Mr. Magaziner is its mild-mannered architect, putting together the complex proposal for universal health care that will be delivered to the president this month.

He also has floated trial balloons and issued public policy pronouncements on the administration's plans, which are to be sent to Congress next month. This week, Mr. Magaziner was the subject of headlines when he advanced the idea of a payroll tax to finance health coverage for the uninsured.

A champion of government aid to promising industries and the author of three books on economics, Mr. Magaziner is an intense, brainy policy junkie who thrives on reports, meetings and talk. That makes him much like Mr. Clinton, but with ragtag eccentricities instead of the president's smooth glide.

Mr. Magaziner can be so acutely fixated by the policy details running through his computerlike mind that he once walked into a formal business meeting with no shoelaces in his shoes, was nearly hit by a car in Paris while crossing a street during a discussion of Europe's Airbus, and once walked over a covered hotel pool on his way to a meeting.

"He is one part absent-minded professor, another part single-minded intellect," says Joshua Posner, a longtime friend.

Although Mr. Magaziner has joked that the Clintons will not let him visit because he tracks mud on the carpet, he meets with the president in the West Wing of the White House nearly every day.

Since their days at Oxford, their relationship has been an intellectual one. One of the key authors of the Clinton campaign manifesto, "Putting People First," Mr. Magaziner was a prime force in shaping the president's economic outlook.

He was the one who brought "managed competition" - having health care networks compete for large pools of consumers, a concept likely to be a cornerstone of the health reform proposal - to candidate Clinton's attention.

And in imploring Mr. Clinton to make the difficult issue of health care a priority, he says he told him, "You're standing in quicksand and your only way out is to run through a minefield. What do you want to do?"

The native New Yorker also has an easy, comfortable relationship with the first lady, never upstaging her and never underestimating her in their current crusade.

His task is a Herculean one - and in discussing the broad strokes of his health reform plan, he has promised what sounds like a great deal: federally guaranteed health benefits available for all Americans, while keeping costs low and quality high. It would let people continue to have a choice of doctors and facilities, simplify the system, invest in underserved areas, address long-term care, emphasize preventive services and give states flexibility. And, of course, it would include a way to pay for it.

For Mr. Magaziner, it's the ultimate challenge. And if he succeeds in his long throw into the end zone, it will be the hallmark of his signature play.

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Facsimile Transmittal Sheet

Date: May 18, 1993

To: Meeghan Prunty

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From: Sushan Demirjian

Comments:

Howdy! :)

Here's the article. I haven't read a word of it yet - but I hope it's positive.

Shoe

Number of Pages (including transmittal sheet): 2

Educating Ira

EVEN the most jaded Washingtonians have never seen anything quite like it. The health-care task force, which is due to deliver its report to the president any day now, has outdone all previous committees on every imaginable measure: size (it had 500 full-time members and innumerable hangers-on), complexity (it was divided into 15 "cluster groups" and 34 working groups), rigour (the heads of the working-groups are now having their work reassessed by "auditors" and "contrarians"); and, not least, ambition. And the Great Panjandrum of this extraordinary enterprise—the man who dreamt up the task force, who drives its proceedings, and who keeps President Bill Clinton informed about its deliberations—is a student-radical-turned-management-consultant, Ira Magaziner.

If the essential qualities needed for reinventing health care under Mr Clinton are three—willingness to go back to first principles, faith in political action, and above all, a superhuman command of detail—then Mr Magaziner has spent his whole life in training for his current job. He first demonstrated his taste for going back to first principles as a student at Brown University in the late 1960s. Three years into his undergraduate degree he concluded that the curriculum was too narrow, too rigid, and too dominated by grades. After a year of agitation and argument, he persuaded the faculty to accept his own much more permissive course. It survives to this day.

In reforming Brown, Mr Magaziner pioneered a number of techniques seen later on the task force: studying the problem exhaustively (his report on the curriculum was 425 pages long); building a consensus (he organised fashionable dances, admitting only those who had helped with the report); coming up with breathtakingly bold proposals; and hinting that dire consequences might follow if the establishment resisted his ideas.

Mr Magaziner tested his faith in political activism in two rather unusual laboratories: Brockton, a decaying industrial town southwest of Boston; and Rhode Island, one of the most Mafia-infested states in the country. In Brockton, he turned up with a dozen fellow-students to revitalise local politics from the bottom up. In Rhode Island, a decade later, he accepted a commission from the local elites to turn the state into a showpiece of private-public partnership and high-technology-driven growth.

The bridge from student firebrand to policy wonk was a new career as a management consultant. Starting out with the Boston Consultancy Group, and eventually forming his own firm, Telesis (Greek for well-planned progress), Mr Magaziner specialised in advising large companies (Ford and General Electric) and small countries (Sweden) on why things cost as much as they do, and how they can be made to cost less. Management consultancy not only made him rich (he sold Telesis for $6m and has just forked out $1.25m for a Washington house); it also convinced him that America's ludicrously wasteful health-care system was undermining the nation's competitiveness abroad.

Ira (as he is universally known in Washington) inspires limitless loyalty among his subordinates. When not trying to match his 15-hour days, they regale each other with endless stories about his idiosyncrasies and absent-mindedness. Sadly, this affection is not universal. He has upset many influential Democrats, partly because he has blundered into their territory, partly because he is congenitally blind to status distinctions, judging everyone from the loftiest senator to the lowliest staffer on the basis of the quality of their arguments. A consummate rationalist, he prefers facts to innuendo, originality to soundness; in other words, he remains an outsider in Washington.

To conservatives Mr Magaziner is the archetypical know-it-all, a Beatrice Webb with flow charts; and his behemoth task force, with its appetite for paper and addiction to jargon, is just a foretaste of what is to come, when the rednecks are subjected to the rule of the pointyheads. More damagingly, the right points out that many of his schemes have flopped. Thanks to his curriculum, Brown is a paradise for airheads and idlers. The Brockton and Rhode Island experiments ended in ignominy. He persuaded General Electric to waste millions developing a rotary compressor, almost persuaded Utah to jump on to the cold-fusion bandwagon, and failed to rescue Wang laboratories from bankruptcy.

Many of these criticisms are overdone; but even his acolytes admit that the task force was too large and its procedures too elaborate. The force wasted an enormous amount of energy producing a plan which looks remarkably like the one sketched out in Mr Clinton's campaign manifesto. Many of the 500 bodies simply got in the way. Hardly anybody read the endless folders which the task forces produced.

Hardly anyone except Ira, that is. Arguably, the whole point of the exercise was to educate Ira about health care. Mr Magaziner started out as a fan of the Canadian "single-payer" model and a supporter of price controls. Thanks to his three months of briefings, he is as eloquent about managed competition as anyone, and as cautious about price controls.

Surprisingly, the most pressing "Magaziner problem" for the administration stems neither from his eccentricity, nor from his love of details, but from his superhuman efficiency. With most members of the task force now dismissed, Mr Magaziner is putting the finishing touches to his report. But the administration, worried that health-care reform will kill jobs and raise taxes, is keen to delay unveiling the plan until mid-June, or even mid-July. Mr Magaziner churns on regardless.

The Boston Globe

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Correction Appended

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LENGTH: 1481 words

HEADLINE: Only you, Dick Daring;
DAVID WARSH / ECONOMIC PRINCIPALS

BYLINE: By David Warsh, Globe Staff

BODY:

It long has been an article of faith among baby boomers that Bill Clinton's story in the future will be linked somehow to his story in the past. Getting elected president gives you a clean slate in some areas, but not in others. Hence the interest in Clinton's biographical situation, the structure of his friendships, in what he learned and what he didn't learn.

A case in point is Ira Magaziner, who is running the operations of the health care task force for Hillary Rodham Clinton. Magaziner, 45, is one of Bill Clinton's small circle of close friends from his Oxford days; they met there as Rhodes scholars.

It was Magaziner who, by his own account, persuaded Clinton to stake his presidency on the current 100-day quick fix for health care, on the grounds that he couldn't deal with the deficit if he didn't simultaneously solve the health care problem. It was Magaziner who told industry groups last week that a far-reaching program of price controls would be necessary to stem the rate of growth of health care costs.

So as a result of Magaziner's advice, the administration is now barrelling full-tilt toward what could be a considerable - and unnecessary - disaster. Consider Magaziner. He grew up in a couple of highly disparate Long Island towns: first in Far Rockaway and then in Lawrence. His father was an accountant who worked two jobs to move the family to a wealthier town; he was a student council president who led a boycott of his high school on the issue of, among other things, saluting the flag. It was the 1960s.

It was as an undergraduate at Brown University that Magaziner first became famous during the summer of his sophomore year, as the author of a self-appointed " Magaziner report" on the reform of undergraduate education.

Eliminate grades, core requirements and departmental boundaries were among his recommendations. He lobbied relentlessly for their adoption over the following two years, organizing student supporters into teams, somewhow winding up as valedictorian of his graduating class as well: History was then and Providence. When the plan was formally adopted by Brown in 1969, Time Magazine wrote up the student leader under the headline "Peaceful Revolutionary."

It was a drama to be played out at least twice again, with less success. In the early 1970s, Magaziner recruited a core of students to infiltrate the old industrial city of Brockton, Mass., with a view to preparing for the eventual economic revolution, writing up a utopian plan for postrevolutionary Brockton in the process. After a couple of years of bickering, the project foundered and the organizers drifted away - Magaziner to the celebrated Boston Consulting group, where he got his first taste of high-stakes industrial restructuring.

In the mid-80s, Magaziner wrote an ambitious "Greenhouse Compact" for the state of Rhode Island, calling the investment of nearly a quarter billion dollars in the state's industrial economy over several years, enlisting Fleet Financial honcho Terry Murray in the project. After some of Rhode Island's legendarily self-dealing politicians began eyeing the pork barrel, the plan was defeated 4-1 at the polls.

Between times, Magaziner worked as a strategy consultant to corporations, foundations and governments. He built a substantial and lucrative practice in the process. And along the way he wrote a passionate tract in behalf of managed trade called "The Secret War." Today he's an intense organizer of prodigious energy and magnetic mien, not much different from how he was 20 years ago - except that now he has the ear of both the president and his wife.

As a longtime gatherer of string about Magaziner, I wouldn't say that he has never had an unmixed success. But he's never had one that made it to the newspapers. His last major consulting engagement, at Wang Laboratories, bombed, not because he had the wrong idea, but because he couldn't put it into practice.

As an adviser to Wang's then-chairman, Richard Miller - whom he got to know when helping Miller manage General Electric's retreat from its rotary compressor refrigerator business - Magaziner proposed to take Wang out of the manufacture of computers altogether, and to go big into imaging software instead. It was the right idea, says one corporate director, but he had no idea how to implement it. The company is preparing to leave the protection of the bankruptcy act - without Miller.

Meanwhile, the president of the United States is preparing to bet his administration on an emergency restructuring of something like a sixth of the nation's economy, beginning perhaps with a powerful shock to the system in the form of price controls. Magaziner has said the health care commission will hear proposals this weekend for three different sorts of caps: an emergency price freeze on all hospitals, doctors, labs, equipment makers and the like; a set of limits on insurance premium increases, with corresponding prohibitions against benefit cuts; and an immediate extension of Medicare's existing price-setting system into all private transactions.

