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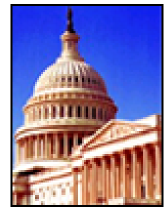

Officers: Sen. Paul Wellstone, Rep. Cynthia McKinney, Rep. Bernie Sanders, Rep. Major Owens

NEWS UPDATE - February 9, 2001

In the News…

- *TAXES:* The Boston Globe reports on various tax proposals, including the Progressive Caucus's new "American People's Dividend" plan. reports on the efforts of big money interests to combine forces in efforts to pass huge corporate tax breaks
- *TAXES:* The New York Times reports on the jostling of "hundreds of lobbyists" surrounding President Bush's tax proposal. The article notes that Treasury Secretary Paul O'Neill, who last year made $57 million, "believes that the corporate income tax should be eliminated."
- *TAXES:* The Associated Press reports that Treasury Secretary Paul O'Neill attacked critics of the Bush tax plan's massive giveaway to the rich as somehow "not understanding the economy." O'Neill acknowledged that the Bush plan gives a person with a $1 million income a $46,000 tax cut, more than enough to buy a new luxury car, while the typical weage earner would get about $227."
- *ENERGY:* The Washington Post reports that the GOP continues to push forward with energy legislation that makes the assertion that domestic fossil fuel production is the key to long-term energy stability. As the article states, the Republican bill would attempt to "dramatically boost domestic energy production and permit oil and gas drilling in an Alaska wildlife refuge."
- *PEACETIME DEFENSE BUILDUP:* CongressDaily reports that "Defense Secretary Rumsfeld, with a big assist from military leaders, has won his first big behind-the-scenes battle by convincing President Bush to seek extra money for the military this fiscal year."
- *TRADE:* CongressDaily reports on House Progressive's efforts to stop the renewed effort to give the President near-unilateral power to negotiate trade agreements that do not include labor, human rights or environmental provisions.
- *CAMPAIGN FINANCE REFORM:* CongressDaily reports that "Political contributions from the most generous businesses jumped by one-third in the 1999-2000 election cycle."
- *THE NEW ECONOMY:* USA Today reports on how the instability of the New Economy has now hit the dot-com world.

From the Editorial Pages…

- *THE AMERICAN PROSPECT* writer Lindsay Sobel notes that President Bush has "adopted liberal rhetoric to push his conservative" tax plan, probably because the Buhs team thinks that "if people knew the truth, they would oppose it."
- *THE BOSTON GLOBE* editorial board writes that something seems to be missing from the current tax cut debate: how to deal with "the fact that the nation has unmet needs" such as 46 million uninsured citizens and a crumbling education system.
- *CONGRESSMAN BOB FILNER*, who is a Member of the Progressive Caucus, writes in the Nation that the debate over immigration policy must acknowledge that the "United States has had a profound and often decisive influence on social and economic policy in Mexico" and that "to a significant extent, the current level of immigration to the U.S. is a result of policies designed and promoted on this side – not the other side – of the Rio Grande."

Upcoming Events

- *CAMPAIGN FOR AMERICA'S FUTURE* will hold a national conference on the "Next Agenda" on February 28th

Quote of the Day…

"I'll be in the top bracket."

– *President George Bush boasting at an event about his new tax cut plam (American Prospect, 2/8/2001)*

In the News on February 9, 2001

Bush Sends His Tax-Cut Plan to Congress; Factions Debate Who Gains Most

Boston Globe

WASHINGTON--President Bush turned a cornerstone of his campaign into proposed legislation yesterday, sending a $1.6 trillion tax cut to Congress with the promise it would help "provide relief to all income tax payers."

Taking advantage of an unseasonably warm day to make his first announcement from the White House Rose Garden, Bush told an audience composed mostly of Hispanic small-business owners that his goal in introducing the legislation was to "confront the danger of an economic slowdown and to blunt its effects."

The president's remarks renewed a contentious debate over exactly who would benefit most from the tax cut.

At the core of the disagreement over the plan, which now moves to the tax-writing committees of Congress, is whether middle-income Americans would receive a hefty tax cut or whether, as Democrats say, the plan would mostly enrich the wealthy. Depending on the math, independent analysts now say, both arguments could be right.

Bush is correct in saying that millions of families of moderate means would receive a significant tax cut when the plan is fully phased in at the end of 2006, analysts said. But in sheer dollars, Bush's plan would deliver a dramatically higher return to upper-income taxpayers, who would also receive the biggest chunk of the tax cut.

That is partly simple math, since the wealthy foot a far larger portion of the nation's income tax bill. Bush's plan also calls for elimination of the estate tax, levied on assets of $675,000 or more -- a change of $250 billion or more over 10 years that would benefit the top 2 percent of estates.

According to the Institute on Taxation and Economic Policy, the top 1 percent of taxpayers would receive nearly 43 percent of the total tax cut, while the lowest 20 percent would get less than 1 percent. The average tax cut under the plan, based on income of $50,800, would be more than $1,000.

"The issue is that high-income individuals pay a disproportionate share of the income taxes in this country," said Clint Stretch, director of tax policy for the accounting firm of Deloitte and Touche. "In 1992 [Bill] Clinton won by promising to raise taxes on millionaires.... Bush won by promising to cut taxes, including taxes on millionaires. There is no right or wrong answer."

The heart of Bush's plan is a proposal to reduce tax rates across the board. For example, the top tax brackets of 39.6 percent and 36 percent would be cut to 33 percent. At the bottom end of the scale, the 15 percent rate would be reduced to 10 percent for the lowest income taxpayers.

The plan would double the $500 per child tax credit to $1,000; let taxpayers who do not itemize take a deduction for charitable contributions; make the business research and development tax credit permanent; and reinstate a 10 percent deduction for families where both spouses work. The latter change is designed to address the so-called "marriage penalty," a quirk in the tax code under which some couples pay more than single filers.

According to an analysis by Deloitte and Touche, a family with two children, two wage-earners (who get some tax credits for certain kinds of dependent care) and $20,000 in income would receive a $168 tax cut when the plan was fully phased in. A similar family with income of $60,000 would get $1,900, while a family with $1 million in income would get $46,094.

Because Bush's plan would take effect slowly, the benefits would be smaller in the initial years. The family making $20,000 would get just $33 the first year, while the family making $60,000 would collect $380. Also, because of the way the plan is structured, families with children would receive a greater overall benefit than single filers.
Democrats have seized on such figures to assert that the wealthy could buy a luxury sedan if the plan passed, while the poor could barely afford to gas up their old clunkers.

House Democratic Leader Richard Gephardt of Missouri and Senate Democratic Leader Tom Daschle of South Dakota held a news conference in front of a fully loaded Lexus yesterday, contending that more than 40 percent of the benefits would flow to the top 1 percent of taxpayers.

"We think that everybody should get the benefit of tax cuts [but] that the people who have had the toughest time in terms of income and taxes in the last 10 years are people in the middle and people trying to get into the middle class," Gephardt said.

Democrats also say the White House has underestimated the size of the plan. When the cost of extending current tax breaks that are about to expire and other provisions are added, the bill is closer to $2 trillion -- rather than $1.6 trillion -- over 10 years, they say.

White House officials counter that a typical family of four would receive a $1,600 cut under the plan, and offer charts showing that lower-income workers would receive by far the highest percentage cut.

