Congressional
Progressive Caucus
Rep. Dennis Kucinich, Chairman

NEWS UPDATE - Tuesday, January 30, 2001

SUMMARY

In the News…

- *Washington Post* reports on the Bush Administration's "prescription drug plan" that essentially provides regular drug coverage for seniors with incomes below $15,000
- *Congress Watch* releases a broad study of the Bush Administration proposal, concluding flatly that it "would fail to help most seniors who lack prescription drug coverage."
- *The New York Times* reports that the GOP and its backers in the oil industry are focused on one solution to the energy crisis: find more oil, regardless of environmental impact.
- *The New York Times* uses San Diego to explore why we must make energy conservation and efficiency programs a national priority
- *The Wall Street Journal* reports on how the race to secure contracts for the proposed budget-busting, scientifically unproven National Missile Defense system is already underway by some of America's biggest corporations
- *National Journal* reports that the high-tech industry might be gearing up for a campaign to pass so-called "tort reform" legislation aimed at restricting consumer protections

From the Editorial Pages…

- *Mark Weisbrot*, co-director of the Center for Economic and Policy Research, writes for Knight Ridder that Democrats would be wise not to get sucked into a GOP tax plan that is a boon to the rich and instead support a plan that gives most of the benefits to the majority of Americans, with an increase in the Earned Income Tax Credit for those at the bottom of the wage scale.
- *Molly Ivins* writes about how America increasingly deifies the market to the detriment of civil society

Quote of the Day…

"It's just irresponsible to lead Americans to believe that new drilling in Alaska is going to have an impact on their electricity bills. Frankly, it does not even pass the laugh test. There's simply no link between the problems in California and the wildlife refuge."

- Adam Kolton, Arctic campaign director for the Alaskan Wilderness League (New York Times, 1/30/01)

In the News on January 30, 2001

Prescription Drug Plan Sent to Skeptical Congress

Washington Post

By Amy Goldstein
President Bush yesterday kept a campaign promise to move swiftly in asking Congress to give states money that would help poor, elderly Americans pay for prescription drugs. But the proposal he sent to Capitol Hill may have little chance of withstanding the skepticism it already has stirred among crucial lawmakers.

The president's proposal would create temporary "block grants" to states if they have their own drug subsidy program, dispensing roughly $12 billion each of the next four years that would be funneled to Medicare patients with low incomes and to a relatively small group of other older Americans who spend the most money on medicine.

Bush has portrayed his plan, which he dubbed during his campaign "An Immediate Helping Hand," as a speedy way to help the older people who have the greatest difficulty affording medication. But critics in Congress, including the chairmen of two key committees who met with the president yesterday, contend that his approach would reach too few people and predict that it would weaken momentum for deeper Medicare reforms.

As he left the White House mid-afternoon, Senate Finance Committee Chairman Charles E. Grassley (R-Iowa) said that lawmakers who favor Bush's initiative "are doing the president a disservice." Grassley said the president's plan "keeps the heat on Congress" to wrestle with the politically volatile issue of Medicare. But he and House Ways and Means Committee Chairman Bill Thomas (R-Calif.) said that Congress should work, instead, on broader efforts to modernize the nation's insurance system for the elderly and to keep it solvent.

In making the prescription drug plan its second legislative proposal, the White House released a five-page outline with a glossy cover but no mention how much the proposal would cost -- a fact the administration also omitted from its maiden legislative initiative, on education, a week ago.

Administration aides said the drug plan would require about $48 billion over four years, the same amount cited by Bush when he issued the plan as a campaign proposal last September. But aides also said yesterday the cost could increase or decline by the time the White House completes its first budget.

For one of its earliest official requests of Congress -- involving an issue of acute interest to the American public -- the administration released its prescription drug proposal in a surprisingly low-key manner. Ignoring the usual custom for unveiling major initiatives, Bush did not summon supporters and reporters to a White House event. Instead, he uttered six sentences on the subject during a photo opportunity with Grassley and Thomas. His aides did not convene a briefing to elaborate on the plan.

Asked why the administration was not doing more to draw attention to the issue, press secretary Ari Fleischer said, "It's just a sign of a very busy day today. We have other busy events tomorrow and the following day. It's always just a question of scheduling."