Needless to say, insurance companies and health care providers have whole teams of people working full time on clever ways to beat any such controls.

Now consider the situation in health care. Why did it take off just now? In 1965, health care was only 6 percent of gross domestic product, and as recently as 1979, it had risen only to 8 percent. In the past dozen years, however, when the price of nearly everything else has been nearely stable, health care prices have exploded. The sector has nearly doubled to more than 14 percent, and if present rates continue, the fraction of national income devoted to health care could climb to 17 percent of national output by the turn of the century. What happened? Why now?

Now this is barely a hunch, but my guess is that there is some fundamental connection between the explosion of health care costs and the disinflation of nearly everything else. Remember, the other obvious thing that has kept on going up at double-digit rates is education.

What these two sectors have in common is a fairly striking degree of isolation from the competitive process. Over the years, doctors and university educators have cloaked themselves in the sort of professional authority that is most helpful when it comes to preventing clients for decades at a time from asking how much things cost.

After 1979, monetary policy slowly worked in stopping inflation in industries where competition was strong. But the marvelous money machines that doctors and educators had constructed over the decades around third-party payment systems have gone on working overtime, leading to disproportionate and highly embarrassing growth for their sectors. (My own business of newspapering has plenty of professional authority still, thanks to the First Amendment, but precious little market power and for the same reason, the First Amendment; as a result, the news industry has thrived, but costs have risen hardly at all.)

Moreover, health care (and to a considerably lesser extent, education) is getting hit these days by a powerful spiral in the technological possibilities. Knowledge is exploding, medicine is making progress as never before, and costs are spiraling accordingly. It is not as though we are paying more and more for the same old thing, however; underneath, health care is offering a new and better product, albeit one that is embedded in an antiquated and wildly inefficient delivery system.

Now the reform of this system is something that could have been undertaken slowly, over the next few years. It could have been squeezed, industry by industry, state by state. Experimental programs could have been multiplied. That's what veteran health care economist Stuart Altman proposed when he headed the transition team that prepped the Clinton administration for its task. And presumably for that, he was ridden off the subsequent health care task force by Magaziner, who junked the transition team's report write his own.

And there the matter stands, for the moment. Instead of a gradualist approach, there will be sudden paroxysm of regulation. Magaziner may be right: swiftly may be the only way to get this particular reform.

But this weekend, when each of the 15 toll-gate panels that make up the task force gather to make their recommendations, then will occur the next big fork in the road. Which vision of "managed competition" will emerge and be forwarded to the president's desk? The competitive industrial version of the economists? Or the top-down regulatory version of the lawyers? Who's going to attempt bring discipline to the vast canvas - Ira Magaziner or a bunch of managerial capitalists, operating in decentralized competition with one another?

If history is any guide, it will be Ira Magaziner who will step forward.

CORRECTION-DATE: March 30, 1993, Tuesday, City Edition

CORRECTION:
CORRECTION: An article by States News Service in Sunday's Business section misstated the revenue from federal contracts posted by Wang Laboratories Inc. Federal contracts accounted for about 15 percent of Wang's total revenue of $ 1.9 billion in fiscal 1992.

BOSTON GLOBE

JUL-13-93 TUE

Magaziner faces heat on health care's course

Approach faulted, lost chance feared

By Peter G. Gosselin
and Elizabeth Neuffer
GLOBE STAFF

WASHINGTON – There was a moment last winter, as a newly inaugurated President Clinton triumphantly announced a task force to revamp the nation's health care system in 100 days, when almost anything seemed possible.

But today, numerous advocates of health care overhaul fear that moment may have come and gone. Polls reveal waning confidence in Clinton's ability to change the $800 billion-a-year health care sector; the war chests of industry opponents are growing; and the plan's release date has been repeatedly delayed from May to July to September.

The lightning rod for advocates' anger is Ira C. Magaziner, the former Providence activist-turned-business consultant, and the health care task force he oversaw. Advocates say the task force and its huge working groups led to the delay in the administration's health plan, with endless studies of minor issues, while confusing the public about how Clinton would guarantee affordable, quality health coverage for all.

"The task force process was needlessly complicated, needlessly slow and needlessly inefficient," said Arnold S. Relman, emeritus editor of the New England Journal of Medicine, and a member of a panel of health professionals that reviewed the task force's work. Magaziner is "very smart," Relman said, but "to do it this way was wrong."

These views were echoed in interviews in recent weeks with top policy players, administration officials, and congressional Democrats, most of whom did not want to be quoted by name.

To be sure, even Magaziner's harshest critics admit they would be hard-pressed to formulate a plan for overhauling the entire health care system in a matter of months. And some critics acknowledge that their most serious complaints are less about Magaziner than the "managed competition" approach the administration has embraced.

The approach involves combining market discipline and government controls in ways that have never been tried before.

For Magaziner's part, sources familiar with his views say he is confident that come September, when the president finally unveils his health plan, Clinton will be able to recapture the political momentum for overhauling health care.

But even if Clinton regains the initiative, he has lost the advantage, some health care experts say. Before May, he could have pushed some kind of overhaul plan through Congress in a single, dramatic step. Now, many Democrats believe the bill can only be passed in modest increments, and will require painstaking negotiations with Capitol Hill's committee barons.

Indeed, obstacles to Clinton's reform efforts pile up by the day, and now include:

- Polls that show Americans, who largely approved of Clinton's position on health care just two months ago, now disapprove of it. A Newsweek poll, conducted June 30-July 1, found only 37 percent supported the president's handling of the issue – down from 53 percent in April. Meanwhile, 46 percent say they now disapprove, up sharply from 31 percent in April.
- Opponents who say that the delay in releasing the plan has bought them much-needed time to plot strategy. "In the early days, there was still a lot of euphoria about the president and his strength," said Terry Hill, a spokesman for the National Federation of Independent Business, which has sent out three mailings opposing the Clinton plan to its 600,000 members since the beginning of May. "Since then, he has shown he does not have a steamrolling agenda."
- Some congressional Democrats who criticize the plan as overly complex and disdain the man who helped design it. Asked recently about Magaziner, House Ways and Means Committee chairman Dan Rostenkowski of Illinois, said: "I don't even bother with Magaziner."

Did it need to be this way? The answer, many here say, is no.

When Clinton announced the task force on Jan. 25, he appointed his wife, Hillary Rodham Clinton, to head it. She turned to Magaziner, a senior White House policy aide, to orchestrate the effort.

Magaziner's vision was to bring nearly 500 people – from world-renowned health experts to inexperienced congressional staff members – together, swear them to secrecy, and set them to work around the clock.

The combination of size and secrecy, some authorities say, was Magaziner's first big mistake.

"They managed to get the worst of both worlds," said Robert J. Blendon, a Harvard School of Public Health professor. "They tried to do it secretly to get the speed, but brought in so many people that word was bound to leak out."

As a result, newspapers ran leaked stories, many erroneous, about the administration's approach, raising public expectations.

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"I find people who think they are going to get Cadillac coverage and not pay for it," said Rep. Joseph P. Kennedy 2d, Democrat of Massachusetts, whose views about how to reform health care differ from the administration's. "When they announce the plan . . . we may have a collective sense of disappointment."

"All we really see is press leaks, and some are very disturbing," said Rep. Jim Cooper, Democrat of Tennessee, who until recently sided with the administration's approach.

Putting policy over politics

But leaks were not Magaziner's only problem. In issuing marching orders to the task force, he made a second mistake, one that has continued to plague the White House effort.

Participants were told to "define the best policy, and we'll worry about the politics later," Arnold Epstein, an internist at Brigham and Women's Hospital in Boston and task force working group member, told reporters recently.

To Washington veterans, such an approach seems wildly naive. Political coalition-building, they say, was more important than policy-making. Time spent with congressional staff members on the task force might have been more wisely devoted to brokering deals with Congress.

"Suppose all the time was spent talking to Rostenkowski," California Rep. Pete "Stark, Teddy Kennedy. It might have been better spent," said Joseph Califano, former head of the then-Department of Health, Education and Welfare under President Lyndon B. Johnson, and an architect of the 1965 Medicaid and Medicare insurance programs.

Worse yet, some experts say, Magaziner and the task force do not appear to have come up with any breakthroughs in solving the problem of rising health care costs.

"I think the options that came out of the deliberation were pretty much apparent to anyone who understood the health care system at the beginning," said Relman. "While there were undoubtedly refinements and expansion of options, the basic ideas haven't changed."

Such criticism may seem unfair, given the complexity of the issue. But it so resembles concerns voiced about Magaziner in many of his previous public policy efforts that critics are left wondering if the administration picked the right man to lead the health care effort.

Rhode Island record

For example, in 1984, Magaziner led a team of several hundred people in devising an industrial policy for Rhode Island. The proposal was rejected by the voters, many of whom later told pollsters they had found it too complicated to understand.

In 1991, he and another group of 150 people unveiled a plan to reorganize Rhode Island's health care system for the elderly. Although the proposal has generated enthusiasm, it is still far from being implemented.

Some administration aides acknowledge that the health overhaul efforts have not gone as smoothly as planned. But they trace the problem not to the task force, but to the White House's decision to delay release of the plan until Congress approves its budget package.

Magaziner has not granted on-the-record interviews to the media about health care. But a source familiar with his thinking, when asked about criticisms of the task force, said Magaziner recognizes "there is going to be increased anxiety out in the health care reform community" in the next two months. "In this period, everybody will imagine their worst nightmare," the source said.

The source said Magaziner believes the task force's extensive research will strengthen the administration's hand, not weaken it, when the plan gets to Congress. The plan will have "good substantive value and form the core for political consensus," the source said, adding that policy papers will help administration officials counter opponents' objections.

Pushing thinking ahead

Many in Washington agree that Clinton and Magaziner could pull off one of the great social policy coups of the century. Experts in some fields say Magaziner already has accomplished much, having pushed ahead thinking in their specialities by as much as a decade.

Democratic Sen. Jay Rockefeller of West Virginia, a key health care player, praised the task force's workings as "the best process I've ever seen done in public policy."

But not everybody holds Magaziner and the task force in such high esteem.

"I wonder if we have been led down the primrose path," said Laurie M. Flynn, executive director of the National Alliance for the Mentally Ill. "We were consciously encouraged to believe by the administration that we would see real equity for mental health patients. Now, we are being encouraged to believe that's not possible.

Stark, chairman of the House Ways and Means subcommittee on health, recently labeled Magaziner a "nut" and described task force members as politically "naive as all get out."

Rostenkowski, chairman of the Ways and Means Committee, was equally uncharitable. Should a task force-engineered bill fail to attract enough votes in Congress, he said he will "just scuttle the whole thing and write a whole new bill."

As for Magaziner? "He'll come up here just like anybody else and testify before our committee," said Rostenkowski. "At that point in time we'll see how valuable he is."