"My plan dramatically reduces the marginal rate on many low-income earners, rewarding overtime or a hard-won raise, encouraging Americans on their path to the middle class," Bush said, speaking from a wooden podium on the grassy lawn while his senior advisers watched from the wings. "Six million families -- one out of every five families with children -- will no longer pay federal income taxes at all under our plan."

White House press secretary Ari Fleischer responded even more directly to Democrats' criticisms. "There are some tax-and-spend Democrats, who everytime they see a car, think about building a toll booth," he said.

Another topic of debate was how the plan is affected by the alternative minimum tax, or AMT, which is designed to ensure that well-off taxpayers do not evade their fair share of taxes through numerous deductions or credits.

Bush's plan could sharply increase the number of Americans subject to the AMT, and a congressional analysis found nearly 27 million Americans wouldn't get tax cuts due to the law. Yet changing the AMT is enormously expensive. Representative Richard Neal, a Democrat from Springfield who is on the tax-writing Ways and Means Committee, has proposed legislation to fix the problem. "We've got to deal with it. It becomes a class warfare issue if we don't," said Neal, who discussed the issue with Bush at a White House meeting on Wednesday.

Yet another piece of legislation has been introduced by the Congressional Progressive Caucus, whose members include Bernard Sanders, Independent of Vermont. That proposal would give every man, woman, and child a flat rebate of $300.

Bush Tax Plan Sent to Congress, Starting the Jostling for Position

By DAVID E. SANGER

WASHINGTON, Feb. 8 — President Bush formally sent Congress his proposal today for the broadest and deepest tax cuts in two decades, touching off a debate that seemed sure to produce a major cut in personal income taxes this year. But no sooner had Mr. Bush described his plan in the Rose Garden, declaring it a boon for the working poor, than Democrats began jockeying to limit its size while conservatives and business groups sought to expand it. The White House said it would try to head off corporate lobbyists — many representing major contributors to the Bush campaign — who seek to garnish it with huge cuts for their wealthy clients.

Vice President Dick Cheney, in one of a series of interviews intended to sell the program, warned this afternoon against the temptation to expand the $1.6 trillion plan.

"We're going to try to discourage that," Mr. Cheney said on WSMV-TV of Nashville. "President Bush met with business groups just yesterday and urged them not to fall into the trap of trying to get every pet provision added to the bill."

The elements of the plan Mr. Bush described today contained no surprises: a reduction of tax rates and a simpler structure of tax brackets; a doubling of the child tax credit to $1,000 a child; a cut of the marriage penalty that affects two-earner couples; and elimination of the estate tax — which Mr. Bush and other Republicans call the "death tax." Before an audience of Hispanic business owners, Mr. Bush argued that the first beneficiaries would be middle-class families, who would see the deepest percentage cuts in the taxes they pay. But their savings would be relatively small compared with those for the wealthy, whose smaller percentage cuts would reflect far larger dollar amounts.

The president also urged Congress to make the cut retroactive to Jan. 1, a move he said would help lift the nation out of an economic slowdown.

"A warning light is flashing on the dashboard of our economy," he said. "We need tax relief now. In fact, we need tax relief yesterday."

Under current law, the five tax brackets range from one of 15 percent for households with taxable annual income of not more than $27,050 for single taxpayers — and $45,200 for married taxpayers filing jointly — to one of 39.6 percent for taxable income of more than $297,350.

Under the plan, the lowest bracket would be 10 percent, for single taxpayers earning up to $6,000 a year or married taxpayers earning up to $12,000. (Those taxpayers rarely, in fact, have any income tax liability.) The highest rate would be 33 percent, for single taxpayers earning more than $136,750 and married taxpayers with income of more than $166,500.

The Bush plan would, over eight years, end the estate tax, which now applies only to estates of more than $675,000 for individuals, and roughly double that for married couples.

By the time Treasury Secretary Paul H. O'Neill formally delivered the proposal on Capitol Hill, the clamor to alter it radically was already in full cry.

Democrats called the savings for the poorest households illusory: While Mr. Bush boasts that his plan would drop the taxes of a poor family of four to zero, families of four making up to roughly $25,000 now pay little or no income tax. And the plan does nothing to cut the $3,800 such a family would pay annually in Social Security and Medicare payroll taxes.

Isaac Shapiro, a senior fellow at the Center on Budget and Policy Priorities, a liberal-leaning group, estimates that "12 million families, both the poor and those just above the poverty line, are left out entirely" of the Bush plan.
This afternoon, Lawrence B. Lindsey, the White House's economic adviser, declined to say why the administration would provide no relief to the working poor, who pay only payroll taxes.

"I want to focus on the structure of the tax cut the president sent up today," he said, adding later that under Mr. Bush's Social Security reform proposals, the poorest workers, like the richest, would have "more control over that money for investment purposes."

Such statistics led the Democratic leaders of the House and Senate, Richard A. Gephardt and Tom Daschle, to summon reporters for a display of their own automotive metaphor for the tax plan.
As they appeared with a black Lexus sedan and battered replacement muffler, Mr. Daschle argued that the car was "just like the Bush tax cut — fully loaded. If you're a millionaire, under the Bush tax cut, you get a $46,000 tax cut, more than enough to pay for this Lexus. But if you're a typical working person, you get $227, and that's enough to buy this muffler."

Republicans welcomed Mr. Bush's plan, with Dick Armey, the House majority leader, saying, "This is one of the most exciting days of my congressional career."

But the race was on to make the cut even bigger than the $1.6 trillion, over 10 years, that President Bush has insisted is "the right figure."

Hundreds of lobbyists have swarmed across Capitol Hill in recent days complaining that there is nothing in the tax cut for businesses — beyond making the research and development tax credit permanent, and eliminating, over eight years, the estate tax.

Mr. O'Neill, the former chairman of Alcoa, has said he believes that the corporate income tax should be eliminated — just not this year.

Others are not so patient. At a presentation to members of Congress on Tuesday, Andrew Grove, the chairman of the Intel Corporation, made a pitch for large tax breaks for small businesses that install high-speed links to the Internet.

"The real digital divide in the U.S. economy is between small businesses that are information have-nots and large businesses," he said. But he also acknowledged a desire to help the once high-flying technology corporations that were hit in last year's market selloff.

The frenzy itself reflects how quickly the political reality about tax cuts has shifted here. Throughout the presidential campaign, Mr. Bush's call for a major tax cut — $1.3 trillion at the time — seemed politically unattainable. President Bill Clinton seemed to cut off prospects of a major tax cut by declaring that the surpluses should go toward saving Social Security first — leaving very little room for anything else.

Since Mr. Bush arrived in Washington, though, the ground has shifted drastically. The slowing economy and the blessing by Alan Greenspan, the Federal Reserve chairman, of some kind of tax cut created an unexpected momentum in Mr. Bush's direction.

Now Democrats speak of trying to hold the cut to $700 billion to $900 billion — twice what Al Gore proposed during the campaign — and Mr. Bush's bigger challenge may be to hold off demands in his own party to expand his tax cuts further.

The big question is whether the White House is just making a show of limiting the tax cut to $1.6 trillion, or if it really plans to hold the line.

The chairman of the Senate Finance Committee, Charles Grassley, an Iowa Republican, urged Mr. Bush today to veto any tax-cut plan that exceeded his $1.6 trillion proposal.

