CONGRESSIONAL PROGRESSIVE CAUCUS CHAIRMAN
Dennis Kucinich
Rep. Barbara Lee, Vice Chair http://progressive.house.gov
Officers: Sen. Paul Wellstone, Rep. Cynthia McKinney, Rep. Bernie Sanders, Rep. Major Owens

NEWS UPDATE - February 14, 2001

SUMMARY

In the News…

- *TAXES:* The Associated Press reports that the Progressive Caucus's tax plan is swiftly "gaining momentum among union leaders" with Progressive Caucus Member and House Minority Whip David Bonior spearheading the effort to unify the AFL-CIO behind the plan.
- *TAXES:* Reuters reports that while organized labor is voicing support for the Progressive Caucus tax plan, Alan Greenspan refused to attack the plan when pressed to do so by the media.
- *TAXES:* The Associated Press reports that Democratic leaders will "lay out their own broad principles for cutting taxes on Thursday," but for some reason not endorse any specific course of action. The article goes on to note the growing support for the Progressive Caucus's "American People's Dividend" tax proposal.
- *TAXES:* The New York Times reports that 120 of the wealthiest Americans – all of whose families would benefit from an estate tax repeal - have signed a letter urging the Republicans to back off their efforts to do as such. As their letter says, The billions of dollars in government revenue lost "will inevitably be made up either by increasing taxes on those less able to pay or by cutting Social Security, Medicare, environmental protection and many other government programs so important to our nation's continued well-being."
- *CORPORATISM:* The Associated Press reports that the corporate New Democratic Network held their annual winter celebration, raising more than $1.2 million in campaign contributions from corporations like American Airlines, AT&T, Federal Express, GE and Microsoft – all of whom could be affected by major legislation before Congress. As Simon Rosenberg of the New Democrats said, the fundraiser was "a big night for New Democrats in Congress."
- *CONSUMER DEBT:* USA Today reports on the skyrocketing debts of many Americans as they face huge credit card bills and massive college loans. In the coming months, Republicans are expected to attempt to ram through lbankruptcy legislation written by credit card company and multinational bank lobbyists that guts already weak consumer protection laws.
- *PRESCRIPTION DRUGS:* The New York Times reports that "Oxfam, the influential charity, began a campaign today to force multinational drug companies to cut the prices of their live-saving drugs to poor nations."

From the Editorial Pages…

- *SYNDICATED COLUMNIST* and CNN Crossfire host Bill Press firmly states that the Progressive Caucus's tax proposal is the best one being pushed on Capitol Hill. As Press writes, "Remember how we started? 'We hold these truths to be self-evident: that all men are created equal.' It's time to apply that formula to tax cuts."
- *REP. JERROLD NADLER*, Progressive Caucus Member, writes in the New York Daily News in support of the American People's Dividend. As Nadler says, "Republicans have been telling us for years that we have to treat government as if it were a business. That's why they should love this idea. Our plan gives more back to a majority of Americans and costs less. It's just common sense."
- *ECONOMIST JAMES GALBRAITH* chastises Fed Chairman Alan Greenspan for hypocrisy in Newsday. As Galbraith writes, "Greenspan now finds himself favoring just the sort of tax cut we do not need-a massive capital transfer over time to the wealthy."

Quote of the Day…

"Repealing the estate tax would be a terrible mistake."

– *Billionaire Warren Buffet, in a petition to stop the GOP from repealing the tax on the richest 1% (NY Times, 2/14)*

In the News on February 14, 2001

AFL-CIO SUPPORTING ALTERNATIVES TO BUSH TAX CUT

LOS ANGELES (AP) _ The AFL-CIO is considering alternatives to President Bush's tax cut plan, including a payroll credit, child credit and government dividend payments, leaders of the labor federation said Wednesday.

However their vote on those ideas turns out, the leaders said they would fight Bush's $1.6 trillion, across-the-board tax proposal.

''Workers believe the surplus should be directed at their priorities like prescription drugs and Social Security and children's health care and education _ and not a huge tax cut to those who need it the least,'' AFL-CIO President John Sweeney said.

Labor Secretary Elaine Chao, who met Wednesday with the AFL-CIO's executive council, told reporters afterward that she came ''to listen and to learn about the concerns of organized labor.''

She said the meeting was ''productive,'' and looked forward to ''a very cordial and long and productive relationship.''

''I am going to work very, very hard to find areas of commonality in which labor and the department can work,'' Chao said.

Labor leaders said Chao did not provide substantive answers to policy questions such as Labor Department cuts or the future of the new ergonomics standards, saying she had only been on the job eight days.

She did tell the labor leaders that she and the Bush administration would disagree with unions on labor-management partnership agreements, said Denise Mitchell, AFL-CIO official.

Bush is considering disbanding such agreements created by President Clinton.

Sweeney said Chao assured union leaders she would listen to them.

''I think she conveyed a similar message as the president has conveyed to me, that we will have our differences, but we will have the opportunity to discuss these issues,'' he said.

A plan that would offer dividends to taxpayers, much like public companies pay to their shareholders, is gaining momentum among union leaders.