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White House reform goal: Promote autonomy

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WASHINGTON — The hundreds of health advisers he assembled have completed their work and gone home.

Major decisions — such as financing and the use of short-term price controls — are on hold pending congressional action on the president's economic plan. Introduction of health reforms could be delayed until September and won't come until later this month at the earliest.

But that hasn't slowed the frenetic pace of Clinton health adviser Ira Magaziner. A workaholic who created and led a complex "toll-gate process" for laying out the key issues and arraying the options for health reform, the 45-year-old Magaziner is the White House Senior Adviser for Policy Development.

As health reform point man, he continues to work away at refining the options and has shared the spotlight with first lady Hillary Rodham Clinton in a series of public appearances intended to pave the way for the biggest social program in American history. He insists that enactment "should be possible this year."

While public attention has focused mostly on the question of how much health reform will cost and who will pay, in Magaziner's mind financing isn't the most critical issue.

"Ten years from now, nobody's going to remember how we paid for getting everybody covered. Instead, what will be important is what happens when a patient goes to see the doctor."

Over the last few months, the former corporate strategist has met with AMA officials seven times, and he's heard from other doctors as well. He's fervent in his pledge to create a system that "allows good medicine to be practiced."

Magaziner wanted to deliver that message in person at the AMA's Annual Meeting last month. But scheduling conflicts forced a last-minute cancellation. So Magaziner was eager to lay some groundwork with physicians in an interview with *AMNews*.

To put things in perspective, he says, it is first necessary to look at physicians' problems under the current system.

LOUISE NOAKES/FOR AMNEWS

'Ten years from now, nobody's going to remember how we paid for getting everybody covered,' says Ira Magaziner, the Clintons' top health policy adviser, in an exclusive AMNews *interview. 'What will be important is what happens when a patient goes to see the doctor.'*

No. 1, he says, "is that in the worst types of managed care, physician-patient relationships are being severed as companies require employees to use a particular plan and tell those seeing doctors outside that plan, 'you can't do that anymore.' "

Second, physicians are being buried in paperwork that doesn't produce better care.

The third problem, as Magaziner sees it, is that as more people lose their insurance, bad debt grows. Physicians face more conflicts in treating people who can't pay. Or they spend more time tracking down who's responsible for payment.

"There's interference in the doctor-patient relationships, as physicians are forced to call some 800 number to get a preauthorization number every time they want to do something. And there's an unequal relationship between insurers and physicians in their ability to join together and form networks."

The White House aide believes physicians agree that the status quo has to change. He says the administration wants to "put together a package that will promote physician autonomy, reduce bureaucracy and help humanize the physician-patient relationship again."

That's a tall order. But Magaziner thinks that by requiring and fostering the offering of fee-for-service physician networks, it can be accomplished. His responses to questions about this and other aspects of the administration plan follow.

Q: *When will the president unveil the health plan, and do you think it's still possible to enact comprehensive reforms this year?*

A: Depending on completion of action on the economic package, we'll either introduce the health bill in mid- to late July or right after the August recess. If we have a good enough consultation process with Congress, it should be possible this year.

Q: *Are we talking about full implementation by the end of the decade?*

A: Yes, I think so. We can't make major changes overnight. We want full coverage of all Americans as soon as possible. But we want to make the phase-in of employer contributions and employee requirements gradual enough that it doesn't have a negative impact on most companies.

Q: *The Senate is considering about $70 billion in Medicare savings. Are there still additional savings to be had for health reform?*

A: We have to see what happens in a conference with the House. We would prefer the House version but I think we can tailor a comprehensive program with either the Senate or House economic plan.

Q: *Final decisions on the financing package and a number of other issues are on hold pending further congressional action on the president's economic package. But has anything changed in the general outline you announced in April? For example, are you still planning to include Medicaid but leave Medicare as a separate program?*

A: We've been hesitant to talk about sweeping changes that would occur immediately in those programs. But as the new system gets up and going, it would be natural for Medicare and Medicaid to integrate with that system. The acute care side of Medicaid can come in more quickly than Medicare. You might keep a separate Medicaid funding stream for a period of time. But once the health alliances are up and running, states could move their Medicaid recipients into this more organized system.

Q: *Would payment rates for Medicaid beneficiaries be the same as private payers' rates?*

A: Initially, we are looking at maintaining current state and federal Medicaid funding.

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Magaziner

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Q: *Doesn't that rule out any increase in provider payment rates?*

A: No. Medicaid people tend not to seek preventive care, and they use emergency rooms a lot. So even with lower payment rates, the Medicaid beneficiary's care may cost two to three times that of a similar person with private coverage. We want to encourage better preventive care and better access to physicians that, over time, will actually decrease the cost of a Medicaid patient and also provide better care. Then the payment rate question will go away.

Q: *But in the beginning, there might be different rates?*

A: I would say so.

Q: *For physicians, two important unresolved issues are malpractice and price controls. On malpractice: Is enterprise liability in or out?*

A: Although it was never the centerpiece of our proposal, we were going to move toward enterprise liability because we viewed it as one way to promote better quality.

Then we got a lot of feedback from doctors who were nervous that this was the only thing we would do in malpractice reform. Also, because enterprise liability is a new idea, they thought mandating it across the system is risky. We respected that feedback and, in response, we are going to encourage piloting to see if enterprise liability does work.

We'd make it a state option with potential for some incentives, grants or whatever, for health alliances or health plans to try it out. We also are looking at various means to promote quicker settlements and alternative resolution. And then we will do some serious tort reform.

Q: *Does serious tort reform include a cap on noneconomic damages?*

A: The final decisions on that are still open.

Q: *Are there other tort reforms you have definitely decided to include?*

A: Again, the final decisions are still not made. But we have also been looking at limitations on collateral-sources and lawyers' payments.

Q: *There definitely will be some tort reforms, however?*

A: There should be, I would think, yes.

Q: *On price controls, is the question whether or how?*

A: Both. If we allow health costs to continue growing twice as fast as payroll while we're implementing this system, universal coverage — and therefore the cost of reform — will become more and more expensive. On the other hand, controls are bureaucratic and burdensome, and they encourage a lot of inefficiencies and inequities. So we are caught between a rock and a hard place.

We are also concerned that, if health reform were to pass this year and implementation of the alliances takes a couple of years, the insurance market, left completely unregulated, could go crazy. A lot of insurers might say "I'm only going to stay in this business for a couple of years, so I'll raise my prices."

Q: *There've been various versions of price controls floated — putting a cap on the premiums, putting it on the payment rates, something that's voluntary, but then mandatory if voluntary doesn't work. Have you eliminated any possibilities? Also, do you visualize controls being applied in the aggregate to all health care costs or to the different components? In other words, would*

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physicians be penalized if pharmaceutical costs or hospital costs went up?

A : We haven't finally decided whether we are going to do controls, so I don't want to comment on that. But I doubt that anyone would put a system in place that would have physicians penalized if pharmaceutical prices went up.

Q : *There have also been reports that one way of financing a health plan, at least as an interim measure, would be through taxes on hospitals and physicians.*

A : That was an inaccurate report. There will be some uncompensated-care savings when we have full coverage. But the only thing we've looked at along those lines is trying to recycle some of those savings into helping the transition process of getting the uninsured insured.

Q : *How would you do that? Would you do it through a tax? Or eliminate Medicare's and Medicaid's disproportionate-share payments, or what?*

A : We wouldn't want to eliminate the disproportionate share. But you could reduce it, which would be considered a savings rather than a tax.

Q : *Do you categorically deny that you're thinking of a tax on hospitals and/or physicians?*

A : I want to be careful; categorical is a very strong word. If there's a disproportionate-share savings and you're going to recapture that in some way, then some people call that a tax.

The point is that when you insure the uninsured, there's going to be a lot of new money in the system. And the question is how that money is going to be spent.

Q : *You've made several references to eliminating waste and administrative bureaucracy. How do you plan to do that?*

A : We'll have one, universal insurance form, so physicians don't have to deal with 20 different insurance systems. We're going to simplify a lot of the Medicare regulations that now are burdensome. We want to change the attestation requirement, where hospitals have to get physicians signatures for each procedure that is done. We are also going to simplify the Clinical Laboratory Improvement Act regulations for doctors with labs in their offices.

Q : *Could you be more specific?*

A : CLIA was passed for good reason. We need oversight where tests are either complex or have a serious potential effect on the patient — Pap smears and that type of thing. But the law went too far. There are over 75,000 labs that perform only simple tests that don't involve anything life-threatening. But they still have to go through filing, payment and record-keeping processes. So we are looking at ways of simplifying the paperwork where you don't have serious threatening situations and labs consistently demonstrate a level of quality.

Q : *You talked about the excesses in some managed care arrangements and said you want to promote physician autonomy and rehumanize the doctor-patient relationship. How are you going to do that in a system that encourages more managed care?*

A : What the new system is going to encourage is greater competition. I don't know how that will come out.

HMOs, PPOs and fee-for-service networks all will be competing with each other. I think that's legitimate. But Germany and other countries have fee-for-service networks that operate effectively with budgets, and most Americans like fee for service. So I think your assumption that we will move more toward managed care is wrong.

Also, even though some of the worst examples of bureaucracy occur in managed care, other managed care organizations do a first rate job and doctors are very happy with them.

Q : *What will you do to get rid of the bad forms of managed care?*

A : A couple of things. The most important part of our reform in my view is the quality piece. We want to get away from the micromanagement and the punitive checkers-checking-checkers process the federal PRO program has followed, and move to an outcome-driven system. We'll put front-line providers in the driver's seat, but hold them accountable for achieving ultimate results that they've helped define.

Quality is key. 'We'll put front-line providers in the driver's seat, but hold them accountable for achieving ultimate results that they've helped define.'

Q : *Will you tell the alliances and health plans they have to do review that way? Will there be standards in the law, similar to those you've imposed on PROs in their fourth scope of work, for how review must be done?*

A : There will be a uniform quality system, which goes further than the fourth scope of work toward being outcome-driven and nonpunitive and promoting quality through better dissemination of information and consumer surveys. The second piece of it is that every alliance will be required to offer a fee-for-service network, so that consumers have more ability than they often do today to choose the doctors and type of care they want.

Q : *Will the requirement be for one fee-for-service network or multiple fee-for-service networks?*

A : A minimum of one. We also are looking for ways to encourage community-based care, so that if groups of doctors want to get together to form a health plan there'll be incentives. They might be a low-interest loan or a reinsurance pool. But there will be some financial aspect to it as well. We don't want a system dominated by four big insurance companies around the country. We want a community-based system, where there's even competition and groups of physicians or hospitals can come together and form health plans.

Q : *Won't it be very difficult for a small group of locally based physicians to compete against an insurer with a network that is spread across the entire state?*

A : There will be a number of pieces that address that. For example, we're not going to require a health plan to cover the whole service area of the alliance, because that might not be possible for a community-based group of doctors. The financial incentives will be there. The reinsurance pool will be there, so that if you've got a smaller group coming together, we can reinsure against adverse risk. We're going to have community-rated payments to the health alliance. But the health alliance would pay out to the health plans on a risk-adjusted basis, so there's not a discouragement against taking people who are sicker.