"If it looks like it's getting out of hand, I would encourage the president to say that he would veto it," Mr. Grassley said. Asked whether Mr. Bush would follow that advice, Mr. Lindsey shrugged and offered no answer — an invitation to the lobbyists to push their favorite provisions into whatever tax bill emerges.

Mr. Bush's proposal today was, in many respects, a page from Ronald Reagan's playbook in 1981. The cuts enacted that year are still the subject of ferocious argument, with many Republicans insisting they began America's economic boom, and many Democrats saying they created an era of fiscal irresponsibility and huge debts.

Mr. Bush, who has learned much from the ways Mr. Reagan handled the first days of his presidency, quoted a Democrat today, noting that President John F. Kennedy had pressed for a tax cut himself.

"He warned then against storing up dollars in Washington by taking away more than the government needed to pay its necessary expenses," Mr. Bush said. "High tax rates, he said — and I quote — `are no longer necessary. They are, in fact, harmful. These high tax rates do not leave enough money in private hands to keep this country's economy growing and healthy.' "

But the conditions at that time were very different: The top tax rate was 91 percent, on income of more than $200,000 for single taxpayers and $400,000 for married taxpayers, and the government deficit was relatively small.
And today, dollars are not "stored up" in Washington; they go to pay down the national debt.

O'Neill: Dems Don't Know Economy

Associated Press

WASHINGTON (AP) -- Treasury Secretary Paul O'Neill said Friday that Democratic leaders who criticize President Bush's proposed tax cuts because most of the money would go to higher-income people do not understand how the economy works.

``The idea that higher-income people are going to buy another car (with their tax cut) is just lunacy," O'Neill said on ABC's ``Good Morning America."

He was reacting to Democratic congressional leaders' argument that Bush's plan would give a person with a $1 million income a $46,000 tax cut, more than enough to buy a new luxury car, while a typical wage-earner would get about $227 -- just enough, the Democrats say, to buy a muffler for a used car.

``The idea that somehow people are going to buy a Lexus if they have a substantial reflow of money they sent in (as taxes) just seems to me to indicate a lack of understanding of how they economy works," O'Neill, a former Alcoa chief executive, told CBS' ``The Early Show."

``People who have substantial amounts of money are going to take any tax break they get and reinvest in America's economy," he said.

Bush's proposal, whose outlines were sent to Congress Thursday, would gradually reduce each of the five individual tax brackets, double the $500-per-child credit, eliminate the ``marriage penalty" that requires many two-earner couples to pay more tax than if they were single, and repeal the estate and gift tax.

By most estimates, more than half the total $1.6 trillion 10-year total of the tax cut would go to those whose with the highest 5 percent of incomes, who pay most of the taxes.

O'Neill agreed with the assessment of Federal Reserve Chairman Alan Greenspan that the economy has slowed to the point of virtually no growth. The treasury secretary said the tax cut will help revitalize growth.

''From the data I see, real growth is some place in a band between -0.5 percent and plus 0.5 percent, which is to say about break-even basis, and putting the money back into the hands of people now can have a useful effect in allowing lower-income people to pay off their credit card debt and get ready for the next consumer-led expansion,'' O'Neill said.

Energy Bill Focuses on Domestic Production

Washington Post

Opening a debate over energy policy, the chairman of the Senate Energy and Natural Resources Committee will unveil legislation next week to dramatically boost domestic energy production and permit oil and gas drilling in an Alaska wildlife refuge.

The bill, authored by Sen. Frank H. Murkowski (R-Alaska), contains many of President Bush's policy goals as well as billions of dollars of tax breaks and incentives for energy exploration and conservation that are not part of the tax bill Bush sent to Congress yesterday.

It will focus on increasing funding for "clean coal" technology, revitalizing the nuclear power industry and finding new sources of oil and natural gas -- including a proposal opposed by environmentalists and many members of Congress for drilling in the Arctic wildlife refuge.

The Murkowski legislation will be the opening salvo in what promises to be a major debate this year pitting those who favor increasing domestic energy production and others who fear it will come at the expense of environmental protection.

The debate is being spurred by California's power shortages and growing concern among Republicans and Democrats that the country is headed toward an energy crisis. During the campaign, Bush charged that the Clinton administration had failed to develop a comprehensive energy policy to reduce U.S. dependence on foreign oil.

While members of both parties agree something must be done, Democrats and environmental groups say that Bush and the Republicans are putting too much emphasis on oil and gas production at the expense of conservation and development of alternative fuels.

Murkowski said this week he discussed his proposal with Vice President Cheney, head of a presidential task force on energy, and that there was general agreement "we have an energy crisis in this country" that necessitates increased domestic production.

The bill likely will be merged with the broad energy proposals being discussed by the White House task force. That plan should be ready in six to eight weeks, Cheney told senators recently.

"This isn't going to be the bill that ultimately will be debated on the floor," Murkowski said. "It's designed to initiate the discussion."

Murkowski added: "What we intend to do is concentrate on increasing the supply of conventional energy -- clean coal, nuclear, gas and oil. We want to see an expanded use of alternative fuels and renewables. But we don't think we can conserve our way out of an energy crisis."

Philip E. Clapp, president of the National Environmental Trust, complained that Murkowski and the Bush administration are trying to "drill their way" out of the energy crisis, when a more balanced approach is required that includes incentives for energy conservation and development of cleaner-burning energy sources.

The Natural Resources Defense Council released a national energy proposal this week that calls for increased reliance on natural gas and development of alternative energy sources, while reducing dependence on oil and coal.

Democrats say they have no immediate plans for countering Murkowski's bill and instead will offer a series of short-term solutions for coping with the nation's energy needs. Those include expanding the availability of federal heating and air conditioning assistance to low-income families and some businesses.

"Frankly, [the Murkowski bill] tries to deal with so many different aspects of the energy situation that it's hard to get your arms around it," said Sen. Jeff Bingaman (N.M.), the ranking Democrat on the Energy and Natural Resources Committee. "We would need some real serious studies to see which of the proposals contained in this bill really merit serious consideration."

Environmental leaders said that proposals for drilling in the Alaska wildlife refuge would do nothing to address the short-term problems of rising gasoline and home heating prices and would have only a minor impact on reducing U.S. dependence on foreign oil. The U.S. Geological Survey concluded that the area likely holds about 3.2 billion barrels of economically recoverable oil, or less than what the nation uses in six months.

In addition to the soaring wholesale fuel prices in California, natural gas wellhead prices around the country have been three to four times above year-ago levels for most of the winter and may remain high entering next winter. Gasoline supplies going into the summer travel season will be below normal, the Energy Information Administration projects, threatening a repeat of last year's gyrating pump prices.

Many Democrats in Congress and some Republican governors in the Northwest are calling for price caps to limit electricity prices and restrict record profits flowing to energy companies.

Rep. Joe Barton (R-Tex.), who chairs the House Energy and Commerce energy and air quality subcommittee, told reporters yesterday he will oppose any move to control energy prices. "I won't vote for it," he said.

House Progressives Wary Of Business Efforts On Trade

CongressDaily

The business community has begun seeking a way of out of the impasse that has blocked trade negotiating authority renewal in recent years, but a group of House members said this week they regard many ideas as "old wine from new bottles."

This week, Harold McGraw III, the chairman of the Emergency Committee for American Trade, urged President Bush in a letter to show leadership to build a pro-trade consensus to win renewal of fast track-trade negotiating authority--now called "trade promotion authority" by U.S. Trade Representative Zoellick.