A tax dividend would be immediately spendable, unlike Bush's tax cut plan, said Richard Trumka, AFL-CIO secretary-treasurer. For example, every taxpayer, regardless of income, might get a $300 rebate check instead of a cut in his or her tax rate.

''It would put money in people's hands quickly rather than out in the sixth year,'' he said. ''That money could then be used to purchase things that are needed or to alleviate shortfalls people are currently having.''

The dividend plan is for one year, a safeguard against budget shortfalls or inaccurate projections, he said.

Michigan Rep. David Bonior, a Democrat who met with the federation's executive council in Los Angeles, is one of the lawmakers who is getting behind the dividend idea on Capitol Hill, leaders said.

Sweeney said unions are concerned about the slowing economy and the potential for many more layoffs. Those uncertainties show a need for unions for American workers, Sweeney said.

''We'll be mobilizing and organizing in whatever political atmosphere and whatever economic atmosphere we're faced with,'' he said.

Layoff notices rose to 142,208 last month, the highest total in the past eight years, according to Challenger, Gray & Christmas, a private Chicago placement firm.

Last week, a half dozen companies announced layoffs, among them Motorola Inc., which plans to cut 4,000 jobs, and Verizon Communications, which expects to cut the equivalent of 10,000 jobs this year.

Layoffs once meant failure to a company, said Ron Blackwell, AFL-CIO corporate affairs director. Nowadays, businesses react too quickly by laying off employees to send a signal to Wall Street that they are being responsive, he said.

The key, in bargaining, is to show companies that layoffs hurt their long-term growth and operations, he said. For the nation's labor leaders gathering here this week, the challenge is how to expand membership and organization in a changed economy.

Last month, the Bureau of Labor Statistics reported the percentage of American workers belonging to unions fell last year to 13.5 percent, the lowest in six decades. Unions blame a decline in heavily unionized industries, accompanied by job growth in nonunion parts of the economy.

LABOR LEADERS MULL TAX DIVIDEND INSTEAD OF CUT

Reuters

LOS ANGELES (Reuters) - Facing a presidential tax-cut proposal that they cannot stomach, U.S. labor leaders said Tuesday they are considering supporting a yearly tax ‘‘dividend’’ as a more equitable way of stimulating the economy. AFL-CIO Secretary-Treasurer Richard Trumka said giving every American man, woman and child an amount of perhaps $300 a year was a ‘‘better route’’ than President Bush's proposal to cut taxes by $1.6 trillion over 10 years.

‘‘It's one way to have a tax cut that reaches everybody equally,’’ Trumka told a news conference at the annual winter meeting of the 66-union federation's executive council here.

‘‘It would put money in people's hands quickly, rather than out in the sixth year,’’ he said.

The tax cut alternative, which AFL-CIO President John Sweeney said is only under discussion by the labor federation's policy-setting council, is similar to a plan proposed last week by Rep. Bernie Sanders, a Vermont Independent.

The Sanders plan would give every American $300 a year for 10 years, but would contain an automatic shut-off mechanism that would be triggered if the federal government's budget surplus were to become endangered by lower-than-projected revenues, Sanders spokesman, Dave Sirota, said.

Sanders plans to formally introduce his $900 billion proposal in the House next week and already has the support of the 55-member Progressive Caucus, Sirota said.

Trumka said labor leaders may find the idea of a tax dividend more acceptable than the Bush plan, since it would give every recipient the same amount and would give the slowing U.S. economy a quicker jolt.

The Bush plan would be phased in over six years and has come under fire from many Democrats as disproportionately favoring high-income earners over middle class taxpayers.

GREENSPAN DECLINES COMMENT ON TAX DIVIDENDS

Federal Reserve Chairman Alan Greenspan declined to comment on the dividend concept when he was asked about it earlier on Tuesday after delivering his semi-annual monetary policy address to the Senate Banking Committee in Washington.

The influential Fed chief reiterated that he would rather see tax cuts than government spending increases, but did not let lawmakers pin him down on his views about the Bush plan.

Labor leaders strongly oppose the Bush plan.

‘‘We want to make sure that whatever tax cut might be before the Congress is one that really supports workers and working families,’’ said Sweeney. ‘‘We think that the president's proposal is a real insult to working people.’’

Because it could endanger the surplus if revenue projections don't pan out, Sweeney said, the Bush plan could pose a threat to several current and proposed middle class programs, including one to provide prescription drug coverage to senior citizens.

‘‘We would support a responsible tax cut,” he said. ‘‘But it needs to be targeted and it needs to have a better impact on low- and middle-income taxpayers.”

DEMOCRATIC LEADERS TO UNVEIL BUDGET PRINCIPLES

Associated Press

WASHINGTON (AP) _ Congress' top Democrats planned to lay out their own broad principles for cutting taxes on Thursday, following weeks of attacking President Bush's $1.6 trillion, 10-year plan as being too big and tilted toward the rich.

House Minority Leader Dick Gephardt, D-Mo., and Senate Minority Leader Tom Daschle, D-S.D., will embrace no specific proposals. But their goal is to try taking the offensive in a tax debate that Bush has so far dominated and give their rank-and-file lawmakers something to favor, rather than only attacking Bush's plan.