We are going to try to include incentives and antitrust exemptions to encourage and make it easier for physicians to form their own health networks. We also are going to stipulate that physicians may join more than one health plan.

Q : *Virtually everyone has pointed to our current physician mix, with its preponderance of subspecialists and inadequate supply of generalists, as a deterrent to expanded access under a health reform plan. How will you be addressing that problem?*

A : We wish reforms in this area had started 12 years ago, or even longer. But there is federal support for residency training, and we think that ought to provide incentives for training general practitioners vs. specialists.

On the other hand, we also want to encourage academic health centers. We recognize that there are special functions that academic health centers perform, and we are looking at special financing to help support the continuation of those functions and institutions as we move toward a more competitive system.

We are also looking for increases and enhancements in the funding of medical research.

Q : *That's not what happened this year with NIH.*

A : I understand. But we are going to try to move in a different direction. We are also interested in introducing into the guaranteed-benefits package a whole battery of preventive services. And to encourage people to use them, we'll introduce these benefits without the normal co-pays and deductibles. So we think there's going to be more of a shift to primary care and prevention.

Q : *Do you see any move, through the RBRVS or some other mechanism, for further changes in the payment structure to increase reimbursement for primary care?*

A : Yes. We are looking at a couple of options on exactly how to do that. I don't think I can say more than that. But we are going to do something.

American Medical News
July 6, 1993

Amid Hisses, Clinton Aide Hears Call for Another Kind of Health Care

By Dana Priest
Washington Post Staff Writer

CHICAGO, July 17—Top White House health care adviser Ira Magaziner was a half hour into pitching the administration's health plan today when the hissing began.

"We need each other. We can't do it without you and you can't do it without us," he told hundreds of community activists who favor a different approach to reforming the health care system.

Magaziner cautioned the members of Citizen Action, who want a system in which the government pays for all health care: "In the world we're living in in Washington, there are a whole lot of people who don't want health reform" in any form.

"Well, get rid of them!" retorted a gravel-voiced man in the audience.

Magaziner was not in Washington, where top presidential advisers are treated with deference. He was at the annual conference of the largest and most liberal grass-roots network. Citizen Action boasts 3 million members.

Considered fringe by the past two Republican administrations, groups like Citizen Action that support a government-financed national health care system slowly seem to be joining the mainstream. But they have not adopted middle-of-the road rhetoric or goals, as today's meeting made clear.

They want universal coverage. They want a comprehensive, guaranteed set of benefits for all Americans. They want to cut out the insurance companies and rein in, through government regulation, doctors' salaries and the profits of the entire health industry.

"People are not afraid of the term socialized medicine, except maybe inside the Beltway," Linda Lowe told Magaziner. "They say the S word out here."

Although the Clinton administration appears to be headed toward a system that would create competing health care organizations that offer their services to consumers, there are supporters of a single-payer system in Washington.

As of last week, about a third of the 258 House Democrats, including four of the six subcommittee chairmen of the House Ways and Means Committee, had endorsed the so-called American Health Security Act, which would create a single-payer health care system. There are five cosponsors in the Senate.

About 15 percent of those responding to a recent American Association of Retired Persons member survey said they favor a single-payer plan, according to AARP.

The administration is increasingly aware that the very complexity of its plan may give single-payer advocates a natural edge in the upcoming battle of rhetoric.

"The fancier, the weirder it looks, the more they are going to lose the minds, and eventually the hearts, of people and that's a big advantage for us," said Jeff Eagan, director of Citizen Action in Wisconsin. "Single-payer is something people can get their arms around."

Today's conference was sponsored jointly by Citizen Action and the Midwest Academy, a community organizing group.

Citizen Action board members said that within days after the administration unveils its plan, the group will decide whether to support it. If Citizen Action backs the administration, its canvassers will walk the streets with petitions and educational materials. It also could choose to support parts of the plan while pushing Congress to enact a bill more to its liking.

The American Health Security Act would sever the link between employment and health insurance. A single payer—the federal government—would collect taxes to pay for health care for all Americans and set doctor, hospital and other health provider fees. The delivery of health care would stay in private hands, but the government would control price increases.

The program would be financed through a 7.9 percent payroll tax on employers, a 6.45 percent rise in corporate income taxes for businesses with more than $75,000 in profits and personal income tax hikes.

Under the Clinton plan, due out in mid-September, states would be free to establish single-payer systems, and the federal government would set a national health spending budget and regulate the rate of increase of premium prices that consumers would pay health care provider organizations.

But the Clinton plan parts company with the single-payer system in several ways. Employers would pay at least part of an employee's health care premiums and insurance companies would keep a role, albeit a different one.

Insurers no longer could exclude people with preexisting illnesses and would have to offer a government-set standard benefit package to everyone in a region at about the same price.

Whether this will be enough for single-payer advocates is hard to tell, judging from the mood here. "Why is this administration not willing to take on the big insurance companies?" asked Allan Watts.

"What you're saying is the way you want to take them on is the only way to take them on," Magaziner shot back. The White House plan will cut out abusive insurance practices and require insurers to play by new rules, he said.

"Get it out of your system," he said as the hissing grew louder. "But at the end of the day, when you're finished hissing at me, you'll see" that there is more in common between Citizen Action and the administration than there is divergence.

TV: Pena, Panetta, Sens. Kerrey, Coats

Philadelphia Inquirer 9/6/93

Ira Magaziner, guru of health-care reform

By Steve Goldstein
INQUIRER WASHINGTON BUREAU

WASHINGTON — Twenty-two years ago, while finishing a stint at Oxford University as a Rhodes scholar, Ira Magaziner underwent knee surgery for an old basketball injury.

This was before the era of in-and-out arthroscopic procedures, so he was hospitalized for a week. The American was impressed that the British National Health Service treated him at no expense.

His job may be the toughest in the nation: Selling the plan to a skeptical public.

Doctors told him to rest quietly at home. Instead, aided by a classmate, he hauled his full-length cast onto a train to London, there to resume coordinating demonstrations against the war in Vietnam.

"There was no way he was going to let this thing debilitate him," recalled the friend, Richard Crocker, now a dean at Elizabethtown College in Pennsylvania.

"He's always had this determination to continue the crusade," said Crocker. "No matter what the petty limitations."

As Magaziner has raised his goals, the limitations have become less petty.

In his 45 years, this student activist-turned-millionaire-corporate-strategist-turned-national-policy-guru has attempted to revolutionize a university, a town and his adopted state of Rhode Island.

Now, the task is merely the nation's $940 billion health-care industry. A maelstrom is brewing this fall over President Clinton's plan to radically overhaul the medical system, and Magaziner sits squarely in the middle of it.

As Clinton's health-care guru, Magaziner may have the toughest job in the country this month, for it has come time to finish crafting the plan and begin selling it to a skeptical America.

That's fine, because the only challenges that excite him are the ones from which most turn away — the

See MAGAZINER on A4

Guru of plan on health reform

Knight-Ridder Tribune / CAROL POWERS

Ira Magaziner (left) meets with health advisers in the Old Executive Office Building. He says that after health care, he will "move on to something else — unless I get run out of town first."

MAGAZINER from A1

Everests of problem-solving.

"He's always wanted to effect public policy at a very high level," said W. Edward Wood, a former Rhode Island official who worked with him.

Said Carolyn Gatz, a senior policy aide who has known him for years: "Ira's willing to have a go at things that seem impossible."

Rhode Island Treasurer Nancy Mayer worked with him on a statewide health-care study a few years ago.

"He wanted to overhaul the system, not just fine-tune it," Mayer said. "'Pretend you've been dropped on this planet from Mars,' he told us. 'What would you create?'"

Magaziner is anything but conventional.

Faced with the requirement of an athletic background to get the Rhodes scholarship, he admitted that he wasn't much for organized sports.

So he offered to arm-wrestle the members of the selection committee.

■

Anecdotes about Magaziner's personal traits tend to fall into four categories: Food. Fashion. Forgetfulness. Focus.

His legendary junk-food diet of pizza, Mallomars, potato chips and grilled-cheese sandwiches make his boss, Bill Clinton, seem like the Jogging Gourmet.

He is a blue-jeans personality inside a corporate uniform, and suits hang on the tall, gangly Magaziner like they're still on the rack.

In April, Magaziner and deputy policy director Judith Feder were driving to a congressional conference on health care in Jamestown, Va., but became so engrossed in conversation that they overshot the turnoff, realizing the error only as they hit North Carolina.

Chronically late, Magaziner finds it difficult to end discussions. Longtime scheduling chief Marjorie Tarmey adds an hour-buffer between his commitments.

As a business consultant, Magaziner became famous for working right up to deadline. On a trip to see a client — having been up most of the night — Magaziner told colleagues that he would organize slides on the plane, then discuss the presentation during a 30-minute limo ride.

Seeing a new assistant's eyes widen at such eleventh-hour planning, Ed Wood tried to break the tension.

"OK, Ira," he said. "What do we do on the elevator?"

Technically, Magaziner is Clinton's senior adviser for policy development. In reality, this shy, stork-like man is the administration's Big Picture Guy.

"If I was running a department, most of what I would have to do is managing the status quo," he said during a conversation in his curiously impersonal office in the Old Executive Office Building. "In this job, I can be free to push the change agenda."

So Magaziner has a list. Health care happens to be first. Next may come educational skills or competitiveness issues, both of which he has worked on in the past.

"I'll help get health care through Congress and then move on to something else — unless I get run out of town first," he said.

■

"Don't be fooled," Magaziner recently told a convention of the United Steelworkers of America. "You will [illegible] terrible things about the Clinton plan. The special interests will say they are for reform, but look carefully at what they say."

> **"Ira's willing to have a go at things that seem impossible."**
> Carolyn Gatz, policy aide

This is a new role for Magaziner: salesman. After getting burned on a huge economic plan in Rhode Island, which was rejected in a public referendum, Magaziner learned there was more to effecting public policy than studying it.

He will need allies to sell the health-care reform plan, due for release on Sept. 22.

To develop the blueprint, Magaziner organized 500-plus health-care professionals into 30 issue-related working groups and drove them 15 hours a day, often seven days a week. When the plan was drafted, he asked outside consultants and special interests to offer criticism.

Magaziner wanted a plan rooted in human experience.

"One of the things frustrating to me is the number of bright, able people in the agencies here who really don't understand what effect their regulations have," he said.

While crafting a health agenda for Rhode Island, Magaziner followed nurses around with a stopwatch, logging how much time was spent on paperwork. He interviewed patients and administrators.

One of his stock stories concerns an elderly hospital patient with a respiratory ailment who resisted being discharged because Medicare wouldn't reimburse the cost of oxygen treatments at home.

A home nurse was forced to bring the patient back to the hospital and walk him up and down the corridor until he was thoroughly winded, so the oxygen levels in his blood would permit home treatment — and reimbursement.

Roberta Hawkins, executive director of the Alliance for Better Nursing Home Care in Providence, said everyone had been dubious that Magaziner and his eager helpers would alter what had become a miserable situation.