Others, however, said the scant visibility devoted to the issue had greater significance. One source said it was a sign that the fledgling White House still is striving to find its rhythm, with officials so eager to set campaign promises into motion that they have not coordinated them all smoothly.

Others said the White House was downplaying the issue deliberately, mindful of the hostile reception it has drawn on Capitol Hill. "Some of the detractors are obviously key members of key committees," an administration aide said. "Out of respect for the members that have concerns, but also out of respect for the fact we have to close the loop on some campaign promises, that's why it was low-key."

For his part, Bush -- using a strategy he also employed last week on the divisive issues of school vouchers and tax cuts -- tried to mute congressional opposition to his drug proposal by signaling that he might be willing to compromise. The five-page proposal forwarded to the Hill said that the block grants would automatically end in less than four years if Congress enacted broad Medicare reforms that included prescription drug coverage. That aspect of his thinking was implicit in the version of his plan issued during the campaign, but had not been stated as plainly, according to an aide.

Bush emphasized the point during the photo opportunity with the two committee chairmen, suggesting that he understood Grassley and Thomas's resistance to his approach in light of their broader objectives. "If, in fact, what they're saying is that they can, that they plan on expediting a Medicare reform that will include prescription drugs for all seniors, then all of a sudden I begin to say, 'Well, gosh, that may make sense that you look at our proposal the way you do.' "

Sen. John Breaux (D-La.), a congressional leader on Medicare who has a close relationship to Bush among Democrats, yesterday reiterated his opposition to the plan. Breaux said that it would help only those who are poor and that many states could not afford to create their own programs, even with the federal aid. Besides, he said, even if it had more support, the proposal could take as long to get through Congress as the broader Medicare changes he favors. Breaux said the issue, however, did not come up during a late-afternoon session with Bush and several lawmakers of both parties.

Specifically, the president's plan would pay the entire premium for drug coverage for Americans age 65 and older who have incomes of as much as $11,600. It would pay at least half the premium for those with incomes as much as $15,000.

A separate part of the plan would furnish "catastrophic" coverage for any Medicare patient, regardless of income, if their yearly drug costs exceed $6,000.

The idea is for the government to pay for these benefits, without requiring states to chip in. However, states that have created drug subsidy programs -- fewer than half have done so -- could use the federal money for other health-related purposes or to extend drug coverage to wealthier people.

Bush Prescription Drug Proposal Would Not Help Most Seniors in Need

Public Citizen's Congress Watch

WASHINGTON - President Bush's prescription drug proposal would fail to help most seniors who lack prescription drug coverage and would give states a blank check with no guarantee that seniors will get the help they need, Public Citizen said today.

Bush is expected to send his prescription drug proposal to Congress today. Based on the plan Bush announced during his campaign, his so-called "Immediate Helping Hand" proposal would provide $48 billion over four years to support state-based programs to help low-income seniors with the cost of prescription drugs.

"The President's 'Immediate Helping Hand' proposal is missing a bunch of fingers," said Frank Clemente, director of Public Citizen's Congress Watch. "Instead of working through the existing, successful Medicare program, it gives a blank check to the states, with few guarantees that seniors will get access to the prescription drugs they need. It also would do too little to control the high cost of prescription drugs."

Public Citizen opposes Bush's plan because:

- It would force most seniors to wait for benefits. More than half of all seniors with incomes over 175 percent of poverty and out-of-pocket drug costs under $6,000 in a year would receive no immediate benefits. A single person with $15,000 a year in income (slightly over 175 percent of the poverty level) would need to spend at least $6,000 in out-of-pocket drug costs, or 40 percent of their income, to get any assistance through Bush’s plan.