The letter also made note of the issues that have thwarted its renewal in recent years.

"Without question, there are international labor and environmental issues that deserve our consideration," McGraw wrote. "For the most part, these issues would be better addressed through their own independent agendas, rather than as add-ons to the trade agenda."

He suggested, for example, that efforts to improve labor rights through the International Labor Organization and environmental standards through the North American Free Trade Agreement Commission for Environmental Protection and other international vehicles could be "intensified."

But a "Dear Colleague" that members received yesterday warned that some of these devices have unremarkable track records in addressing labor and environmental matters related to expanding trade.

The letter was sent by Reps. Fortney (Pete) Stark, D-Calif., James Oberstar, D-Minn., and 15 other House progressives. They contended that merely including these items in the list of negotiating objectives--as provided for in the 1988 fast-track legislation under which the World Trade Organization was created--has not worked because of a lack of enforcement mechanisms.

They also argued that subsequent enforcement mechanisms--such as fines--pale in comparison with the effectiveness of trade sanctions, which are available for commercial violations.

They also argued that a variety of side agreements to trade pacts have also come up short in providing meaningful safeguards.

Rumsfeld Convinces Bush To Seek More DOD Dollars In FY01

CongressDaily

Defense Secretary Rumsfeld, with a big assist from military leaders, has won his first big behind-the-scenes battle by convincing President Bush to seek extra money for the military this fiscal year--instead of waiting until next year as other advisers had recommended, administration officials told *National Journal News Service* Thursday. "It went from no defense supplemental this year to none right now," said one administration official who participated in the intense White House discussions on how best to get Bush's agenda through Congress.

Bush's turnaround means he will ask for extra billions for the Pentagon well before the new fiscal year begins on Oct. 1, knowledgeable sources said.

Rumsfeld had said during his Senate confirmation hearing last month that he felt the military needed more money than was provided in former President Clinton's defense budget--but he did not give an amount. But after Rumsfeld took office last month, a consensus developed in the White House that asking Congress for more defense money during the current fiscal year might complicate passage of Bush's tax cut plan and his education program, sources said.

OMB Director Daniels even went so far as to tell the Appropriations panels that the Army, Navy, Air Force and Marine Corps had no need for "emergency" funds this fiscal year, according to congressional sources.

A Defense Department spokesman said the same thing Thursday. But the spokesman left open the possibility that this view might change later, on the basis of a study Rumsfeld has undertaken of military needs.

However, Bush heard a harrowing story about emergency needs from the Joint Chiefs of Staff and theater commanders when he met with them at Fort McNair Tuesday, sources said.

The military leaders said they needed more money to keep planes flying and pilots trained and could not wait until Oct. 1 to get it, according to a participant in the blunt session.

"Aviation is critical," said one official who heard the generals and admirals brief Bush on their most urgent problems.

Prior to the Fort McNair face-to-face meeting with the military leaders and this week's public outcry among conservatives demanding more money for defense, Rumsfeld already had been working behind the scenes to persuade Bush to submit a supplemental appropriations request during the current fiscal year.

But the military's testimony became an important counterweight as Bush assessed whether to make good immediately on his campaign promises to increase defense spending or to heed his advisers who warned against cluttering up his tax and education agenda.

While Senate Appropriations Chairman Stevens and other appropriators were willing to wait for the results of a Rumsfeld study rather than rush supplemental funds to the armed services, Senate Armed Services Chairman Warner and other authorizers called on Bush to submit a supplemental defense request to Congress sooner rather than later.

"Experience has shown us that an emergency supplemental for defense is, unfortunately, the only way to address some of the critical readiness and quality, of, life programs," Warner and other senators wrote Bush earlier this week.

And House Armed Servicesranking member Ike Skelton , D-Mo., had said he was "very disappointed" to hear that Bush did not intend to ask for supplemental defense funds this fiscal year.

In a move that dismayed Rumsfeld, Army, Navy and Air Force officials traveled to Capitol Hill Jan. 10--before the new Defense secretary had taken office--to tell the Senate Armed Services Committee in detail of their needs for emergency money for the current fiscal year. The specific list of items totaled $7.9 billion, with another $2 billion needed for unbudgeted increases in personnel costs--mainly in health care.

Bush has said repeatedly--and the Pentagon spokesman reaffirmed Thursday--that quality, of, life accounts would top the new administration's priority list for extra defense funding. A pay raise for military personnel of between 6 percent and 7.3 percent--compared to the 3.7 percent voted by Congress last year--is among the personnel increases under discussion, officials said.

Rep. William (Mac) Thornberry, R-Texas, a member of the House Armed Services Committee, suggested Thursday that a "limited supplemental on personnel issues" would win popular support in Congress, but would also "become very hard to control."

Thornberry said such a spending bill might become a "Christmas tree" that would attract additional spending requests--and draw attention away from Bush's chief policy initiatives in his first 100 days as president.

Soft Money Fueled Rise In Company Giving

CongressDaily

Political contributions from the most generous businesses jumped by one-third in the 1999-2000 election cycle, compared with the amount donated by the top corporate givers in the previous presidential election cycle in 1995-96, according to a *CongressDaily* analysis.

Regulated "hard-money" contributions to congressional candidates grew modestly for the top 10 corporate contributors in the 1999-2000 cycle, while unregulated "soft-money" donations shot up more than 60 percent over the 1995-96 total, the analysis found.

The figures reveal that the biggest businesses are increasingly turning to soft-money contributions to shower candidates with corporate money. Indeed, for the first time, large contributions by this group to the Republican National Committee, the Democratic National Committee and the House and Senate party campaign committees outpaced donations directly to candidates.

The figures for the *CongressDaily* analysis were gathered from data provided by the FEC, Vote.net Solutions--a private, nonpartisan firm that collects such information--and the companies themselves. The figures in the analysis are not yet publicly available through the FEC.

Overall, the top 10 corporate contributors funneled $30.2 million to candidates and political parties in the 1999-2000 cycle--an $8 million, or 36 percent, increase over the amount donated by the 10 most generous companies in the previous presidential election cycle.

Soft-money contributions accounted for $6.5 million, or 81 percent, of the increase; hard money just $1.5 million, or 18 percent.

A typical example--United Parcel Service--was the third largest corporate giver, with $3.3 million in 1999-2000.
The company distributed $1.9 million to individual candidates--hard money--in both the 1995-96 and the 1999-2000 election cycles.

But during the past cycle, UPS boosted its total contributions by increasing its softmoney donations. By doing so, UPS delivered another $541,000 in soft money to the parties, a two-thirds increase in soft-money donations over the previous period.

Other companies were more extreme in their reliance on soft money to boost their overall political giving.
AT&T, which had $4 million in total contributions in 1999-2000, actually cut its hard-money giving in half between the two cycles. But in the same period, it cabled a three-fold increase in soft-money contributions to the political parties.

Meanwhile, Freddie Mac, with $2.1 million in contributions in 1999-2000, found its way into the top 10 for the first time--even though it does not even operate a PAC, which is required to make hard-money donations.
Only one member of the elite top 10 list owed its rank to traditional hard-money donations made directly to candidates.

The National Association of Realtors ($4.2 million in 1999-2000) claimed the No. 1 position on the list, with $3.7 million in individual donations and just $500,000 to the parties.