They also hope their principles will help legislators explain their priorities when they go home next week for Congress' President's Day recess. Upon their return, Bush will likely have the public relations advantage because he will discuss his fiscal priorities to a joint session of Congress on Feb. 27, and then release an outline of his first budget the next day.

‘‘We say you can have a tax cut plus a prescription drug benefit,” Daschle said Wednesday in a preview of Democrats' plans. ‘‘You can have a tax cut plus paying down the public debt. You can have a tax cut plus education commitments and investments.”

According to aides, Gephardt and Daschle planned to say that Democrats want broad-based tax cuts that are targeted more at lower- and middle-income taxpayers than Bush's plan. Their tax reduction would be smaller than Bush's. Their tax cut would be part of a Democratic budget that starts by setting aside $2.9 trillion for debt reduction over the next decade. That is the portion of the projected overall $5.6 trillion, 10-year federal surplus that comes from Social Security and Medicare.

Of the remaining $2.7 trillion in estimated surpluses, Democrats would divide the rest among tax cuts, additional debt reduction, and new spending for education, a Medicare prescription drug benefit and other programs.

Democrats say this would demonstrate that their tax plan, unlike Bush's, provides adequate resources for other priorities. Bush and his GOP allies have said his tax proposal would leave plenty of money for debt reduction and new spending for schools, defense and other items.

To help pay for the tax cuts, White House officials have said they will propose holding overall spending increases to about the inflation rate _ a level Democrats say is too low.

The Democratic proposal's lack of details _ for example it will not call for any particular type of tax cut _ reflected ongoing disagreements among Democrats over specifics.

For example, the Congressional Progressive Caucus, consisting of 55 of the most liberal Democrats, are pushing a plan to give every American a $300 annual dividend for the next decade. Some other Democrats prefer income-tax rate reductions.

Democrats were even undecided on Wednesday afternoon whether to propose dividing the $2.7 trillion non-Social Security, non-Medicare surplus into thirds for tax cuts, debt reduction and new spending. Senate Budget Committee Chairman Kent Conrad, D-N.D., has espoused that idea.

But many House Democrats _ including the conservative ‘‘Blue Dogs” _ prefer using half of that surplus for debt reduction, and splitting the rest between tax cuts and spending.

Meanwhile, congressional Republicans trying to fashion a tax-cutting plan that would fit within Bush's $1.6 trillion preferred figure said they are considering making cuts in only the lower income-tax brackets retroactive to this past January, rather than all of the brackets.

In separate interviews, House Majority Leader Dick Armey, R-Texas, and House Ways and Means Committee Chairman Bill Thomas, R-Calif., said this was a possibility if there was not enough money to make all of the rate reductions retroactive.

Such a decision would affect all taxpayers because everyone pays the lowest rate on their first several thousand dollars of their income. But it would also give a greater proportional tax cut to lower-income people, making it tougher for some Democrats to oppose the plan.

As the centerpiece of his plan, Bush would telescope the current five income-tax brackets into four and lower them. The top rate would fall from 39.6 percent to 33 percent, while the bottom rate would drop from 15 percent to 10 percent.

A CBS News poll out this week indicates just over a third of the public supports a large tax cut, but almost half would like a smaller one and the remainder backed no tax cut. When asked whether they favored or opposed the Bush tax cut, just over half said they support it.

DOZENS OF RICH AMERICANS JOIN IN FIGHT TO RETAIN THE ESTATE TAX

New York Times

SEATTLE, Feb. 13 — Some 120 wealthy Americans, including Warren E. Buffett, George Soros and the father of William H. Gates, are urging Congress not to repeal taxes on estates and gifts.

President Bush has proposed phasing out those taxes by 2009. But a petition drive being organized here by Mr. Gates's father, William H. Gates Sr., argues that "repealing the estate tax would enrich the heirs of America's millionaires and billionaires while hurting families who struggle to make ends meet."

The billions of dollars in government revenue lost "will inevitably be made up either by increasing taxes on those less able to pay or by cutting Social Security, Medicare, environmental protection and many other government programs so important to our nation's continued well-being," the petition says.

In addition to the loss of government revenue, the petition says, repeal would harm charities, to which many of the affluent make contributions as a way of reducing the size of their estates.

"The estate tax," it says, "exerts a powerful and positive effect on charitable giving. Repeal would have a devastating impact on public charities."

Mr. Buffett, the Omaha investor who ranks fourth on the Forbes magazine list of the richest Americans, said in an interview that he had not signed the petition itself because he thought it did not go far enough in defending "the critical role" that he said the estate tax played in promoting economic growth, by helping create a society in which success is based on merit rather than inheritance.

Mr. Buffett said repealing the estate tax "would be a terrible mistake," the equivalent of "choosing the 2020 Olympic team by picking the eldest sons of the gold-medal winners in the 2000 Olympics."

"We would regard that as absolute folly in terms of athletic competition," he said.

"We have come closer to a true meritocracy than anywhere else around the world," he said. "You have mobility so people with talents can be put to the best use. Without the estate tax, you in effect will have an aristocracy of wealth, which means you pass down the ability to command the resources of the nation based on heredity rather than merit."
The petition is to appear in an advertisement on the Op-Ed page of The New York Times this Sunday and later in other newspapers.