"After a few months I said to Ira, 'Who the hell do you think you are that you can change this system?'" said Hawkins. "He said, 'I'm someone that cares.'

"He inspires people to think he can make a difference," said Hawkins.

And he did, she said.

In an administration thick with workaholics, Magaziner's minions stand out.

"He's not an easy guy to work for or with, but his honesty comes through," said Dr. Risa Lavizzo-Mourey, a task-force member on leave from the Public Health Service.

During the intensive study process on the health-care plan from February to April, Magaziner began one session at 8 a.m. Saturday, recessed at midnight, then reconvened from Sunday morning until 8 p.m.

As they packed up to go, Magaziner said: "Thank you all for coming. Now, have a great weekend."

In early March, he appeared at a Saturday night session while suffering from pneumonia.

It was then, Gatz says, as Magaziner looked at the 150 or so professionals around the big table in the Treaty Room of the Old Executive Office Building and considered how many had left their families and jobs behind, that he understood the commitment to this project.

"That's when he first thought this might really work," she said.

■

Ira Charles Magaziner grew up in a middle-class family in Far Rockaway, N.Y., and Lawrence, Long Island, the son of a homemaker and bookkeeper in a small tomato-packing business.

His heroes were Eleanor Roosevelt and Supreme Court Justice Louis D. Brandeis — "people who had broken molds, who weren't afraid to take on matters of principle."

At Brown University, where he began in 1965, he was class president all four years and a leader of the student protests against the war in Vietnam and other social causes.

"He was able to mobilize a lot of independent people," said classmate Peter Laarman.

Magaziner's overriding passion at Brown was directed at overhauling the curriculum, which he did in a 425-page tome.

Excerpts of his 1969 valedictory speech appeared in Life magazine, alongside those of a student activist from Wellesley College named Hillary Rodham.

But it was Bill Clinton whom Magaziner met first, at Oxford.

When he returned to the United States, Magaziner sought to apply some of what he had learned to create social democracy. His first attempt was in blue-collar Brockton, Mass., a down-at-the-heels shoemaking center best known as the home of Rocky Marciano.

Despite exhaustive research on the political and economic system, Magaziner and his team of volunteers achieved only modest results: a food co-op, some rehabilitated housing and a community newspaper.

Magaziner joined the Boston Consulting Group, a high-powered corporate strategy firm. He worked hard, made partner and piled up an impressive list of loyal clients.

Many of these clients followed him in 1979 when he and other BCG members formed their own company, Telesis, in Providence R.I., doing corporate strategy and economic-development studies.

Though he had some notable flops — advocacy of a discredited cold-fusion project, for one — he has a long list of fans who cheerfully paid him $400 an hour and more.

"I still would go anywhere that Ira Magaziner said to go," said Robert Ecklin, a vice president of Corning Glass Works. "I would put him near the top of Clinton's real-world thinkers."

> **"When you see him, he doesn't say hello like most people. He asks you a policy question."**
> Thomas Kean, Ex-N.J. governor

Goran Carstedt, president of Ikea North America, first met Magaziner when Carstedt worked with Volvo in the 1970s.

Carstedt said he stopped being surprised at Magaziner's talents when he watched the American explain the U.S. economy in 30 minutes to 300 Swedish Volvo dealers and their spouses.

In 1983, Magaziner offered his services and those of Telesis to Rhode Island to develop an economic revival plan. The 11,000-page study, which became known as the "Greenhouse Compact," proposed creating research "greenhouses" to nurture new ventures.

Although it enjoyed a lot of official support, a $110 million bond issue was given a 4-1 thumbs down by the Rhode Island voters.

Magaziner says he didn't spend enough time communicating with the public about the plan — something he has vowed not to let happen with the health-care plan.

Magaziner sold Telesis in 1988 for $6 million, freeing him to pursue big policy projects. He formed yet another consulting firm, SJS — the first initials of his three children — and took on the statewide health-care study in Rhode Island.

"That effort was very formative for me," said Magaziner. "It gave me a real sense of the bureaucracy and waste in the system, its unfairness and the insecurity of the people it is supposed to cover."

In 1990, he served with Hillary Rodham Clinton on a panel put together by the National Center on Education and the Economy to examine the skills of the U.S. workforce. Recommendations from the study are being implemented in at least 30 states.

Team member Ray Marshall, a former secretary of labor, said Magaziner had the ability "to impose order on chaotic information."

"It was the most successful commission I've ever served on," said Marshall.

Another member, former New Jersey Gov. Thomas Kean, was struck by Magaziner's intensity.

"When you see him, he doesn't say hello like most people," said Kean. "He asks you a policy question."

Of course, this is the Magaziner that the suits see.

The people back home in Bristol, R.I., know a different guy — one who sat outside the post office on Hope Street to sell raffle tickets for the PTA.

They know the guy who raised money at a 1991 school fair by agreeing to take a 20-minute turn in the dunking booth.

And they believe that as long as he is in Washington, things can't all be bad.

"I sleep better at night," said Providence lawyer Jeffrey Davis, "knowing that Ira is lurking around the center of the administration."

9/8

^BC-IRA ^national editors:WA
^Clinton health-care guru draws many admirers
(PHOTOS; details below)
(HAS TRIMS)
By Steve Goldstein
Knight-Ridder Newspapers

WASHINGTON In his 45 years, Ira Magaziner has attempted to revolutionize a university, a town and his adopted state of Rhode Island.

Now the task is the nation's $940 billion health-care industry. A maelstrom is brewing over President Clinton's soon-to-be-released plan to radically overhaul the medical system, and Magaziner sits squarely in the middle of it.

As Clinton's health-care guru, Magaziner may have the toughest job in the country selling reform to a skeptical public.

That's fine with him, because the only challenges that seem to excite him are the ones from which most turn away the Everests of problem-solving.

``If I was running a department, most of what I would have to do is managing the status quo,'' Magaziner said during a conversation in his curiously impersonal office in the Old Executive Office Building next to the White House.

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THE WASHINGTON POST
FRIDAY, OCTOBER 8, 1993

IN THE LOOP

Either Doctors, Flu or Both Make Him Queasy

■ Ira Magaziner, the administration's top aide for its health reform plan, is a little queasy about seeking medical advice these days, given physicians' groups intense opposition to the plan.

Magaziner was scheduled to talk about the plan with business leaders and reporters yesterday in New York but canceled and substituted a video conference from the White House.

"I was hit by the flu and advised not to travel," Magaziner explained, according to a Reuter report. "I'm a little afraid to go see a doctor these days but I guess I'll do that this afternoon."

BOSTON GLOBE

JUL-13-93 TUE

Nicole - 1st lady's
Katherine - Ira
Matt - War room

Magaziner faces heat on health care's course

Approach faulted, lost chance feared

By Peter G. Gosselin
and Elizabeth Neuffer
GLOBE STAFF

WASHINGTON – There was a moment last winter, as a newly inaugurated President Clinton triumphantly announced a task force to revamp the nation's health care system in 100 days, when almost anything seemed possible.

But today, numerous advocates of health care overhaul fear that moment may have come and gone. Polls reveal waning confidence in Clinton's ability to change the $800 billion-a-year health care sector; the war chests of industry opponents are growing; and the plan's release date has been repeatedly delayed from May to July to September.

The lightning rod for advocates' anger is Ira C. Magaziner, the former Providence activist-turned-business consultant, and the health care task force he oversaw. Advocates say the task force and its huge working groups led to the delay in the administration's health plan, with endless studies of minor issues, while confusing the public about how Clinton would guarantee affordable, quality health coverage for all.

"The task force process was needlessly complicated, needlessly slow and needlessly inefficient," said Arnold S. Relman, emeritus editor of the New England Journal of Medicine, and a member of a panel of health professionals that reviewed the task force's work. Magaziner is "very smart," Relman said, but "to do it this way was wrong."

These views were echoed in interviews in recent weeks with top policy players, administration officials, and congressional Democrats, most of whom did not want to be quoted by name.

To be sure, even Magaziner's harshest critics admit they would be hard-pressed to formulate a plan for overhauling the entire health care system in a matter of months. And some critics acknowledge that their most serious complaints are less about Magaziner than the "managed competition" approach the administration has embraced.

The approach involves combining market discipline and government controls in ways that have never been tried before.

For Magaziner's part, sources familiar with his views say he is confident that come September, when the president finally unveils his health plan, Clinton will be able to recapture the political momentum for overhauling health care.

But even if Clinton regains the initiative, he has lost the advantage, some health care experts say. Before May, he could have pushed some kind of overhaul plan through Congress in a single, dramatic step. Now, many Democrats believe the bill can only be passed in modest increments, and will require painstaking negotiations with Capitol Hill's committee barons.

Indeed, obstacles to Clinton's reform efforts pile up by the day, and now include:

- Polls that show Americans, who largely approved of Clinton's position on health care just two months ago, now disapprove of it. A Newsweek poll, conducted June 30-July 1, found only 37 percent supported the president's handling of the issue – down from 53 percent in April. Meanwhile, 46 percent say they now disapprove, up sharply from 31 percent in April.
- Opponents who say that the delay in releasing the plan has bought them much-needed time to plot strategy. "In the early days, there was still a lot of euphoria about the president and his strength," said Terry Hill, a spokesman for the National Federation of Independent Business, which has sent out three mailings opposing the Clinton plan to its 600,000 members since the beginning of May. "Since then, he has shown he does not have a steamrolling agenda."
- Some congressional Democrats who criticize the plan as overly complex and disdain the man who helped design it. Asked recently about Magaziner, House Ways and Means Committee chairman Dan Rostenkowski of Illinois, said: "I don't even bother with Magaziner."

Did it need to be this way? The answer, many here say, is no.

When Clinton announced the task force on Jan. 25, he appointed his wife, Hillary Rodham Clinton, to head it. She turned to Magaziner, a senior White House policy aide, to orchestrate the effort.

Magaziner's vision was to bring nearly 500 people – from world-renowned health experts to inexperienced congressional staff members – together, swear them to secrecy, and set them to work around the clock.

The combination of size and secrecy, some authorities say, was Magaziner's first big mistake.

"They managed to get the worst of both worlds," said Robert J. Blendon, a Harvard School of Public Health professor. "They tried to do it secretly to get the speed, but brought in so many people that word was bound to leak out."

As a result, newspapers ran leaked stories, many erroneous, about the administration's approach, raising public expectations.

BOSTON GLOBE

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"I find people who think they are going to get Cadillac coverage and not pay for it," said Rep. Joseph P. Kennedy 2d, Democrat of Massachusetts, whose views about how to reform health care differ from the administration's. "When they announce the plan . . . we may have a collective sense of disappointment."

"All we really see is press leaks, and some are very disturbing," said Rep. Jim Cooper, Democrat of Tennessee, who until recently sided with the administration's approach.

Putting policy over politics

But leaks were not Magaziner's only problem. In issuing marching orders to the task force, he made a second mistake, one that has continued to plague the White House effort.

Participants were told to "define the best policy, and we'll worry about the politics later," Arnold Epstein, an internist at Brigham and Women's Hospital in Boston and task force working group member, told reporters recently.