- It doesn’t provide coverage through Medicare, so it will fail to reach millions of seniors. Medicare successfully extends coverage for hospital and physician services to almost all seniors (94 percent). Existing state-based, low-income programs enroll only a minority of seniors in need. Nationally, fewer than 800,000 of eight million low-income seniors are enrolled in the 14-state pharmacy assistance programs that are now operational. These low enrollment rates are the result of poor outreach efforts on the part of states and the refusal of seniors to sign up for what they consider to be charity programs for the poor. Clearly, making prescription drug coverage available through Medicare, which has proven so successful at enrolling the elderly, would be a much better solution.
- Benefits are uncertain for those enrolled. The Bush proposal allows states substantial flexibility in setting the benefit level for their plans. It is unclear if states’ plans would cover all necessary medications and what sort of deductibles, co-payments and caps they would impose. There is a wide range among the states that currently offer some form of assistance to low-income seniors.
- Only one percent of Medicare beneficiaries would receive direct compensation for their high drug costs. Just one percent of Medicare beneficiaries spend more than $6,000 a year out-of-pocket on prescription drugs. This is the threshold seniors must meet under Bush’s plan to receive compensation for some prescription drug costs from the federal government.
- States may take up to three years to create programs. Setting up a new program would require states to pass enabling legislation, hire and train new staff, and educate beneficiaries about the new program. Experience with the implementation of the Children's Health Insurance Plan indicates that bringing a new program on-line can take up to three years. Benefits could be made available to seniors much more quickly and reliably if they were provided through the already existing Medicare program.

The Bush administration has described Bush’s proposal as a "transitional" program that is to be replaced with an equally flawed plan to make prescription drug insurance available to Medicare beneficiaries through the private market. A more complete analysis of Bush’s prescription drug plans can be found at: http://www.citizen.org/congress/drugs/bushstateplan.html.

President Offers Plan to Promote Oil Exploration

New York Times

WASHINGTON, Jan. 29 — President Bush said today that he was "deeply concerned" that the power crisis was "spreading beyond the California borders" and vowed to make it easier for companies to explore, exploit and transport oil and gas for the production of more electricity.

In a meeting in the Oval Office this morning, which the president described as the first in a series to deepen his involvement in energy issues, Mr. Bush named Vice President Dick Cheney to head a task force that he said would devise ways to reduce America's "reliance upon foreign oil" and to "encourage the development of pipelines and power- generating capacity in the country."

While Mr. Bush did not offer concrete proposals today to help California, he appeared to be using its acute electricity shortage to help sell a long-term national energy strategy he often discussed during the presidential campaign.

He said he intended to act "boldly and swiftly" to enact his plan, which includes an effort to pass legislation allowing drilling in protected areas of the Arctic National Wildlife Refuge and granting waivers to states that seek to run older plants at full capacity — even, administration officials said, if that means violating clean air standards.

"There's a long-term issue as well, and that is, How do we find more energy supplies, how do we encourage conservation on the one hand and bring more energy into the marketplace?" Mr. Bush told reporters.
"And a good place to look is going to be A.N.W.R.," he continued, using the abbreviation for the Alaskan wilderness area.

He added, "I campaigned hard on the notion of having environmentally sensitive exploration at A.N.W.R., and I think we can do so."

Today’s assignment puts Mr. Cheney at the center of an issue he knows well as the former chief executive of the Halliburton Company, the oil services giant. Halliburton and its rivals would all probably benefit from an aggressive government push to promote exploration and to weaken environmental controls.

Elements of Mr. Bush’s plan will clearly face opposition from environmental groups and some Democrats in Congress. But just as predictions of rising government surpluses and the slowing economy gave a lift to his sweeping tax-cut initiative, the California crisis has aided Mr. Bush’s efforts to sell an energy policy that in more normal times would probably have faced intense opposition.

Senator Frank H. Murkowski, an Alaska Republican and chairman of the Senate Committee on Energy and Natural Resources, said that the California situation had made people wake up to a looming energy crisis.

"With the previous administration we could not even get an acknowledgement that we had an energy problem in this country," said Mr. Murkowski, whose committee will hold hearings on Wednesday about California’s electricity situation. "People are now starting to realize that if you just rely on outsiders for your energy you will pay the piper."

Some environmentalists criticized Mr. Bush’s approach sharply, arguing that he used California as an excuse to push an oil industry agenda bearing at best an indirect relationship to the electricity troubles.

"It’s just irresponsible to lead Americans to believe that new drilling in Alaska is going to have an impact on their electricity bills," said Adam Kolton, Arctic campaign director for the Alaskan Wilderness League. "Frankly, it does not even pass the laugh test. There’s simply no link between the problems in California and the wildlife refuge."

Mr. Bush’s 10-year, $7.1 billion energy policy focuses mainly on oil and gas development, not the shortage of power generation and bottlenecks in distribution that have contributed to the California crisis. He wants to offer tax incentives to promote domestic oil production, as well as ease restrictions on drilling for oil and natural gas in parts of the 1.5 million- acre Alaskan refuge. Fully exploiting Alaskan reserves would probably require building a pipeline to ferry natural gas to mainland markets.