But even the Realtors, who have long operated one of the most generous PACs in Washington, saw the need for a little home improvement: The group increased soft money giving by nearly one-third, to $511,000.
The top five corporate contributors in 1995-96 cycle remained on this cycle's top 10, although half of this year's list is new.

Philip Morris fell to No. 4 from No. 1 four years ago after cutting back its total 1999-2000 giving to $3.2 million.
But the company was the only member of the top 10 list that reduced its campaign contributions.
The No. 1 Realtors and No. 2 AT&T were more typical: Each climbed up a few notches by ratcheting up giving by more than $1.5 million each.

The intense competition grounded two other corporate rivals. UPS ($3.3 million in 1999-2000) slipped from No. 2 to No. 3, and Federal Express dropped from No. 5 to No. 8--although each handed out more money this cycle.
Meanwhile, ranked No. 5, Verizon Communications ($3.2 million in 1999-2000) and No. 6 SBC Communications ($3.1 million) joined the ranks of elite givers by merging with other mammoth campaign contributors.
Verizon, formerly Bell Atlantic, had purchased GTE, while SBC merged with Baby Bell rival Ameritech between the 1995-1996 and 1999-2000 cycles.

No. 7 Microsoft ($2.6 million in 1999-2000) rocketed onto the top 10 list after giving just $50,000 in the 1995-96 cycle.

No. 9 Freddie Mac ($2.1 million in 1999-2000) and No. 10 Pfizer ($2 million) also are newcomers to the list.
The totals for each company do not include millions of dollars the companies spent to fund the national political

conventions last summer and the presidential inaugural festivities a few weeks ago.

Those expenses can be significant. Verizon, for example, spent well over $3 million last year to "co-host" the Republican National Convention in Philadelphia.

SBC did the same for the Democratic National Convention in Los Angeles. AT&T co-hosted both conventions. Among the other major contributors to the conventions were Microsoft, Philip Morris, UPS and Pfizer. Four of the companies on the top 10 list also gave an additional $100,000 each to fund the presidential inauguration.

Dot-bomb's fallout holds lessons as layoffs mount

USA Today

In his heyday, Jeff Lawson had stock options that could potentially have left him a millionaire, dozens of employees and a company fast on its way to becoming an Internet sensation.

Now, he has nothing but time.

Lawson spends his days in Southampton, N.Y., at a vacant beach house owned by one of his former investors, watching the wind-tossed waves and mulling what to do next. The company he helped found, Versity.com, provided college students around the country with free access to online lecture notes. Then the market collapsed and, like a sand castle at high tide, Versity.com slipped away.

The company was acquired by CollegeClub.com, which hemorrhaged money so quickly it fired scores of employees and filed for bankruptcy protection. Some Versity.com workers who had relocated to San Diego were laid off just days after moving. Investors who poured millions of dollars into the company got nothing, and some former employees still are out of work or paying off credit card debt they ran up before they were fired.

Versity.com's tumble - and efforts by employees to recover from the fall - make for a tale that is especially relevant today as dot-com start-ups implode and layoffs rattle even traditional companies. More than 117 dot-coms failed from September 1999 to October 2000, according to Boston Consulting Group, and it's a pace that's accelerated. An estimated 51,000 dot-com and Internet workers - such as many at Versity.com - have lost their jobs since December 1999, according to *The Industry Standard*. Downsizing continues to cast a pall over traditional and Internet companies that are struggling as the economy slows.

CollegeClub.com executives say former employees were treated fairly and layoffs were necessary because of market changes. Efforts were taken, they say, to get former workers any payments they were owed. A number of former Versity.com workers say they hold no grudges. No one, they say, could have seen the market factors that led to their company's demise.

"It was horrible seeing the dismantling of something we had built over more than two years," says Lawson, 23, Versity.com's former chief technology officer. "What happened was devastating. It was a cannibalization I wasn't prepared for."

A breathtaking ascent

Like scores of other fledgling dot-com companies, Versity.com had been on a breathtaking trajectory. The company, started in 1998 by four students at the University of Michigan in Ann Arbor, amassed more than $12 million in funding and grew to include about 60 full-time employees working from a headquarters in Palo Alto, Calif.

The mood was buoyant. Everything dot-com seemed golden, and the company was building a following by paying students around the country to take lecture notes and upload them to a Web site. Putting in 70-hour workweeks, the indefatigable team of employees in California grew confident, bold.

Versity.com will "change and elevate the model of higher education as we know it," former CEO Chuck Berman said in a Sept. 21, 1999, press release.

Daniel Brecher, a senior project manager at Versity.com, was so sure about his financial future that he splurged on a silver 1958 Porsche Speedster convertible, which he adorned with a vanity plate reading VERSITY.

"We were reaching an incredible amount of college students," says Jeremy Lappin, 23, a founder and former chief financial officer. "And in California, everyone was so young, and there seemed to be so much energy. No one could have predicted what happened."

As start-ups formed alliances and mergers happened around them, Versity.com began looking for a marriage to help secure its future. Instead of raising more capital from private investors, the founders agreed to an acquisition deal with CollegeClub.com, a San Diego-based online communications and media Internet company serving college students.

It looked promising. After all, CollegeClub.com was poised to go public in spring, and initial public offerings were turning twenty- and thirtysomethings into instant millionaires. CollegeClub.com was offering a stock deal potentially worth about $80 million, according to Versity.com founders, although executives at CollegeClub.com say that number is inflated. That means Versity.com would get shares of stock in the new parent company but no cash. About 30 of Versity.com's employees agreed to relocate to San Diego, where CollegeClub.com was based, and the deal was completed. Versity.com seemed set.

But in reality, employees were about to get a lesson in the tricky nature of takeovers, the mercurial swings of the stock market and the unsure footing employees have in today's tumultuous business environment.

It was shortly after the acquisition deal was done that the stock market began its slide. The Nasdaq composite index tumbled 349 points on April 3, then plunged 286 points on April 12, leaving the index down 25% from its March 10 high. Despite the inauspicious omen, the first of Versity.com's employees arrived in San Diego in May. Some were optimistic, but concerns about CollegeClub.com's ability to go public were starting.

Worries begin to nag

At the first 8 a.m. staff meeting, CollegeClub.com employees festooned the office with signs saying "Welcome" and stood to greet the newcomers with a smattering of applause. But behind the scenes, the market slide had rattled investors who now were pressuring dot-coms to make money. As newly arrived Versity.com employees set up their desks, CollegeClub.com executives vanished into marathon budget meetings. Apprehension began spreading like a virulent flu.

A few weeks after the first workers arrived, Versity.com founder Lawson says two managers at CollegeClub.com took him to dinner across the street at Planet Hollywood. Talking above the din of clattering dishes and blasting videos, the executives were blunt. They explained that they needed his help determining who at Versity.com should be let go. Lawson, who hadn't realized the situation was so dire, was thunderstruck. "It was horrible," he says. "They asked me to do the layoffs of our people, and I said, 'No.' This was their deal. They didn't have the capital to fund Versity. I thought there may be some way to salvage things, but the market was beginning to make itself clear."
Former Versity.com employees describe what happened next as a firing frenzy. By mid-May, they say more than 90 workers had been laid off with more job cuts to come. They say some of the fired employees had just arrived, with families in tow and belongings in storage .