To Washington veterans, such an approach seems wildly naive. Political coalition-building, they say, was more important than policy-making. Time spent with congressional staff members on the task force might have been more wisely devoted to brokering deals with Congress.

"Suppose all the time was spent talking to Rostenkowski," California Rep. Pete "Stark, Teddy Kennedy. It might have been better spent," said Joseph Califano, former head of the then-Department of Health, Education and Welfare under President Lyndon B. Johnson, and an architect of the 1965 Medicaid and Medicare insurance programs.

Worse yet, some experts say, Magaziner and the task force do not appear to have come up with any breakthroughs in solving the problem of rising health care costs.

"I think the options that came out of the deliberation were pretty much apparent to anyone who understood the health care system at the beginning," said Relman. "While there were undoubtedly refinements and expansion of options, the basic ideas haven't changed."

Such criticism may seem unfair, given the complexity of the issue. But it so resembles concerns voiced about Magaziner in many of his previous public policy efforts that critics are left wondering if the administration picked the right man to lead the health care effort.

Rhode Island record

For example, in 1984, Magaziner led a team of several hundred people in devising an industrial policy for Rhode Island. The proposal was rejected by the voters, many of whom later told pollsters they had found it too complicated to understand.

In 1991, he and another group of 150 people unveiled a plan to reorganize Rhode Island's health care system for the elderly. Although the proposal has generated enthusiasm, it is still far from being implemented.

Some administration aides acknowledge that the health overhaul efforts have not gone as smoothly as planned. But they trace the problem not to the task force, but to the White House's decision to delay release of the plan until Congress approves its budget package.

Magaziner has not granted on-the-record interviews to the media about health care. But a source familiar with his thinking, when asked about criticisms of the task force, said Magaziner recognizes "there is going to be increased anxiety out in the health care reform community" in the next two months. "In this period, everybody will imagine their worst nightmare," the source said.

The source said Magaziner believes the task force's extensive research will strengthen the administration's hand, not weaken it, when the plan gets to Congress. The plan will have "good substantive value and form the core for political consensus," the source said, adding that policy papers will help administration officials counter opponents' objections.

Pushing thinking ahead

Many in Washington agree that Clinton and Magaziner could pull off one of the great social policy coups of the century. Experts in some fields say Magaziner already has accomplished much, having pushed ahead thinking in their specialities by as much as a decade.

Democratic Sen. Jay Rockefeller of West Virginia, a key health care player, praised the task force's workings as "the best process I've ever seen done in public policy."

But not everybody holds Magaziner and the task force in such high esteem.

"I wonder if we have been led down the primrose path," said Laurie M. Flynn, executive director of the National Alliance for the Mentally Ill. "We were consciously encouraged to believe by the administration that we would see real equity for mental health patients. Now, we are being encouraged to believe that's not possible.

Stark, chairman of the House Ways and Means subcommittee on health, recently labeled Magaziner a "nut" and described task force members as politically "naive as all get out."

Rostenkowski, chairman of the Ways and Means Committee, was equally uncharitable. Should a task force-engineered bill fail to attract enough votes in Congress, he said he will "just scuttle the whole thing and write a whole new bill."

As for Magaziner? "He'll come up here just like anybody else and testify before our committee," said Rostenkowski. "At that point in time we'll see how valuable he is."

Will America Choose High Skills or Low Wages?

If America is to regain its competitive edge in the world market, education and industry must teach all *workers high-performance skills.*

IRA MAGAZINER AND

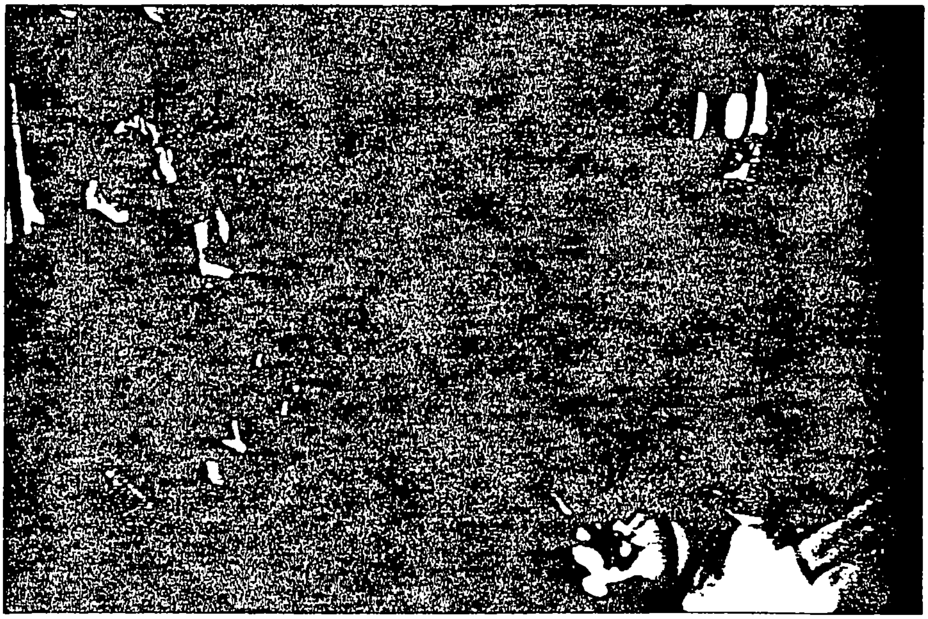
HILLARY RODHAM CLINTON

During the past two decades, the United States has watched as Singapore, Taiwan, and Korea grew from run-down Third World outposts to world premier exporters; as Germany, with one quarter of our population, almost equaled us in exports; as Japan became the world's economic juggernaut. During these transformations, America became the world's biggest borrower.

We have heard the excuses: The countries we beat in World War II are simply regaining their former places in the world. The Europeans and the Japanese are exploiting their low wages. Our competitors are class-ridden countries.

The truth is otherwise: Our former adversaries are doing far better in relation to us than they did before the war. A dozen nations now pay wages above ours. Our distribution of income is more skewed than any of our major competitors, and our poverty rate is much higher.

Our education statistics are as disappointing as our trade statistics. Our children rank at the bottom on most international tests — behind children in Europe and East Asia. Again, we heard the excuses: They have elite systems, but we educate everyone. They compare a small number of their best to our much larger average. The facts are otherwise: Many of the countries with the highest test scores have more of their students in school than we do.



One suggestion from the Commission on the Skills of the American Workforce is work-study programs for non-college-bound students in which they could earn certificates for service and manufacturing vocations.

We are not facing the facts about our future. What we are facing is an economic cliff — and the frontline working people of America are about to fall off.

A Drop in Productivity

From the 1950s to the 1970s, America's productivity grew at a healthy pace. The nation was getting richer, and workers lived better on what they earned. Since then, the rate of increase in productivity has dropped dramatically. The distribution of income in the United States has been worsening. Those with college degrees are prospering, but frontline workers have seen the buying power of their paychecks shrink year after year. Since 1969, real average weekly earnings in the United States have fallen by more than 12 percent. And, during the past two decades, our productivity growth has slowed to a crawl. It now takes nearly three years to achieve the same productivity improvement we used to achieve in one year.

If productivity continues to falter, we can expect one of two futures. Either the top 30 percent of our population will grow wealthier while the bottom 70 percent becomes progressively poorer, or we all slide into relative poverty together.

If we are to avert catastrophe, we must make drastic improvements in our rate of productivity growth. But we cannot grow simply by putting more people to work. We must grow by having every American worker produce more. If we do not, our incomes will go into a free-fall with no end in sight.

Going High Performance

We must work more productively and be more competitive. We cannot do this simply by using better machinery, because low-wage countries can use the same machines and still sell their products more cheaply than we can. Nor can we continue to organize work by breaking complex jobs into myriad simple rote tasks, because the world's best companies now use new high-performance work organizations, unleashing major advances in productivity, quality, variety, and speed of new product introductions.

Because most American employers organize work in a way that does not require high skills, they foresee no shortage of people who have such skills. With some exceptions, the education and skill levels of American workers roughly match the demands of their jobs. But if we want to compete more effectively in the global economy, we will have to move to high-performance work organizations.

To do this we must mobilize our most vital asset, the skills of our people — not just the skills of the 30 percent who will graduate with baccalaureate degrees from college, but those of the frontline workers — the bank tellers, farm workers, truck drivers, retail clerks, data entry operators, laborers, and factory workers.

We can do this only by reorganizing the way we work in our stores and factories, in our warehouses, insurance offices, government agencies, and hospitals. We can give our frontline workers much more responsibility, educate them well, and train them to do more highly skilled jobs.

What we are facing is an economic cliff — and the frontline working people of America are about to fall off. If we are to avert catastrophe, we must make drastic improvements in our rate of productivity growth.

If we do this, we can streamline work. We will need fewer supervisors, fewer quality checkers, fewer production schedulers, and fewer maintenance people, so organizations will become more efficient. Because they will be more efficient, they will be able to sell more. Because they will sell more, they can expand. Because they can expand, they can employ more people. Although each operation will require fewer people, society as a whole can increase employment and wages can go up.

The Commission on the Skills of the American Workforce

With hopes of steering a new course for the U.S. before we face a crisis, the Commission on the Skills of the American Workforce came together in June 1989 to analyze the interplay between economic trends and population dynamics. The Commission included a research team of 23 loaned executives from companies, unions, industry associations, and the U. S. Department of Labor.

The team probed into several industries both in the United States and abroad and concentrated on major markets of several states. In total, the team interviewed more than 2,000 people at 550 firms and agencies and analyzed many government and private reports.

The Commission's findings on American industry, labor policy, and education pointed in one direction: Americans are unwittingly making a choice that most of us would not make were we aware of its consequences. It is a choice that will lead to an America where over 70 percent of our people will see their dreams slip away.

This choice is being made by companies that cut wages to remain competitive. It is being made by public school officials who fail to prepare our children to be productive workers. Ultimately, we are all making the choice by silently accepting this course.

We still have time to make the other choice, one that will lead us to a more prosperous future: we can opt for high skills rather than low wages. But to make this choice we must fundamentally change our approach to work and education.

Problems and Solutions

The Commission set out to both identify the problems America faces and recommend feasible solutions. Based on its research, the Commission made several key recommendations for an education and training system.

Problem 1: Two factors stand in the way of producing a highly educated work force — we lack a clear standard of achievement and few students are motivated to work hard in school.

The Commission recommends that high school students meet nationally established performance-based standards that qualify them for highly skilled jobs. Such standards should be benchmarked to the highest in the world.

One reason that students going right to work after school have little motivation to study hard is that they see little or no relationship between how well they do in school and what kind of job they can get after school.

Recommendation: A new educational performance standard should be set for all students, to be met at or around age 16. This standard should be established nationally and benchmarked to the highest in the world.

Students passing a series of performance-based assessments that incorporate this new standard would be awarded a Certificate of Initial Mastery. Possession of the certificate would qualify the student to choose among going to work, entering a college preparatory program, or studying for a Technological and Professional Certificate, described below.