Among those signing it are Mr. Soros, the billionaire financier; the philanthropist David Rockefeller Jr., former chairman of Rockefeller & Company; Steven C. Rockefeller, chairman of the Rockefeller Brothers Foundation; Agnes Gund, a philanthropist whose family owns stakes in many companies, and Ben Cohen, a founder of Ben & Jerry's.
Mr. Buffett and the younger Mr. Gates have both said they will give away most of their fortunes in bequests at death.
Many of the signers have longtime affiliations with causes that depend heavily on charitable gifts, including bequests, and they are concerned that outright repeal of the estate and gift taxes would lead to a sharp drop in charitable giving.

A number of the signers are Democrats, and some have contributed heavily to the Democratic Party. But the elder Mr. Gates said in an interview that the idea for the drive was his own and that the support he had received was nonpartisan.
Mr. Gates, like his son, has consistently declined to align himself with either of the political parties, and he said he had never given a moment's thought to the party affiliations of those being enlisted.

The petition says that "repeal of the estate tax would be bad for our democracy, our economy and our society," although its backers add that adjustments may be needed to help families passing down farms and small businesses. "Let's fix the estate tax," the petition says, "not repeal it."

Estate taxes are assessed on the net worth of an individual at death. There is no tax on the first $675,000, and under current law that exemption is to rise to $1 million by 2006. (Farms and family businesses already enjoy the $1 million exemption.)

But amounts above that threshold are taxed at rates that begin at 37 percent and rise to 55 percent, the rate that applies to anything greater than $3 million. The estates of fewer than 48,000 Americans a year — 2 percent of annual deaths — pay the tax. Nearly half the total is paid by the estates of the 4,000 people who die each year leaving $5 million or more.

President Bush has made repeal of what he calls the death tax a part of his plan to cut taxes by $1.6 trillion over the next decade. His plan would also repeal the gift tax, which applies to gifts of more than $10,000 a year per recipient, and would permanently exempt from taxation all capital gains held at death.

Mr. Bush and Congressional Republicans who support the plan say that estate and gift taxes discourage savings and investment. Repeal, they assert, would increase economic growth by rewarding those who build great fortunes and creating incentives for them to invest more.

Mr. Bush says his plan would save those now subject to gift and estate taxes $236 billion over the next decade. Critics of the plan say this estimate of the cost to the Treasury is very low, because it does not take into account what tax experts have described as the new ways that repeal would give the wealthy to avoid income taxes.

The elder Mr. Gates, who gained affluence as a prominent Seattle lawyer, said he had not asked his son, the chairman of the Microsoft Corporation, to sign the petition.

"My son is sympathetic," he said, "but he wants to stay focused on three things: his family, Microsoft and world health," which is the main interest of the Bill and Melinda Gates Foundation.

The elder Mr. Gates said the money that Mr. Bush wanted to devote to repeal of the estate and gift taxes could be put to better use "to reduce other taxes, which affect the other end of the economic spectrum."

"Ever since I heard that somebody was trying to repeal the estate tax, I have been angry," Mr. Gates said, adding that if it were not for his full-time job, he would organize a group called Millionaires for the Estate Tax. Mr. Gates is president of the Bill and Melinda Gates Foundation, which has an endowment of $20 billion.

Mr. Gates is working on the drive with United for a Fair Economy, a nonpartisan, nonprofit organization in Boston that wants to narrow the gap between rich and poor. The petition on the estate tax is being circulated among Americans with enough money that they are affected by it, and a spokesman for the Boston group, Chuck Collins, said that of more than 120 such people asked to sign, only four had declined. He would not identify them.

NEW DEMOCRATS CELEBRATE GAINS IN CONGRESS

Associated Press

WASHINGTON (AP) _ A group of moderate Democrats were celebrating their gains in Congress Tuesday, honoring co-founder Joe Lieberman and expecting to raise more than $1 million. Simon Rosenberg, president of the New Democrat Network, called Tuesday ``a big night for New Democrats in Congress."

The New Democrat Network, the political action committee of the New Democrat movement, was founded in 1996 by Sen. Lieberman of Connecticut, Sen. John Breaux of Lousiana and Rosenberg.

``We now have more than a third of all the Democrats in Congress," Rosenberg said, referring to members of the New Democrat movement. The centrist movement grew out of the Democratic defeats in the 1980s and led to the 1992 presidential victory of Bill Clinton and Al Gore. The New Democrat Network is the political action arm of the movement, raising money and supporting candidates. The Democratic Leadership Council, founded in the mid 1980s, handles the policy positions.

Sponsors for the dinner, expected to raise about $1.2 million were Aetna, American Airlines, AT&T, Capitol One, Citigroup, Ernst and Young, Federal Express, Genentech, General Electric, Microsoft, the Securities Industry Association and United Airlines. Rosenberg said the New Democrats, because of their centrist approach, will play a critical role ``in such a closely divided Congress."

DEBT SMOTHERS YOUNG AMERICANS

USA TODAY

As a freshman at the University of Houston in 1995, Jennifer Massey signed up for a credit card and got a free T-shirt. A year later, she had piled up about $20,000 in debt on 14 credit cards.