Those steps would do little to relieve the acute shortage of electricity that has forced California to issue its highest electricity alerts for two weeks running, warning that power might be cut off at any moment to selected parts of the state.

In an interview today, Mr. Bush’s chief economic adviser, Lawrence B. Lindsey, also described a series of short- and medium-term steps that he said the administration could "encourage and help states to take."

Acting on requests from California and other states hit by high prices and energy shortages, he said the Bush administration could issue pollution waivers that "would allow older plants to come on stream" in peak periods. Such plants in California now pay fines when they operate, adding to the financial burden on utilities, which cannot pass the higher production costs on to consumers.

Power generating companies are staunch opponents of the 1990 Clean Air Act amendments, signed into law by Mr. Bush’s father. The law sets deadlines for every city to meet health standards for air quality, though it gives states some flexibility in carrying out the standards. California has some of the nation’s strictest air pollution control measures.

So far, California has not requested federal easing of environmental law, and Gov. Gray Davis has said that the state can extract itself from its electricity debacle without abandoning clean air targets.

But other states are seen as eager to allow some older, coal-powered plants to run for a longer time and might be eager to take advantage of a more flexible federal approach.

Mr. Lindsey also spoke of constructing new, higher-capacity transmission lines. "The governors in Utah and Wyoming tell me that they have excess power now, but they can't get the electricity to California," he said. Such construction, of course, is also likely to run into opposition from those who oppose the building of new lines. Similarly, gas turbine power could be increased in California, he said, but only with the construction of new gas pipelines.

"Every idea is a tradeoff," Mr. Lindsey said, noting that the current federal requirements that out-of- state utilities sell more power to California "is causing problems now in Arizona and Oregon."

Bush administration officials have not offered many concrete proposals to help California secure electricity supplies.

They have argued that the problem stems from the state's botched effort at deregulation and that the solution lies within the state, where Governor Davis and the legislature are considering proposals to relieve the debt burden of utilities, to make consumers pay more and to let the state government arrange long- term purchases of power from independent generating companies.

Mr. Lindsey noted today that higher prices to consumers "would certainly encourage conservation." But he said that was a state decision. Moreover, Governor Davis fears that big increases in the retail price of electricity could prove politically disastrous for him.

Mr. Bush has largely stuck to his pledge to make California resolve its struggle without large-scale federal aid. He agreed last week to extend a Clinton administration emergency order that required power generators in neighboring states to use surplus generating capacity to supply California. But that policy is highly unpopular among those states, and Mr. Bush said it would not be extended beyond Feb. 7.

Mr. Bush said today that the electricity problem went well beyond California, though he did not propose measures to deal with power problems in other states.

Several states in the Northwest have complained repeatedly that federal orders to sell surplus power to California have forced them to drain water tables for hydroelectric plants, endangering their own energy resources and potentially damaging the environment.

Rates are also rising around the region. The Bonneville Power Authority, which has provided cheap electricity for decades to its Northwest customers, said it plans a 60 percent increase in rates over the next five years because of the ripple effect from California's problems.

The White House press secretary, Ari Fleischer, said today that Arizona had also suffered collateral damage because aluminum plants there were forced to shut down for lack of power. He said farmers in neighboring states were hit by power shortages as well.

"Energy represents approximately 6 percent of our nation's G.D.P., and the costs for consumers for energy are going up, nationally as well, of course, as in California," he said.

Along with Mr. Cheney, Mr. Bush's energy task force includes Treasury Secretary Paul H. O'Neill; Energy Secretary Spencer Abraham; Commerce Secretary Donald L. Evans; Agriculture Secretary Ann M. Veneman and Transportation Secretary Norman Y. Mineta. It is also to include the Environmental Protection Agency administrator-designate, Christie Whitman, and the Interior secretary-designate, Gale A. Norton.

Why San Diego, Where Rates First Rose, No Longer Conserves Energy

New York Times

SAN DIEGO, Jan. 25 — It was here, in the heat of last summer, that consumers got their initial lesson in how painful California's experiment with deregulation could be.