Problem 2: More than 20 percent of our students drop out of high school — almost 50 percent in many of our inner cities. These dropouts go on to make up more than a third of our frontline work force. Turning our backs on those dropouts, as we do now, is tantamount to turning our backs on our future work force.

Recommendation: The states should take responsibility for assuring that virtually all students achieve the Certificate of Initial Mastery. Through new local employment and training boards, states, with federal assistance, should create and fund alternative learning environments for those who cannot attain the Certificate of Initial Mastery in regular schools.

All students should be guaranteed the educational attention necessary to attain the Certificate of Initial Mastery by age 16, or as soon as possible thereafter. Youth Centers should be established to enroll school dropouts and help them reach that standard.

Problem 3: Other industrial nations have multiyear career-oriented educational programs that prepare students to operate at a professional level in the workplace. America prepares only a tiny fraction of its non-college bound students for work. As a result, most flounder in the labor market, moving from low-paying job to low-paying job until their mid-20s, never being seriously trained.

Recommendation: A comprehensive system of technical and professional certificates should be created for students and adult workers who do not pursue a baccalaureate degree.

Technical and professional certificates would be offered across the entire range of service and manufacturing occupations. A student could earn the entry-level occupation certificate after completing a two- to four-year program of combined work and study. A sequence of advanced certificates could be obtained throughout one's career.

National committees of business, labor, education, and public representatives should be convened to define certification standards for two- to four-year programs of professional preparation in a broad range of occupations. These programs should combine general education with specific occupational skills and should include a significant work component.

Problem 4: The vast majority of American employers are not moving to high-performance work organizations, nor are they investing in training their nonmanagerial employees for these new forms of work organization. The movement to high-performance work organizations is more widespread in other nations, and training of frontline workers is commonplace.

Recommendation: We propose a system whereby all employers will invest at least 1 percent of their payroll for the education and training of their workers. We further recommend that public technical assistance be provided to companies, particularly small businesses, to assist them in moving to higher-performance work organizations.

Problem 5: The United States is not well organized to provide the highly skilled workers needed to support the emerging high-performance work organizations. The training system is fragmented with respect to policies, administration, and service delivery.

Recommendation: A system of employment and training boards should be established by federal and state governments, together with local leadership, to organize and oversee the new school-to-work transition programs and training systems.

We envision a new, more comprehensive system where skills development and upgrading for the majority of our workers becomes a central aim of public policy. The key to accomplishing these goals is finding a way to enable the leaders of our communities to take responsibility for building a comprehensive system that meets their needs. The local employment and training boards would serve as the vehicles for oversight and management of training and school-to-work transition programs, Youth Centers, and job information services.

Implementing America's Choice

Since the release of the report in June 1990, the Commission has promoted awareness of the report's recommendations through speeches and briefing sessions with educators, business and labor leaders, government officials, and advocacy groups. As the report's findings have been disseminated, interest in implementing its recommendations has become widespread.

On the national level, key members of Congress, both Democrats and Republicans, have introduced the High Skills, Competitive Workforce Act of 1991 based on the Commission's recommendations. Without creating a needless new bureaucracy, this legislation (H.R. 3470 and S. 1790) goes a long way toward ensuring that U.S. businesses will remain competitive in the global marketplace and that American workers will continue to enjoy a high standard of living. The act supports national education and job-skill standards benchmarked to world-class standards. It provides grants to local communities to establish Youth Opportunity Centers aimed at bringing high school dropouts back into the education system to ensure that they, too, meet world-class standards. And the bill provides technical assistance to employers to help them train their frontline workers and make the shift to high-performance work organizations. To finance the training, the bill requires employers to invest at least 1 percent of payroll in training frontline workers or contribute to a national trust fund earmarked for training.

We propose a system whereby all employers will invest at least 1 percent of their payroll for the education and training of their workers.

More than 20 states have expressed an interest in working with the Commission on implementation strategies. Oregon, Washington, New York, and Minnesota have already created legislative initiatives to implement the Commission's recommendations. And education groups are moving to do the same.

New Standards for the Schools

Key national groups, including the President's Advisory Committee on Education, the governing board of the National Assessment of Educational Progress, and the National Education Goals Panel, have begun to advocate the development of an examination system consistent with the creation of a Certificate of Initial Mastery.

And recently, President Bush, in his education initiative, "America 2000," announced the development of a national examination system for the nation's K-12 school system. Numerous groups, including the New Standards Project, a partnership of the National Center on Education and the Economy and the Learning Research and Development Center of the University of Pittsburgh, have begun to develop a new student performance assessment system, putting into place

U.S. school programs should combine general education with specific occupational skills, including a significant work element.

the first steps to making this new system a reality.

Recovering Our Dropouts

It will do no good to raise academic standards for school leavers if large numbers of high school students cannot meet them. The idea of Youth Centers, the Commission's strategy for recovering school dropouts and bringing them up to a high academic standard, is an essential component of the whole strategy for national human resource development.

The Commission is working closely with the William T. Grant Foundation's Commission on Work, Family, and Citizenship and others to develop a national network of Youth Centers. A bill has been submitted to the New York State legislature to create Youth Centers in that state. The Commission is also working to make information available to other states on the characteristics of successful alternative education programs for dropouts.

Preparing Frontline Workers

Most employers in this country have never been seriously involved in setting industry standards for entry-level employment and have no established mechanisms for doing so. Neither do they have a tradition of offering formal, multiyear, on-the-job training programs to high school graduates.

Efforts are currently under way to change American employer attitudes and practices toward work force education. The U.S. Departments of Labor and Education are focusing on work force training and vocational education. The Department of Labor's Commission on Work-Based Learning serves as an advisory commission on workplace training and high-performance work organization.

The Commission on the Skills of the American Workforce plans to work with industry associations and key national business organizations to develop certification standards for their industries. This past summer, the Commission participated with the National Governor's Association and the National Council on Vocational Education in an NGA-sponsored conference on new forms of technical and professional preparation programs.

It is unlikely that this country will do what must be done about workers' skills unless there is a strong demand from business and industry for people with those skills.

Reorganizing Work

Setting standards must go hand-in-glove with a strategy to reorganize work. Under current forms of work organization, employers do not demand highly skilled workers. It is unlikely that this country will do what must be done about workers' skills unless there is a strong demand from business and industry for people with those skills. That will not happen until employers see the need to embrace high-performance forms of work organization.

The Commission has met with national business groups to begin a concerted campaign to promote an understanding of high-performance work organization. Plans are under way to develop an industry-led technical assistance network to help companies make the transition. Some companies will have the international resources to develop the necessary training programs to upgrade worker skills, while others will need outside consultation.

Building a Comprehensive System

Without a coherent labor market system that embraces national, state, and local government, the Commission's other recommendations will be less effective. Therefore, the Commission has put forth a legislative proposal that we believe is a first step toward uniting disparate pieces of the nation's existing labor market programs. In addition, we plan to publish papers on the elements of the system we believe should be put in place — from postsecondary data systems to a reborn employment service. Then, we hope to convene a working group of state, federal, and national government leaders with business, labor, and education leaders to begin discussions on implementation.

Leaping Ahead

The system we propose provides a uniquely American solution. Boldly executed, it has the potential not simply to put us on an equal footing with our competitors, but to allow us to leap ahead, to build the world's premier work force. In doing so, we will create a formidable competitive advantage.

The status quo is not an option. The choice is between becoming a nation of high skills or one of low wages. The choice is ours. It should be clear. It must be made.

Ira Magaziner is President of SJS Inc., a business strategy and public policy consulting firm, 56 Pine St., Providence, RI 02903. **Hillary Rodham Clinton** is Co-chair for Implementation of the Commission and partner at the Rose Law Firm, 120 E. 4th St., Little Rock, AR 72201.

The health-care process is as important as results

EDWARD M. KENNEDY

Second only to the economy, health care is the most important domestic issue facing America. The health system is broken: Physicians would call it a compound fracture. Out-of-control health costs are bankrupting the federal budget, plaguing the bottom line of businesses, reducing living standards and pricing health care out of reach of many families.

President Clinton's election set the stage for a solution. But designing the right one is no easy task. When Joseph Califano, secretary of health, education and welfare in the '70s, began to develop a national health plan for President Carter, he was appalled to discover how "little was known about what a national health plan might cost, what changes would occur in the use of health facilities, what needs would arise for health personnel" and other information necessary for effective policy-making.

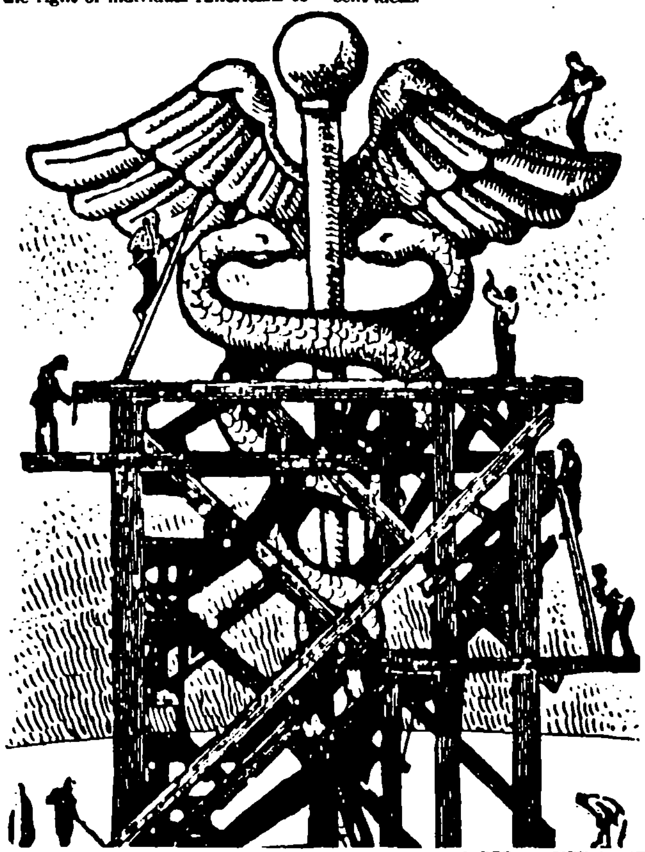
Nearly two decades later the need for reform is far greater, and so is the complexity of the problem. The health care sector represents 14 percent of the nation's gross domestic product; it accounts for $900 billion in public and private spending annually, it employs more than 8 million people and it affects the life of every American.

Reform must deal not only with the four most publicly debated issues – coverage, benefits, financing and cost control – but also with myriad other issues, such as quality of care, preventive care, the role of the private sector and the insurance industry, federal-state relations, medical research and education and the special needs of children, the elderly, the poor, minorities, the mentally ill, the disabled, retired workers, the unemployed and veterans. Since powerful interest groups are poised to oppose any change that adversely affects them, proponents of reform must be ready with persuasive justifications and rebuttals.