Paige Hall, 34, returned from her honeymoon in 1997 to find herself laid off from her job at a mortgage company in Atlanta. She was out of work for 4 months. She and her husband, Kevin, soon were trying to figure out how to pay $18,200 in bills from their wedding, honeymoon and furnishings for their new home.

By the time Mistie Medendorp was 29, she had $10,000 in credit card debt and $12,000 in student loans.

Like no other generation, today's 18- to 35-year-olds have grown up with a culture of debt -- a product of easy credit, a booming economy and expensive lifestyles.

They often live paycheck to paycheck and use credit cards and loans to finance restaurant meals, high-tech toys and new cars that they couldn't otherwise afford, according to market researchers, debt counselors and consumer advocates.

"Lenders are much more willing to take a risk on people under 25 than they were 15 years ago," says Nina Prikazsky, a vice president at student loan corporation Nellie Mae. "They will give out credit cards based on a college student's expected ability to repay the bills."

Young people are taking advantage of the offers. A study out today from Nellie Mae shows that the average credit card debt among undergraduate students increased by nearly $1,000 in the past two years. On average, they owed $2,748 last year, up from $1,879 in 1998.

At a time when they could be setting aside money for a down payment on a home, many young people are mortgaging their financial future. Instead of getting a head start on saving for retirement, they are spending years digging themselves out of debt.

"I knew for a while that I had a problem. I wouldn't say I was living high on the hog, but when I wanted clothes, I'd buy a new outfit," says Medendorp, an Atlanta resident. "I'd go out to eat and charge it on my cards. There were a bunch of small expenses that added up and got out of control."

Massey, Hall and Medendorp each ended up seeking help from a local consumer credit counseling service. Hundreds of thousands more young people like them are turning to credit counseling or bankruptcy because they can no longer juggle their bills.

In 1999 alone, an estimated 461,000 Americans younger than 35 sought protection from their creditors in bankruptcy, up from about 380,000 in 1991, according to Harvard Law School professor Elizabeth Warren, principal researcher in a national survey of debtors who filed for bankruptcy.

At the Consumer Credit Counseling Service of Greater Denver, more than half of all the clients are 18 to 35 years old, says Darrin Sandoval, director of operations. On average, they have 30% more debt than all other age groups, he says.

"By the time they begin to settle into a suburban lifestyle, they are barely able to meet their debt obligations," Sandoval says. "If there is a job loss, an unexpected medical expense or the birth of a child, they supplement their income with credit cards. Soon they are being financially crushed."

Debt heads

Unlike the baby boom generation -- raised by Depression-era parents -- young Americans today are often unfazed by the amount of debt they carry.

"This generation has lived through a time when everything was on the upswing," says J. Walker Smith, president of Yankelovich Partners, a market research firm. "There is no sense of worry about being over-leveraged. It all seems to work out."

Kevin Jackson, a 32-year-old software engineer in Denver, has about $8,000 in credit card debt and a $20,000 home-equity loan. He doesn't believe he has a debt problem, though his goal is to reduce his credit card balance to $2,000.

"You learn to live with a certain amount of debt," he says. "It's a means to an end. There is something to be said for paying for everything and something to be said for enjoying life, as long as you do it responsibly."

Unfortunately, enjoying life can be expensive, especially for many young Americans who feel it is essential to have the latest high-tech products and services, such as a cellphone, pager, voice mail, a computer with a second phone line or a DSL connection, an Internet service provider and a Palm Pilot.

Jackson just bought a DVD player and a big-screen TV. "I try to control costs," he says. "I easily could have spent $5,000 on the TV, but instead I paid $2,000 and I got a one-year, no-interest deal."

Movies, TV shows and advertising only reinforce the idea that young people are entitled to have an affluent lifestyle. "We're encouraged to overspend," says Jason Anthony, 31, co-author of Debt-free by 30, a book he wrote with a friend after they found themselves drowning in debt.

"We all see shows like Melrose Place and Beverly Hills 90210. It creates tremendous pressure to keep up. I'm one of the few persons who think a recession will be good for my generation. Our expectations are so elevated. In the frenzy to keep up, we've gotten into financial trouble," he says.

The perils of plastic

Consumers like Massey, who get bogged down in credit card debt before they even graduate from college, learn the hard way about managing money. Now 24 and married, Massey has a good job in marketing. She has cut up her credit cards and is gradually repaying her debts. However, there have been consequences: She had to explain to her boss that because she no longer has a credit card, she cannot travel for work if it involves renting a car or booking a hotel reservation on her own. She had to tell her husband about her debt problems before they were married.

"I lack confidence now," Massey says. "I'm hard on myself because of my mistakes. But I blame the credit card companies and the university for allowing them to promote the cards on campus without educating students about credit."

The percentage of undergraduate college students with a credit card jumped from 67% in 1998 to 78% last year, according to the Nellie Mae study. And many of them are filling their wallets with cards. Last year, 32% said they had four or more cards, up from 27% two years earlier.

Although graduate students have an even bigger appetite for credit, they are starting to show signs of restraint. Their average debt declined slightly from $4,925 in 1998 to $4,776 last year, Nellie Mae says.