With electricity supplies short and the state's power grid on the brink of collapse, wholesale electricity costs nearly tripled, and the San Diego Gas and Electric Company, the first utility in the state freed by deregulation, passed those costs on to its customers. Homeowners took to the streets, and businesses threatened to leave the city, California's second largest.

Logic would suggest that San Diego consumers, having felt the price shock that the rest of the state so far had been shielded from, would be wiser about using electricity than other Californians. But the price shock was too short.

In September, California legislators called off the experiment, capping retail electrical rates at 6.5 cents a kilowatt hour, the average market price paid in the month before the summer crisis.

Now, six months later, San Diegans are back to their old ways.

Electricity use, which dropped 9 percent in August, is back up to precrisis levels, according to San Diego Gas and Electric. Rather than investing in insulation or energy-efficient air-conditioners, consumers here seem to be hovering between denial and defiance.

"I feel I do all that I can to conserve," said Vicki Barber, an escrow coordinator for a real estate broker in San Diego. "But I'm not going to spend all this money upgrading my house when it doesn't matter anyway."

As a test laboratory of consumer behavior when the cost of a necessity skyrockets, San Diego seems confused by how politicians reacted when consumers here revolted last summer, demanding relief.

In September, when California legislators restored the lower rates, residential and small-business rate payers received credits on their utility bills — even though the credits are really a postponed debt that is expected to come due as soon as 2002. And it is true that the utility's largest customers are already paying market rates.

Still, Jeannie Thompson's reaction was typical. In August, Ms. Thompson, the branch manager of a Coldwell Banker real estate office in the Pacific Beach district, made it her business to turn off office lights and computers every night. "When the news first came out, you wanted to do your part," she said.

Then, in October, the office got its credit, and "we started to go back to the way things were before."
Economists look at San Diegans' behavior and draw this lesson: Consumers must suffer a lot before they willingly give up comfort and conveniences they have grown used to.

"Summer should have been a wake-up call," said Peter Navarro, associate professor of economics and public policy at the University of California at Irvine. "You can't blame San Diego consumers for not doing anything, because legislators stepped in and lowered prices. If the discomfort isn't of a lengthy duration, the adjustments to behavior that need to take place won't."

Indeed, in a recent paper, a group of energy experts and economists, including two Nobel Prize winners, made the same point, saying that if consumers knew the true cost of electricity, they would conserve more.
Even Gov. Gray Davis seems to be backing away from his promise that rates would not rise.

But San Diego consumers, once again insulated from rate increases, have shrugged off the crisis, in part because they have taken to heart the governor's oft-repeated claim that the problems are the fault of out-of- state power generators that need to be reined in.

"Ask these people if they feel safe at night," Pete Phelps said wryly of those generators. Mr. Phelps, an airline pilot, was, with his wife, Pat, loading a 50-gallon water heater into the back of his pickup truck at a Home Depot near the San Diego Sports Arena.

Mrs. Phelps added, "You don't know what is legitimate, who to believe."
So the Phelpses have done little in recent months to conserve, except turning off lights, as their monthly electricity bill has climbed to $130, from about $85, in the past two years. Their new water heater was billed as "energy efficient," and while it should save them $150 a year, they did not buy it with conservation in mind. "I spill that in beer money," Mr. Phelps said.

High prices alone cannot change consumer behavior, Mr. Navarro, the economist, said. If consumers, for instance, believe that turning off lights benefits someone other than themselves, they will feel no incentive to conserve. That, he said, is the situation in the Pacific Northwest, where many residents believe that any power they save will simply be diverted to hot tubs in the San Francisco suburbs.

But in San Diego, people have gotten a particularly mixed message. To begin with, high rates did not last long enough to make an impact. Rather, the lingering impression was that legislators would step in to protect consumers at any cost.

The math, said Severin Borenstein, director of the University of California Energy Institute, was simple.
"If you go from 6 cents to 22 cents to 6 cents, then the response will be to weather the storm," Mr. Borenstein said, referring to the price of a kilowatt hour. "But if it stays at 22 cents, then it makes sense for people to go out and invest in ways to save energy."

Mr. Borenstein drew a parallel to the gasoline shortages of the 1970's. At first, he said, motorists demonized Middle East oil producers, as lines of cars snaked around gasoline stations, waiting for rationed supplies. Only after high prices persisted did consumers begin to change their habits, buying more fuel-efficient cars, he said.
Still, some San Diegans insist that they are pitching in.