"We went through painstaking detail to make sure everybody was treated fairly," says Monte Brem, senior vice president of corporate development at CollegeClub.com, which is now a division of Student Advantage. " We acquired the company because we liked the people, and the founders had great skills. To let them go was very, very painful. It was particularly difficult because they had just moved to San Diego, but we were laying off people in CollegeClub, too."

Surprised to be laid off

Few had seen it coming. Bradley Feuer, 23, a former product manager at Versity.com, says he was out of the office when layoffs struck and didn't realize what was going on. When he came to work, he says he was surprised when he couldn't log on. He called systems for help, but it was the human resources director who showed up at his desk. Feuer, who had moved to San Diego about two weeks earlier, says he was taken to an office where a company lawyer waited to discuss a severance package.

Many felt crushed. Some employees counted on bonuses that they claim have not arrived, although CollegeClub.com executives say every effort has been taken to get former workers any money they are owed. Some laid-off workers say they tried to retrieve belongings from storage only to be told the bills hadn't been paid. Employees offered to lend money to colleagues who had racked up credit card debt because they'd expected a windfall.

Acknowledging that some employees not in the office the day of layoffs may have found their computer access denied because of security issues, CollegeClub.com's Brem says belongings were held in storage because of a miscommunication with the moving company. Those problems, he says, have been solved.

As the market for IPOs soured, CollegeClub.com in June abandoned its plans to go public, according to federal bankruptcy documents. The company generated revenue of about $2.9 million in 1999, but it had also incurred net losses of about $25.7 million, documents show. During one stretch, court documents show that CollegeClub.com was losing more than $200,000 a week.

Brecher, who had been so convinced of his financial future that he bought a Porsche, had no idea the market was taking such a toll. So when a CollegeClub.com lawyer sat down and briefed him on the grim financial situation, Brecher says he went home, dazed, where he sat alone in disbelief.

"Everything I had worked for was nothing," says Brecher, 23, now a consultant for Web-application company Silicon Space in San Diego. "I was going to be a twentysomething millionaire. It would have been nice."

CollegeClub.com's workforce shrunk from about 400 employees to fewer than 100. In August, CollegeClub.com filed for bankruptcy protection in order to let Boston-based Student Advantage, a media and commerce connection for college students, universities and businesses, buy the company assets without assuming most of its liabilities. The company was purchased for about $7 million in cash, 1.4 million shares of Student Advantage common stock and the assumption of certain liabilities. Up to an additional $5 million in cash will be paid if Web site revenue goals are met this year. CollegeClub.com remains in business, retaining its name and operating as a division of Student Advantage.

There are no sure things

By August, about 5 months after the market began its swoon, virtually all of Versity.com employees had left or been laid off. The company, like scores of other start-ups now closing or slashing their workforces, was gone. Today, former founders and employees still grapple with the fallout.

"By starting at Versity.com, we never had time to think about what we would do with our life," says Feuer, who took some vacation and is now looking for a job . "As soon as the ride was over, there were a lot of people standing around saying, 'What do I do now?' "

Many have money in savings, the support of family and severance packages to help alleviate the financial strain. Some are looking for work, returning to college or flocking to other companies.

Employees who were barely old enough to legally buy beer have learned to negotiate a severance package. No one got rich, but many say they learned a valuable lesson. They're wiser about career choices and business strategy, they say. They know there's no sure thing.

Helen Chiang, 23, a former Versity.com product manager, was laid off in the summer of 2000 and has since taken a position at Excite At Home's BlueMountain.com, a provider of online greeting cards. This time, she says, she inquired about its business model . And she is studying business law at night, so she will be more marketable if she ever confronts a layoff again. "I wouldn't trade what happened. It's all part of who you are," says Chiang, who stayed in San Diego.

Lawson and Lappin, two of the four initial founders, have spent more than a month since Versity.com's demise in their former investor's vacation home. In an isolated place amid the stubble of weeds poking through sand, the former Internet executives can stare at the Atlantic from the back door and ponder what to do next.

Both are determined to build another business. This time, they say, they'll make sure it has a solid foundation that can't be washed away by market tides. This time, they say, they'll make sure it makes a profit.

On the Editorial Pages on February 9, 2001

Taxing Rhetoric: Listening to Bush Talk, You'd Think He Was Hawking the Democrats' Plan

By Lindsay Sobel
American Prospect

"A lot of people feel as if they have been looking through the window at somebody else's party," empathized President Bush at a recent tax-cut pushing event. "It is time to fling those doors and windows open and invite everybody in." He further pronounced, "I strongly believe that a tax relief plan is an important part of helping our country's economy recover."

Democrats agree on both counts. It's just that the plan President Bush will send to Capitol Hill today would achieve neither inclusiveness, nor economic recovery. The kind of proposal that would accomplish both -- and more -- closely resembles the one for which Democrats have been pushing.

Here's why:

Bush's tax cut is mostly for the rich. If there's one thing W. knows, it's partying. And he knows very well that the people who would benefit the most from his tax cut -- by *far* -- are those who have guzzled half the keg straight from the nozzle, and are grooving to their favorite CDs with lamp shades on their heads. (They are also his family, his friends, his classmates, his campaign contributors, and yes, himself. Bush recently boasted at a campaign event, "I'll be in the top bracket.")

Bush's plan would give the largest tax cut to those in his own bracket -- a 6.6 percent cut, compared to between 0 and 6 percent cuts for taxpayers in the other brackets. In actual dollars, the top 1 percent would get almost half of Bush's largesse. In addition to the income tax cut, Bush would gradually repeal the estate tax, which also benefits primarily the rich -- the tax only kicks in for estates worth $675,000 or more.

Democrats have been pushing for a tax cut that benefits the middle class, and many oppose repealing the estate tax. In other words, they target the people who really have been looking in on the nearly decade-long party.

Bush's plan won't fix the economy. When using fiscal policy to speed up the economy, the goal is to increase the amount of buying, fast. (As consumers demand more goods, businesses increase production and hire more workers, thereby stimulating economic growth.) Government spending -- not tax cuts -- is usually the quickest method. If government is gunning for tax cuts, the cuts should go to people who will spend their windfall right away -- not those who will save it.

Understandably, the rich are the *last* people to whom you want to give a tax cut under these circumstances. They will save a large percentage of their money, while the poor (out of necessity) are likely to spend a large chunk of theirs. Since Bush's plan gives the bulk of the tax cuts to those who can already afford the Mercedes, the vacation home, and the Palm Pilot, his tax cut is the dumbest, slowest way to spur the economy. Democrats are pushing for progressive tax cuts that benefit the poor and middle class more, and the rich less. Their proposals are targeted to quicker spenders, and would speed the economy more effectively.

Paying down the debt saves people money, and it's responsible too. The larger the tax cut, the less is left over to pay down the debt -- and debt reduction is better policy than huge tax cuts. First, a promise to reduce the debt with the current surplus is one that is easy to keep. When government revenues fall (due to a recession), it is simple to stop paying down the debt; it is politically problematic and economically errant to raise taxes from their surplus-era levels during a recession. And a smaller debt means that government can spend less on interest payments.

Furthermore, paying down the debt will allow people to keep more of their earnings, just as tax cuts will -- but in a fiscally responsible way. Why? When government is borrowing trillions, demand for money is high. The price of borrowing -- i.e., interest rates -- is steep. When the debt goes down, so do the rates. Mortgages and car payments become more affordable. Lower-interest loans reduce the cost of a college education and encourage business investment, strengthening the economy as a whole. Democrats have pushed for more restrained tax cuts and proactive debt reduction, while Bush has under-prioritized the debt.