Many young people will be saddled with credit card debts for years, experts say. Among all age groups, credit card holders younger than 35 are the least likely to pay their bills in full each month, according to Robert Manning, author of Credit Card Nation.

Though credit cards and uncontrolled spending are a combustible combination, many young people are pushed to the financial edge by the staggering cost of college. The average annual tuition at a four-year private university jumped to $16,332 last year from $7,207 in 1980, according to the College Board. Between 1991 and 2000, the average student loan burden among households under 35 increased nearly 142% to $15,700, according to an exclusive analysis of the finances of 18- to 34-year-olds for USA TODAY by Claritas, a market research firm based in San Diego.

Those who choose to go on and get a graduate degree pay an even higher price. Another Nellie Mae study found that those who borrow for graduate work, and specifically those in expensive professional programs in law and medicine, are likely to have unusually high debt burdens that are not always offset by comparably high salaries.

Karen Mann didn't need a survey to come to that conclusion. Her husband, Michael, is about to start his career as an orthopedic surgeon after racking up $400,000 in loans during four years of undergraduate school, four years of medical school, one year in an MBA program and a 5-year residency program.

During his residency and a subsequent fellowship, payments and some of the interest on his student loans have been deferred. Soon they'll have to begin paying them off.

The interest payment alone is $20,000 a year.

The Manns are not extravagant. "I've always saved, and I have a budget," says Karen, 31. "I'd love to buy a house, but there's no way. We haven't been able to afford kids yet. The loans are so awesome that you do get crazy."

Paying for everything with cash

The Manns are not alone in having to defer important goals because of heavy debt loads. Medendorp, a social worker in Decatur, Ga., lives on a budget and is diligently paying her bills with the help of a Consumer Credit Counseling Service debt-management plan. She pays for everything with cash. There are many things she'd like to do but can't afford, such as having laser eye surgery, going back to school and buying a home.

"When you get in a tar pit, forget about buying a home," author Anthony says. "Instead of saving for a down payment, you're making credit card payments."

At a time when the overall U.S. homeownership rate has risen to historic highs, young Americans are less likely than people their age 10 years ago to buy a home. The homeownership rate for heads of households younger than 35 has declined from 41.2% in 1982 to 39.7% in 1999, according to the Census Bureau. And if they own a home, young people tend to make smaller down payments or borrow against what equity they have. As a result, the average amount of equity accumulated by homeowners younger than 35 has shrunk to about $49,200 in 1999, from $57,100 10 years earlier, according to a study from the Consumer Federation of America.

"For middle-income Americans, the most important form of private savings is home equity," says Stephen Brobeck, executive director of the Consumer Federation of America. "It's essential to have paid off a mortgage by retirement so that living expenses are lower and one has an asset that can be borrowed on or sold if necessary."

By almost every measure, young people are falling behind. Between 1995 and 1998, the median net worth of families rose for all age groups except for the under-35 group. Their median net worth declined from $12,700 to $9,000, according to the Federal Reserve.

That is not to say that young people today are slackers and deadbeats, as they have sometimes been characterized. Many work hard and often make good incomes. Although they may have a lot of debt, they also are very focused on saving and investing, especially through 401(k)-type retirement accounts. Jackson, for example, contributes the maximum to his 401(k) plan.

"They want to protect themselves against future uncertainty," Smith says. "They absolutely don't expect that Social Security will be around for them."

But it's hard to save money if you are head over heels in debt. Massey earns $32,000 a year. With her husband, their annual income is more than $100,000. "But we're still broke trying to pay our bills," she says.

OXFAM PRESSES TO MAKE DRUGS CHEAPER FOR POOR COUNTRIES

New York Times

PARIS, Feb. 12 — Oxfam, the influential charity, began a campaign today to force multinational drug companies to cut the prices of their live- saving drugs to poor nations.

Oxfam, based in Oxford, England, accused the companies and rich nations of "waging an undeclared drugs war" against poor nations by keeping drug prices high and by using trade sanctions to protect the patent treaties that give companies 20-year monopolies on their drugs.

Oxfam is joining Doctors Without Borders, the Nobel Prize-winning charity; Act-Up, the American AIDS activism group; and others who have been conducting a similar campaign for more than a year.

Oxfam said it would concentrate on Britain-based Glaxo SmithKline, the world's largest pharmaceutical company. The company, formed last year in a $68-billion merger, has extensive American operations.

Oxfam will also pressure the companies by attacking them before audiences on Wall Street and in the City of London, said Sophia Tickell, head of the campaign.

"Our message to the big financial houses will be that unless the big drug companies do something dramatic soon, they run a serious reputation risk," Ms. Tickell said.

Shareholders will become nervous, she said, and morale will drop if the companies are repeatedly attacked over pricing and patent actions in the same way Shell was attacked for environmental policies in the Niger Delta and Nestlé was attacked for promoting infant formula to poor women.

Oxfam said it would also call for a $5 billion fund to subsidize research on curing diseases like malaria, elephantiasis, tuberculosis and sleeping sickness, which are endemic to poor countries. The charity asked companies to contribute part of their royalties on each drug that passed $1 billion in sales.