"I have not put the heat on," said Ms. Thompson, the real estate agent. "I close my doors and put on a sweater."
But she has not had an energy audit of her home, a service provided by San Diego Gas and Electric, or bought energy-saving appliances.

During last summer's price spike, surveys by San Diego Gas and Electric found that 91 percent of its 1.2 million users did not think the utility was being wholly honest with them about the crisis, said Stephen L. Baum, chairman of Sempra Energy, the utility's parent company. And there is bound to be more anger, now that the utility has requested a surcharge of about 16 percent in March, to pay off $450 million it owes its power suppliers.

Higher rates will also make life harder for people who are just getting by. At a recent outdoor farmer's market in El Cajon, a working-class town 15 miles east of San Diego, Heidi Van Horn, a massage therapist, and her fiancé, Bernie Herloss, a handyman, were supplementing their $1,200 monthly income by selling grilled bratwurst and hamburgers to hungry shoppers.

For the two-bedroom apartment they share, the couple have $200 in past-due energy bills. Those bills hover at about $100 a month, up from $55 two years ago. "We aren't one of these high-rollers who make $9 an hour," Ms. Van Horn said. "We either pay the electricity or have the phone shut off."

Even so, she said, they do what they can to conserve, turning down the thermostat or turning off the occasional light. But their apartment building is poorly insulated. Cold wind seeps in through closed windows, and the heating vents are near the ceiling, where the warmth is wasted. Their only energy-efficient light bulb is the one that came in the mail from San Diego Gas and Electric.

And the two birds and the iguana they keep, Ms. Van Horn said, would die if she turned off any of the three heat lamps that run continuously in the apartment.

She would never consider getting rid of the pets. Ms. Van Horn said. "They are family."

Missile-Defense Project Race Begins As Groups Vie for Lucrative Contracts

Wall Street Journal

WASHINGTON -- The dash for missile-defense profits is on.

In the next few months, President Bush will choose which technology -- and therefore which companies -- will be the big winners in the race to build a national shield against enemy missiles. For the lucky few, the profit-making potential will be enormous for a system that will certainly cost tens of billions of dollars. For the companies left behind, the lost opportunity will be equally dramatic.

Unlike the high-spending Reagan years, when more than $20 billion was spread around widely in a search for the perfect antimissile system, the White House this time is likely to choose no more than one or two programs to start building. Companies left out of the choices will have to settle for the comparative scraps of research and development funds.

Bush administration officials "are not the kind of people to do endless research until they reach the ideal solution," said Loren Thompson of the Lexington Institute, a nonpartisan defense think tank here.

Mr. Bush and his new Defense Secretary, Donald Rumsfeld, have yet to hint which way they'll go. But they have four basic options from which to choose -- all of them imperfect -- with six big defense contractors on the line. Raytheon Co., based in Lexington, Mass., is best positioned, with a role in three of the four main systems. The other big players: Lockheed Martin Corp., Boeing Co., General Dynamics Inc., Litton Industries Inc., and TRW Inc.

Tort Reform May Become A Tech Issue

National Journal

While most items on President Bush's high-tech agenda will receive bipartisan support, one item has raised concerns among congressional Democrats: tort reform.

"We hope the tech industry isn't becoming Chamber-ized," one Democrat aide said, making a reference to the U.S. Chamber of Commerce's history of pushing Congress to pass tort reform. Trial lawyers, a core Democratic constituency, oppose efforts at tort reform.

Tort reform was not on any high-tech association's agenda this year, but the chamber is preparing to push for reform of class-action law and is working with some members of the high-tech community on strategy to get it through the 107th Congress.

"President Bush understands the threat frivolous lawsuits pose the high-tech community and the business community as a whole," said Joe Rubin, director of congressional and public affairs for the U.S. chamber. "We are pretty optimistic we can get something enacted this Congress."

Rubin declined to name what high-tech companies are joining the chamber's reform efforts, which include requiring multi-state class-action lawsuits to be filed in federal court.

Tort reform was a cornerstone of Bush’s campaign, and he was successful in spearheading to enactment litigation relief in Texas while he was governor of that state. The high-tech industry also has a history of backing litigation relief effort when it affects their businesses.