With these considerations in mind, President Clinton and Hillary Rodham Clinton made what may turn out to be the most important decision of all on health reform. They decided that the traditional policy-making process in Washington was inadequate. They named Ira Magaziner, a highly regarded management consultant and policy innovator, to direct a task force with a mandate for a broad, inclusive process. Four basic goals were established for reform: The plan must provide basic health security for all Americans without reducing coverage for any; it must curb escalating health costs; it must guarantee quality in health care; and it must assure the right of individual Americans to choose their own doctor and hospital.

Magaziner applied many of the same techniques that he had found successful in designing strategies for large businesses in the private sector, such as breaking down issues into separate components for detailed examination, setting timetables for stages of the process, and achieving quality control by bringing in diverse groups of experts to provide advice and review options.

He established 40 subgroups to prepare elements of the plan. Within weeks, 500 people were at work from Congress, the executive branch and the private sector. More than 1,000 outside groups were invited to present ideas.



Typically, initiatives of this kind are prepared solely within the executive branch by a limited group of White House and federal agency employees who consult with a small number of outside experts and congressional leaders. The old way of doing things had advantages. It was quicker, since fewer people were involved. Because the process was known to be closed, fewer noses were out of joint when experts and interest groups were ignored. Because access was limited, secrecy was easier to maintain until the announcement date.

But the failures of social policy in recent years attest to the superficiality and inadequacy of the traditional approach. The new method has the advantage of bringing together a range of people from different backgrounds and expertise for what the Pentagon calls a bottom-up review. This kind of systematic analysis is unprecedented in domestic policy, but it is essential for an issue as complex as health reform.

Final approval and release of the plan have been unexpectedly delayed while Congress battles over the administration's economic plan. No one will agree with every detail when the proposal is unveiled. But every significant point of view has been exhaustively analyzed. It will be difficult, if not impossible, for special-interest groups to overwhelm the plan with misleading arguments, statistics and public relations tactics.

The American people are less interested in the process than in the result. But process is still important, and it is indispensable to success. The final verdict on the task force will not be reached until the plan is presented, and perhaps not until the debate in Congress is completed. But the prospects are excellent that the comprehensive reform that many of us have worked so long to achieve is finally within reach. And that is no small accomplishment for a new administration.

Edward M. Kennedy is the senior senator from Ma...

advisers. One of Clinton's politicos wanted him to study Garry Wills's new book on Lincoln to try to learn how to become more succinct. Clinton studied it and even spoke with Wills. But his inclination is to explain as much as he can. Being succinct strains his powers, as his nominating speech for Dukakis in 1988 made painfully obvious. Clinton sees the interconnections among the issues and wants to tell you all about them. His flaw is more than the desire to please; it also flows from his cast of mind. In the end, reducing his content to easy themes might have made it harder for him to make his case; for what he needed—and wanted—to defend was substantive politics. He had to present his character whole—pol as wonk, wonk as pol, all of a piece.

Clinton's fall forced him to defeat narrow conceptions of the Democratic Party and to forge a new coalition and political identity for himself. The figure who takes governing seriously is what the country wants but has had trouble seeing in Clinton. Now his nomination testifies to his perseverance, highlighting a morality tale that tells itself. And as the Democrats gather in Madison Square Garden, the very early Clinton, who was there all along, is reemerging. •

Clinton's best idea.

APPRENTICES' SORCERER

By Morton Kondracke

Thanks to Bill Clinton—and, at least equally, to Hillary Clinton—the U.S. political system is almost certain to do something constructive for a truly "forgotten" group: the 60-odd percent of high school graduates who either don't go to college or don't finish. These are people whose life prospects are being eroded by the failures of American schools, by increased foreign competition, and by the information-age economy's demand for skills.

Under the influence of his wife and two old friends and economic advisers, Ira Magaziner and Robert B. Reich, Clinton has made upgrading worker skills a central part of his agenda both as governor of Arkansas and as a presidential candidate. The campaign has advanced such ideas as youth apprenticeships, "lifetime learning," and a European-style tax on corporations for worker training. The press and rival candidates have focused mostly on his proposals for middle-class tax cuts and tax increases for the rich, but his training initiatives are likely to do more to advance future prosperity.

Reich and Magaziner contend that upgrading the skills of workers is the most efficient way to improve American productivity and competitiveness—far superior, Reich says, to giving big tax breaks to individuals or corporations, which can spend the proceeds as easily overseas as in the United States. Reich, Magaziner, and Hillary Clinton knew each other as college student body presidents in 1968 and 1969 (at, respectively, Dartmouth, Brown, and Wellesley). Bill Clinton, Reich, and Magaziner were students at Oxford together. The four comprise a cozy little group and have been talking to each other about economics, industrial policy, politics, and education for twenty-four years.

Clinton's high-profile espousal of worker training has forced the Bush White House to promote kindred "empowerment" ideas. Labor Department officials have been drawing up programs to help the non-college bound for four years, but weren't able to get through to Bush or his domestic advisors until the campaign loomed. Bush proposed a training agenda in January, including apprenticeships and reform of high school vocational and post-secondary career education, but he did not send legislation to Congress until April. Nothing is likely to pass this year because training is caught up in election-year political wars, but the chances are it will pass next year, regardless of who is elected president.

The problem both candidates are addressing is this: the average income of young people who don't attend college is going down. According to one 1990 study, inflation-adjusted earnings for workers under 25 with only a high school diploma are 28 percent lower than they were fifteen years ago. A 1992 Department of Labor report said that the percentage of white high school graduate males 25 and older who do not make enough money to keep a family of four out of poverty has risen from 8.3 to 22.2 since 1969. The proportion for blacks has gone from 20 percent to 41 percent, and for Hispanics, from 16 percent to 36 percent. Ten years ago high school graduates with no college made 74 percent of the wage of a college graduate; in 1991 they made 65 percent.

Hillary Clinton has been addressing this trend for more than five years, and Reich for even longer. In 1987, as a board member of the W. T. Grant Foundation, she helped produce a landmark report, "The Forgotten Half: Non-College Youth in America," that focused not only on the 15 percent of young people who drop out of school before graduating and never return, but also on the 41 percent whose education stops with high school and the 20 percent who start but don't finish college. (Twenty-four percent of all young people now finish college, up from 11 percent in 1960.) Hillary was also on a commission on skills chaired by Magaziner, which in June 1990 produced an even more influential report, "America's Choice: High Skills or Low Wages!" It recommended creating a nationwide system of technical and professional certificates for workers and incentives for employers to train workers and reorganize workplaces to use highly trained labor rather than new machines.

The commission traveled to six countries where corporations participate in "play or pay" training schemes under which they either train their own workers or contribute to a government pool to do so. In Germany corporations are required to spend 2.3 percent of payroll for training; in Sweden and Ireland, 2.5; France, 1.5; and Japan, 1 percent. In the United States employers spend an average of 1 percent on training, but 70 percent of that goes for seminars for executives and marketing employees (often at cushy retreats) rather than production workers. Clinton is recommending a 1.5 percent requirement, which may cost corporations as much as $30 billion a year.

When the "America's Choice" report was completed, Hillary Clinton became chairman of a task force on implementation of its recommendations. In the fall of 1990, she also got the Arkansas Department of Education started on apprenticeship planning, and Bill Clinton pushed the resulting legislation into law in 1991. The state is currently setting up six initial programs to begin this fall. After two years of combined school and training and two more years of training and work, students are supposed to be capable, certified, (and employed) health, computer, radio, or machine technicians.

The Bush administration actually beat Arkansas into the field with six apprenticeship demonstration programs in 1990, created by the Department of Labor's Office of Work Based Learning. Training was nowhere on Bush's own agenda, though, until Lynn Martin became secretary of labor in 1991. She claims that Bush has become an enthusiast on the subject—and, indeed, in some respects his program is bolder than Clinton's.

Bush opposes employer mandates and tax credits. Instead, his "Jobs 2000" legislation places sixty federally funded training programs, including high school vocational education programs and for-profit "proprietary" schools, under supervision of local private industry councils to ensure that programs meet their standards and needs. There's a hitch, however: for-profit trade schools are represented by a powerful lobby in Washington, the Career College Association, which has successfully resisted efforts to link eligibility for receipt of federal student aid checks with placing students in jobs.

Bush should be commended for tackling the proprietary schools, but he's dreaming if he thinks the $55 million he has proposed spending—just over $1 million a state—will spur apprenticeships. The administration plan basically calls for better delivery of job training services that the government currently provides, at a cost of $18 billion. Clinton's apprenticeship scheme, which according to his recent economic plan would cost $1.5 billion in new funds, is bolder as well as more honest about cost.

In any case, the "forgotten half" is no longer as forgotten as it was. Members of Congress have introduced eight other apprenticeship or worker-training packages. Proposals to address the issue will be part of both Republican and Democratic platforms, and Ross Perot presumably will be along with his own ideas. Between Clinton and Bush, however, Clinton is more likely to make noncollege Americans a priority. After all, it wasn't until he started hollering about it that Bush admitted there was a problem. •

Jim Pinkerton and Bill Clinton.

PARADIGM'S LOSS

By Mickey Kaus

In 1988, as director of "opposition research" for the Bush-Quayle campaign, James Pinkerton discovered a furloughed killer named Willie Horton in the past of Democratic presidential candidate Michael Dukakis. The rest is history. In late 1991, as a policy planner in the Bush White House, James Pinkerton ventured an opinion about Democratic presidential candidate Bill Clinton. "I noted with interest Bill Clinton's 'New Covenant' speech," Pinkerton told a Washington symposium. "It seems to me that a Republican could take that speech, change about ten words, and have a pretty good message for the GOP primaries, not to mention the general election."

At the time, Pinkerton had good reason to like Clinton. For more than a year he had been having regular dinners with several Clinton advisers as part of the "New Paradigm Society," a group founded by Pinkerton and Democrat Elaine Kamarck to explore the possibility of a left-right consensus on domestic policy. The New Paradigm envisions a form of government activism that would (in Pinkerton's words) "expand individual choice, empower the poor, and create decentralized, flexible, and adaptable institutions" to replace old-style "centralized bureaucracy." Letting parents choose from among competing schools and letting public housing tenants buy their apartments are the paradigmatic New Paradigm schemes.

Pinkerton wasn't the first to talk about a New Paradigm. Journalist David Osborne coined the term. But the NP is the concept that turned Pinkerton from a gawky political hack into someone *Mademoiselle* actually put on its list of "the greatest lovers of the Western world." I remember going to a Christmas party in 1989 and finding myself in a corner, talking policy with this giraffe-like man who seemed to wear his trousers up around his navel. He was funny and open-minded—at the time he was pushing an idealistic plan to give underclass kids jobs planting trees. Soon I was attending his "paradigm" meetings. The next November budget director Richard Darman sneered at the NP idea in a speech, and Pinkerton sneered back, a brilliant career move. A *Washington Post* "Style" profile quickly followed. In 1990, when I attended the same Christmas party, there was a distinct buzz in the room. "Jim Pinkerton's here!" "Did you see Jim Pinkerton?" "I think Pinkerton's already left." "No he hasn't." People were elbowing Jody Powell out of the way to get to him (just as a decade earlier they