Glaxo said it "regrets the announcement made by Oxfam, which offers little or no acknowledgement of the company's longstanding commitment and contribution to meeting the challenge of increasing access to medicines in the developing world."

The chairman of Glaxo, Sir Richard Sykes, called it "political rhetoric to point the finger somewhere else from where it should be."

Campaigners like Oxfam have demanded that poor countries be allowed to change their patent laws so that they can import, without fear of trade retaliation, cheap generic versions of anti-AIDS drugs, powerful antibiotics and other lifesaving medicines made in Brazil, Canada, India or Thailand.

Generics companies that manufacture patented drugs are "pirates on the high seas," Sir Richard said.

"We are giving these people these drugs at cost, which is better than the generic houses can do, or giving them away," Sir Richard said.

Attacking the patent process, he said, would destroy the drug industry and hurt export earnings.

On the Editorial Pages on February 14, 2001

THE BEST TAX PLAN: $300 IN EVERY POT

By Bill Press
Host, CNN Crossfire/The Spin Room
Chicago Tribune/Tribune Media Services

Here are three rules for understanding how Washington works: Not everything Congress does has to be complicated. The more complicated a piece of legislation, the worse it is for average Americans. The simpler the legislation, the fairer for all Americans.

Now take those rules and apply them to tax cuts. Vermont's Bernie Sanders, the only Socialist member of Congress, wins hands down. Sanders, joined by Ohio's Dennis Kucinich, California's Barbara Lee, New York's Jerry Nadler, Oregon's Peter DeFazio and 48 other members of the Congressional Progressive Caucus, have unveiled an across-the-board tax cut plan which is stunning in its simplicity and cunning in its appeal. It makes George Bush's tax cut look like a snarled ball of yarn which nobody can untangle.

How much money would your family get back under Bush's mammoth tax cut? Who knows? In fact, I defy you to figure it out. His plan has so many variables and is stretched out for so long, nobody really knows who gets how much, when. And, of course, the whole Bush tax cut is premised on continued economic growth and an ever-expanding surplus, neither of which now looks likely. Bush himself, in fact, keeps warning us that our economy is in trouble.

Compare that vast unknown with the clear world of Bernie Sanders. Who gets tax relief under the Sanders plan? Every man, woman and child in America. How much does each person receive? $300. No more, no less. What is the difference between tax brackets? There is none. Every man, woman and child gets the same $300, no matter how much money they make. Bill Gates gets the same as the man who washes his car. God bless America!

How much will the total tax cut cost? $900 billion over 10 years. How long does the tax cut last? As long as there is a surplus. No surplus, no tax cut. This plan is so simple, there must be something wrong with it. Not so. Just the opposite.

There are several advantages to the Sanders tax plan, aside from the fact that everybody can understand it. For one thing, it treats everyone equally: a principle which democracy preaches but does not often practice. To underscore that point, the Progressive Caucus calls their proposal: the American People's Dividend. "There is a surplus," Sanders told me in an interview. "The American people have worked hard to build that surplus. So, we're going to return it to them in a fair way. We will give the same dividend to every American, because every American is an equal shareholder in America."

Another advantage: there are no favorites. Renters get the same break as homeowners. Rich are no more pampered than the poor. Seniors and students, no longer or not yet in the work force, receive the same benefit as those who are. Joe Lunchbucket in Boise, Idaho, who's never been to Washington, gets the same $300 check as Jimmy Fatcat, who has a paid lobbyist roaming the halls of Congress. So do his wife and three kids.

And now the best part of all. By distributing his tax cut evenly across-the-board, Sanders manages to put the money in the hands of those who need it and where it will do the most good. Under Bush's plan, the wealthiest 1 percent of Americans - those who need, or deserve, a tax cut the least - snare 40 percent of the goodies. Under Sanders's plan, the wealthiest 1 percent would receive their fair share: 1 percent. No more, no less. The bottom 95% of the population - working poor and middle-class families - would receive 95% of the tax cuts.

That distribution is not only fair, it's the best way to stimulate the economy. $300 means nothing to Bill Gates. He'd blow it on an overpriced bottle of wine. But $1,500 for a middle-class family of five is a real windfall, and will be immediately pumped back into the economy for basic human needs: food, clothing, housing, health care and education.

By any measure, the Progressive Caucus has produced the best tax plan of them all. Sanders sums up its merits: "It is fair. Everybody gets the same. It is simple and easily understood. And it is responsible. When the economy's good, we return money to the people. When it's not, we don't."

If that sounds revolutionary, it is. Remember how we started? "We hold these truths to be self-evident: that all men are created equal." It's time to apply that formula to tax cuts.

W'S TAX CUT: A GOOD IDEA? NO, IT BENEFITS THE RICH

By REP. JERROLD NADLER
New York Daily News

As I look at the various tax cut proposals that have been floated, the good news is that the Republicans have finally embraced recycling. The bad news is that they're recycling their flawed ideas.

President Bush says that everyone who pays taxes should get a tax cut, so everyone would benefit from his tax cut plan, right?