In 1996, venture capitalist John Doerr and others in the industry raised $40 million to defeat a California ballot measure, Proposition 211, which would have granted trial lawyers a securities-litigation loophole. The effort represented the first time tech executives actively engaged in politics. Then in 1999, the industry worked with the chamber and other general business groups to successfully lobby for passage of Y2K litigation relief.

"Tort reform is a signature item with Bush’s Texas activity, and perhaps the thought was that tort reform fits in the high-tech agenda because it is consistent with their past efforts on securities-litigation relief," said one high-tech lobbyist familiar with Bush’s high-tech agenda. A Bush spokesman could not be reached for comment.

High-tech lobbyists who were involved with the Y2K legislation two years ago said they know of no specific pending high-tech litigation issue. However, the industry is assessing the impact of computer-maker Toshiba’s 1999 billion-dollar class-action settlement related to faulty laptops sold in the United States.

"There is a spate of litigation that is going on that we haven’t assessed the impact of on the tech industry," said one high-tech lobbyist. "The Toshiba case is an example of where some lawyers that targeted the industry on securities issues are now suing for disk failure."

On the Editorial Pages on January 30, 2001

Bush’s Tax Cut Would Lose In An Honest Debate

Knight Ridder

by Mark Weisbrot

Sometimes honesty can be the best policy, even in politics. This is a hard sell here in Washington, where the truth is treated with so little respect, and spin is everything. But perhaps the Democrats and their allies are learning a lesson as George W. Bush’s proposal for a tax cut gathers momentum.

Here is a tax cut that is truly a gift to the rich and the super-rich. One of its biggest components is to abolish the estate tax. This would give hundreds of billions of dollars to those who need it the least: people who are born into enormous wealth. Two-thirds of this tax is paid by the richest two-tenths of one percent of all taxpayers.

There is no ambiguity here. Mr. Bush advocated this cut during his campaign for the Presidency, and the Republican Congress actually passed it last September. The legislation was vetoed by President Clinton.

You might think that the Democratic leadership, which opposes these tax cuts, would be bold enough to suggest that maybe Bill Gates’ kids don’t need another break at the expense of the US Treasury. Not so. They have chosen instead to argue from an ultra-conservative standpoint: we can’t afford the tax cuts because we need to use federal budget surpluses to pay off the national debt.

From an economic perspective, the idea of paying off the national debt as soon as possible has never made much sense. Of course anyone who has a mortgage on their house would like to save on future interest payments by paying it off early. But should they sacrifice their children’s health care and education in order to do so? Most people would say no. Economists would go further, pointing out that it does not make sense to use surplus funds to pay off debt when there is an alternative that yields a return higher than the interest on the debt.

Our national debt is quite low relative to our economy, and that is all that matters. It currently stands at about 35 percent of GDP, down from 49 percent just 5 years ago. It really shouldn’t be an issue, and if not for the demagoguery of politicians, it wouldn’t be.

The Democratic strategy was hit hard last week when Fed Chair Alan Greenspan said that we could indeed afford a tax cut, and that in fact he was concerned that without one we might pay off the national debt too quickly.

Greenspan's remarks were obviously politically motivated. Would he have said the same thing if we had a president proposing $1.6 trillion in new spending-- rather than a tax cut-- over the next decade? To ask the question is to answer it.

But here, too, the Democrats have painted themselves into a corner by joining in the deification of Mr. Greenspan, exaggerating beyond recognition not only his impartiality but his competence.

This is a man who has repeatedly thrown hundreds of thousands of people out of work-- by raising interest rates-- in order to keep wages from rising. So anyone who reads the business press should not be surprised that he supports tax cuts for rich people.

If they want to give Greenspan credit for not pulling the plug on the economy for nine and a half years, fine. But this praise should be of the kind given to a compulsive gambler gone straight: he crashed the economy in 1990, sending it into recession by hiking interest rates to 10 percent the previous year. He kept unemployment much higher than necessary for several years, by adhering to a theory-- now thankfully abandoned-- that six percent was the best that we could do without accelerating inflation.

And now, as we see layoffs soaring at companies throughout the country, does it really take that much political courage to question the six interest-rate hikes since June 1999 that helped bring on the current slowdown? Or does the "Maestro"-- as journalist Bob Woodward titled his fawning portrayal of Mr. Greenspan- - only merit praise for trying to put the toothpaste back in the tube?