Reflecting the unpopularity of his plan, Bush has adopted liberal rhetoric to push his conservative policies. And he's hoping that no one will notice. So far, few have. The Bush administration clearly wants to keep it that way. Tuesday, Treasury Secretary Paul O'Neill told *The Washington Post*, "I don't think this society should still be operating with a robber-baron premise as the basis for how we discuss public policy. I think it is really corrosive to have this argument about the rich and the poor." In other words, the Bushies want to give the bulk of the tax cut to the rich -- and a comparative pittance to the poor -- but they want to keep it a secret. It's not class warfare to say so -- it's the reporting of empirical fact. (Next thing you know, Bush will declare that the proponents of his plan have good hearts, and that to call them on the boondoggle is to engage in the "politics of personal destruction.")

Perhaps the Bush team is sensitive about accurate media coverage of the plan because if people knew the truth, they would oppose it. In fact, according to a late-January *Washington Post* poll, more than half of those polled prefer a "smaller tax-cut plan" to a larger one. In a *Los Angeles Times* poll last May, only 16 percent of those polled wanted to spend most of the surplus for a tax cut, while 81 percent said we should "use the surplus for a small tax cut and use most of the money to strengthen Social Security and Medicare and to reduce the national debt."

It's not only polls that reflect skepticism about Bush's plan. Recall that during the campaign, even members of Bush's own party viewed his tax cut as a joke. Republican congressional candidates ran from the tax-slashing image of the man at the top of their ticket. In fact, so preposterous seemed Bush's proposal, that even House Speaker Dennis Hastert had given up on Bush's "supersize it" philosophy and was calling instead for targeted tax cuts done piecemeal. In his confirmation hearings, Treasury's O'Neill said he would not "make a huge case that [the tax cut Bush promised during the campaign] is the instrument to ensure that we don't go into recession."

Republicans have made much of Alan Greenspan's tepid endorsement of tax cuts. (Greenspan actually refused to endorse Bush's own plan, and said tax cuts would only help in the unlikely event that the economy went into a full-blown recession.) Nevertheless, the Bush team has used the threat of economic slump to drum up support for the plan. And the media has helped turn the tide by giving the impression that Bush-sized tax cuts are inevitable.

Huge, recessive tax cuts are only inevitable if the powerful treat them that way. The next few months present a choice for Washington: Support a plan that is a windfall only for the rich, and that will do little to head off an economic downturn. Or, push a progressive and fiscally responsible proposal that could strengthen the economy. The facts -- and public opinion -- are on the progressives' side. But if they're not careful to stifle the melodiously misleading Bush rhetoric, their political advantage may slip away.

Absent from the tax debate

Boston Globe

SOMETHING IMPORTANT is missing from the budget surplus/tax cut debate in Washington.

Everyone agrees that unexpected surpluses continue to roll in, though the prudent warn that long-term projections are unreliable. Everyone agrees there will be a tax cut, though the prudent argue for only about half the $1.6 trillion over 10 years that President Bush filed for yesterday. Nearly everyone seems to agree that tax cuts and debt payment are the legitimate uses for the surplus and that new spending should be avoided, especially on continuing programs.

But this ignores the fact that the nation has unmet needs, some of them serious.

With 42.6 million Americans still without health insurance and with a ragged education system jeopardizing the economy, we cannot afford to ignore the weak threads that endanger our strong fabric.

Even if Congress were to focus only on the needs of children, it would find much that requires attention. Despite years of promises, for instance, the Head Start preschool program now serves only 850,000 poor children - barely half of those eligible. Of those without health coverage, some 10.8 million are children 18 and under.

Also, the lack of mental health care for young people is a growing problem. Antidepressants and psychotropic drugs like Ritalin are being given to children with increasing frequency, but with little strategy. As Dean Jack Shonkoff of the Heller Graduate School at Brandeis says, "the mental health system for children isn't broken - it doesn't exist."

The costs of addressing such problems are not trivial. The Children's Defense Fund estimates it would take $3.3 billion a year to offer Head Start to all of those eligible. Health coverage would be about $15 billion, and a mental health system would add more.

Often, these are investments that make financial sense. One study of an intensive preschool program showed the cost more than repaid in increased earning power, while government saved an even greater amount in reduced demands for its services.

The bottom line should not be the only consideration here. It is disgraceful that such gaps exist during a time of such widespread affluence. It is even more disgraceful that Washington isn't talking about them.

Congress must be careful not to commit the nation to overinflated permanent spending that cannot be sustained in leaner times. But social programs can be changed, and the proposed tax cuts are also, in effect, permanent spending commitments.

We believe that reasonable, targeted tax cuts are appropriate, but they should not be approved while the nation's other pressing needs are ignored.

Mexico's US Problem

By Congressman Bob Filner
The Nation

As Mexican president Vicente Fox begins his historic administration, the most difficult and abrasive issue that both he and the United States must confront is the continuing flow of immigration from Mexico. As Presidents Fox's August 2000 visit to the United States made clear, no other issue poses a greater obstacle to improved relations between the two nations.

The issue is particularly difficult to address because of one rarely questioned assumption held by the vast majority of US voters and policymakers--that the United States itself played no part in creating the conditions that have led to the large flow of Mexican workers across our borders and therefore bears no real responsibility to assist Mexico in seeking solutions. Many Americans, in fact, visualize the flow of migrants to the United States as an entirely internal Mexican problem that has been irresponsibly dumped upon the United States without our participation or approval. As a result, most Americans do not believe that we have any obligation to work collaboratively with Mexico in seeking solutions.

Even if it were true that the United States had played no role in the creation of Mexican migration to the United States, this would not be a valid argument against working harmoniously with Mexico to seek solutions. But, more important, the inescapable reality is that, for the past twenty-five years the United States has had a profound and often decisive influence on social and economic policy in Mexico, so much so that, to a significant extent, the current level of immigration to the United States is the result of policies designed and promoted on this side--not the other side--of the Rio Grande.

Because these events have occurred over a long time, few Americans are able to visualize how this could be the case. But the full extent of the US role can be clearly seen by focusing on the experience of a typical young Mexican man in his mid-20s--an immigrant like so many we see every day mowing lawns or working on construction sites in cities across America.

When this young man was born in the late 1970s, Mexico was in the midst of a profound social and economic transformation. While US economists had routinely dismissed Mexico's post-war economic system as a state-dominated, protectionist dinosaur that stifled Mexico's development, in fact, the social and economic policies of governments in the 1950s and 1960s provided Mexico with a significant degree of social stability and above-average economic growth. Social legislation, first enacted in the 1930s, provided a significant measure of job and income security for millions of industrial and public sector workers while land reform measures dating from the same period allowed many young people during the 1950s and 1960s to find work and remain in rural areas. Foreign investment, while highly regulated and directed by the governing PRI, was, for the most part, productively invested in basic infrastructure projects such as the national road network and electric power grid.

As a result, although the US standard of living was vastly higher then Mexico's during this period, illegal immigration was not as significant a problem. Even those at the bottom of the economic ladder in Mexico often had some formal or informal social safety net--the seemingly indigent street vendors and beggars who sat on the sidewalks near the tourist hotels, for example, were often members of cooperatives that protected their particular spot and thus insured them a minimum living. Such arrangements, while they fell far short of providing an escape from poverty, made life in Mexico still preferable to the unknown dangers of illegal immigration to the United States.