Now that the Democrats have been let down by both the Fed chairman and their own fatally flawed arguments, here's a new, more honest strategy. Propose a tax cut for the majority of Americans, with an increase in the Earned Income Tax Credit for those at the bottom of the wage scale.

Then ask the citizens a simple question: who should get tax relief? The richest one percent of Americans, who have more than doubled their real (inflation-adjusted) after tax income over the last 23 years? Or the majority of Americans, whose income has stagnated?

They'll get the answer they want to hear -- and no one will care whether Mr. Greenspan agrees.

In Deifying the Market, We Forsake a Just Society

Fort Worth Star-Telegram

by Molly Ivins

AUSTIN, Texas — Haven't had so much fun reading a book since I was 12 and found "The Three Musketeers." Thomas Frank's "One Market, Under God" is a populist romp over the most delicious idiocies of the past decade. The obligatory subtitle is "Extreme Capitalism, Market Populism and the End of Economic Democracy," which doesn't sound promising, but this is a ring-tailed tooter.

The book is a delicious chronicle of the hubris of capitalism in our time, and it contains some of the most savagely funny cultural criticism I have ever come across.

Of course, it's really not fair — all Frank has to do is quote them: business as God, technology as divinity, the New Economy as the end of history. We live in a culture that produces books like "God Wants You to Be Rich" and "Jesus, CEO."

What’s startling about this book is the extent to which we’re so surrounded by this nincompoopery but don’t even notice it. How many TV ads for stock brokerages do you suppose you’ve seen in the past 10 years? Anything about them strike you as funny?

It should have. The specific subtext of the IBM-is-God ad is so outrageous that it could gag a maggot. But I, for one, never even thought about it until I read Frank’s dissection of it.

Much of this book has the charm of the child who pointed out that the emperor was wearing no clothes. It’s been a long time since anyone commented on the obvious with such gleeful disrespect:

"Very little of the ’New Economy’ is new. What the term describes is not some novel state of human affairs but the final accomplishment of the longstanding agenda of the nation’s richest class. ... Once Americans imagined that economic democracy meant a reasonable standard of living for all — that freedom was only meaningful once poverty and powerlessness had been overcome.

"Today, American opinion leaders seem generally convinced that democracy and the free market are simply identical. ... What's 'new' is this idea's triumph over all its rivals: the determination of American leaders to extend it to all the world; the general belief among opinion-makers that there is something natural, something divine, something inherently democratic about markets."

One of his most useful observations concerns why politics in the '90s was so often surreal — populism got stood on its head. Anyone who questioned the Great God Market was held to be an "elitist." Pointing out that the majority of American workers either lost ground or barely kept up with inflation during the '90s was considered bad form, like belching in church.

While the likes of Rush Limbaugh and George Gilder raged against "elitists," CEO compensation during the decade went from 85 times more than what average blue-collar employees received in 1990 to 475 times what blue-collar workers received in 1999.

Any old populist can rage against the gross maldistribution of wealth; Frank's special contribution is his mordant examination of the cultural snow job that accompanied the redistribution of wealth to the rich.
Just one symptom of how deeply this nonstop propaganda has affected us lies in the fact that the new president and Congress are on the verge of repealing the estate tax. Gee, taxing estates — what an un-'90s notion.

The tax affects the 1.5 percent of Americans with estates of more than $2 million; they can pass along the first $2 million tax-free but have to pay now-lowered taxes on the rest. The people who brought us welfare reform on the grounds that getting $8,000 a year to raise three kids is very bad for a mother's moral fiber now tell us that Junior, who never worked a day in his life, needs to inherit $200 million tax-free. And anyone who thinks otherwise is an elitist.

The redistribution of wealth upward keeps getting worse. Under President Bush's tax proposal, the richest 10 percent of Americans will get 60 percent of the benefits of the tax cut. And this is at the end of a decade in which the rich have made out like bandits while everyone else stalled.

We all know why such decisions are made: The political process no longer represents the people — it represents money. It's been bought. While we were being sold a bill of goods about how the market "empowers" us because we get to choose between the mint-flavored and the cinnamon-flavored toothpaste, thus expressing our individuality, we lost something important in our vision of a just society.

Frank, being a good populist, is also an optimist. He doesn't think we've really lost the vision of economic democracy — it just sort of got buried beneath the bull.