In the late 1970s, when that young man was born, however, this system was beginning to crumble. Skyrocketing oil prices made Mexican reserves vastly more valuable then before and provided collateral for international loans worth hundreds of millions of dollars. US banks and financial institutions often subscribed to these loans based on nothing more then a two- or three-page telex. In private, institutional investors would concede that a disturbing share of the money was being transferred to accounts in Europe or invested in ill-conceived projects that would never show a return or enhance Mexico's ability to repay its burgeoning loans. But each felt confident that Mexico's oil reserves and intimate economic relationship with the United States would insure that their particular loans would be repaid.

And, in fact, after Mexico's massive 1982 default on its outstanding loans and a severe IMF-imposed austerity program, the nation was indeed described as a "model debtor" by the officials in charge of renegotiating the defaulted loans. What was not stated with equal clarity, however, was that the massive drop in living standards and decline in the rate of new job creation after 1982--a result of the severity of the IMF program--created the social conditions that stimulated the first great wave of illegal immigration to the United States.

Even more significant, a deep stagnation in public sector spending produced by the adjustment program came just as that young man, along with millions of others, was entering elementary school. At a time when a massive program of public investment in education was desperately needed to prepare a new generation of Mexicans for the skilled and educated jobs that would increasingly be replacing the unskilled industrial and agricultural jobs of the past, the real level of investment in education fell. At the same time that many US schools were installing their first Apple computers in the classroom, Mexican schools in many rural areas were using textbooks that had not been updated since the 1940s.

Then, in 1988, US involvement in Mexican economic policy became even more direct as, under President Carlos Salinas de Gortari, a new generation of US-trained economists and policymakers began implementing a market-oriented strategy for the Mexican economy--one that the United States had previously endorsed and promoted in Eastern Europe and the Soviet Union. While the centerpiece of this effort was the free trade agreement with the United States and Canada, it also included a variety of policies to reduce the role of the public sector on the economy and eliminate a range of social legislation. Many of these policies had clear and predictable consequences for job creation and job stability in Mexico.

In Mexican industry, the privatization of many public sector companies and the opening of the domestic market to foreign competition resulted in massive layoffs and the elimination of blue-collar jobs in thousands of companies, particularly after 1994. Reforms in agriculture encouraged large mechanized farms and discouraged individual cultivation. Continued restraint of public spending limited the growth of jobs in health, education and other human services.

For educated workers, on the other hand, jobs were plentiful, and a consumer spending boom created substantial unskilled work in importing, retail and service occupations--principally in the burgeoning "informal" economy. But, everywhere one looked a profound loss of security and stability was evident in comparison with the past. Job security and fringe benefits in the new *maquiladora* industries were generally inferior to those in traditional auto, steel, beverage or cement manufacturing. A range of government support programs for small farmers had been reduced or eliminated. In the 1950s and 1960s Mexico City's street vendors had informal arrangements with the local police that had allowed them to ply their trade; in the 1990s, there were violent clashes between police and mobile vendors and constant demonstrations.

The result was that, when the young man, now in his early 20s and looking for work, considered his options, he found himself not only "pulled" by the lure of high wages in the United States but "pushed" by the deterioration in the conditions in the Mexican labor market. Without an education he faced not only a lower standard of living if he stayed in Mexico but a level of job and economic instability that was, in many key respects, worse then that which had been faced by his parents' generation.

In fact, by its very nature, the economic strategy that Carlos Salinas's US-trained advisors employed inevitably created powerful economic incentives for migration to the United States. The fundamental goal of positioning Mexico as a low-cost production center, competitive with Asia, necessarily required that Mexico maintain substantially lower wages and labor costs then the United States. This, in turn, inescapably entailed creating a huge economic incentive for migration. Increasing Mexican migration to the United States may not have been an explicit goal of the pro-market economic strategy, but it was a predictable and necessary consequence.

US economists have argued that, on balance, the pro-market strategy they designed was more beneficial to Mexico then any alternative, and that it will increase job creation in Mexico in the long run. But, in one extremely important respect, this is beside the point. There is something profoundly wrong with a US foreign policy that allows us to energetically recommend and endorse an economic strategy for Mexico that clearly creates powerful economic incentives for migration to the United States and then turn around and refuse to accept any responsibility for the immigration that results. The Mexican economy has been powerfully shaped by the actions of US financial institutions and the economic policies of the US government over the last quarter of a century. It is morally and socially wrong for the United States to now assert that it has no responsibility for the consequences.

It is also politically shortsighted. Many of Mexico's emerging political leaders, from every position on the Mexican political spectrum, are keenly aware of the United States refusal to recognize its role and responsibility in generating the Mexican immigration of the last two decades, and they will be directly raising the issue with increasing frequency in future bilateral negotiations. The United States' best hope for developing workable solutions for the complex set of issues involved with immigration will be through greatly increased collaboration and coordination of our policies and initiatives with Mexico, and this will be made profoundly more difficult if we refuse to accept the fact that our own policies and actions have played a critical role in generating the Mexican migration of recent years.

Upcoming Events of Interest

The Campaign for America's Futurea national conference on "The Next Agenda"

John Sweeney, Jesse Jackson, Paul Wellstone, Jan Schakowsky, Julian Bond, Patricia Ireland, George Becker and other progressive leaders invite you to join activists, policy experts, Members of Congress and leaders of labor and citizen organizations at

National Press Club, 14th and F Streets NW 8:30 am to 10 pm, February 28, 2001

Conference presentations will include:

Jesse Jackson, Rep. Jan Schakowsky, John Sweeney on
Strategies for Progressives

Heidi Hartmann on Economic Security for Women and Children

NAACP's Hillary Shelton on the Imperative of Voting Reform*

SEIU President Andrew Stern, Yale's Ted Marmor,
and Senator Paul Wellstone on Health Care for All.

Carl Pope on Green Growth: the Challenge and Opportunity
of Global Warming

Jeff Faux on Responding to the Coming Economic Crisis

William Greider on the Global Economy.

* = invited

We welcome all Americans who want to move our country Forward.

The Conference will feature discussion of a core progressive agenda that can help forge a new majority for significant reform. It will dissect the message of election 2000, highlight pressing economic and political reforms, and feature leading progressive legislators, citizen leaders and analysts.

The accidental presidency of George W. Bush presents progressives with a dual task: fighting against a new reaction while putting forth a clear vision and bold agenda for progressive reform.

George Bush may be in the White House, but he did not win this election.

The total vote for Vice President Al Gore and Green Party nominee Ralph Nader was 52%, the largest center left vote since Lyndon Johnson in 1964. As Senator Paul Wellstone notes, "this election confirms what we already knew: progressive politics
are winning politics. Health care, education, retirement security and broadening our prosperity are the issues foremost on voters' minds. The challenge facing us now is to translate the dominance of our issues into a winning progressive agenda.

Also, at the conference the Campaign for America's Future will release a new book: THE NEXT AGENDA: BLUEPRINT FOR A NEW PROGRESSIVE MOVEMENT published by Westview Press.

Join us as we begin at the National Conference on the Next Agenda.

For more detailed INFORMATION and to REGISTER go to www.ourfuture.org.