Wrong. His plan would leave out the 12 million families who pay no income tax but still pay substantial payroll taxes. The inequity of the President's plan is truly staggering. The top 1% of taxpayers, who currently pay about 21% of all federal taxes, would get a whopping 43% of the benefit — an average $46,000 tax cut per family. Many of those in the lowest 20% of income would get no benefit at all. The average tax cut for those who do would be $42.

Also, don't forget the exploding size of the Bush tax cut. Most responsible estimates put this figure near $2.1 trillion over 10 years. That's before the Republican Congress gets its hands on it and adds hundreds of billions in business tax breaks. Add in proposed new spending on initiatives such as missile defense, and they seem intent on bringing back the Reagan legacy — massive deficits and steep cuts in social spending.

None of this means that a tax cut is impossible. It just needs to be done in a simple, economically responsible way that will give every American a fair share of the prosperity dividend they have worked so hard to create.

The Progressive Caucus, of which I am a member, has proposed a very simple concept — every man, woman and child should receive an equal amount of the surplus. Let's assume a fiscally responsible sum of $900 billion in tax cuts over 10 years. Every single person — Bill Gates and the janitor who cleans his office — would receive roughly $320 a year. Think of it as the American People's Dividend. If the nation prospers, all of its citizens should reap the benefits, and if there's no surplus, there's no dividend.

Nearly 80% of Americans would fare much better under our proposal than under the President's plan. Under the Bush plan, a family of four making $35,000 a year would receive $450. Under our proposal each member of the family would get their $320, for a total of nearly $1,300. Families with more children would get more. That's "family values."

Republicans have been telling us for years that we have to treat government as if it were a business. That's why they should love this idea. Our plan gives more back to a majority of Americans and costs less. It's just common sense.

GREENSPAN IS TAKING US DOWN WITH HIM

By James K. Galbraith
Newsday

A REPUTATION in economic policy-making is like a financial bubble: It goes up in good times, and crashes hard. When the markets are rising, the chairman of the Federal Reserve can do no wrong. When recession looms, he's a bum. Alan Greenspan had the good fortune to preside over the longest postwar expansion and to gain a deserved share of the credit, alongside President Bill Clinton. Now he presides over a sudden and frightening slowdown, and alongside Presdient George W. Bush he will take the blame. (Clinton, the lucky man, has escaped.) But does Greenspan deserve the blame? As a matter of fact, he does. Here are three important reasons why.

First, from June, 1999, to last May, Greenspan and his colleagues resolutely fought an inflation that did not exist, raising interest rates from 4.75 percent to 6.5 percent to slow economic growth, while reassuring us that any resulting slowdown would be controlled and smooth. The plain fact that there has never been a soft landing did not enter their thinking. Now we know: This will not be the first time.
Second, up until April 15, 2000, the Federal Reserve stood by while tech-sector speculators drove the Nasdaq upward, fueling their purchases with tens of billions of dollars of broker loans. The Fed could have quelled that bubble by raising the collateral required on such loans-the margin requirement.

They did nothing. The tech sector crashed. Yet even after this watershed event, Greenspan and his colleagues raised interest rates again.

Third, all through 1999 and 2000, as for many years before, Alan Greenspan strongly resisted new government spending initiatives and tax reductions. This left Clinton's administration with no choice but to pile surplus on surplus, making a debt-reduction virtue out of political necessity.

But the fact is, surpluses that are too large depress economic growth; this is a known phenomenon called fiscal drag. There had never been, from 1945 until 2000, two years of surplus with no recession. 2001 won't be a third such year. Now Greenspan and his colleagues are cutting rates, which is good. But it may be too late. When businesses foresee dark times, not even bargain loans can induce them to produce what they do not believe they can sell. So even much sharper rate reductions may not be enough, once recession fears take hold. The time to cut rates-or not to raise them -was a year ago.

[Greenspan told the Senate Banking Committee yesterday that the country was not now in a recession.] It should therefore be no surprise if Greenspan had reversed himself on tax cuts, because the economy now needs a strong immediate stimulus to incomes and spending. But, in his statement to the Senate Budget Committee on Jan. 26, Greenspan rejected this argument. Instead, he endorsed proposals to cut taxes mainly in the long run and mainly on the wealthy who will not, as a result, increase their spending very much or very soon.

Greenspan's argument for the Bush tax cut did have the force of fresh new reasoning-something deft, subtle and not thought of before. Taxes must be cut, he said, because otherwise the government will soon have bought back all outstanding federal debt-bonds, notes and bills. It will then have no alternative but to purchase large sums of private debt: corporate bonds and even stocks. This would be, in effect, socialism-or so Greenspan professed to fear.

This argument has just one problem, as Randall Dodd of the Derivatives Study Center points out. It is false. There are, in fact, trillions more dollars of public debts out there, beyond the 3 trillion owed by the Treasury itself. These include federal government agency debt, state and local government debt (known as munis) and foreign bonds, of which the Federal Reserve already holds billions of dollars worth. Greenspan's creeping socialism scenario is a fake-and he knows it.

So, on a purely spurious argument, Greenspan now finds himself favoring just the sort of tax cut we do not need-a massive capital transfer over time to the wealthy, a program designed two years ago to defuse the presidential candidacy of Steve Forbes-and for no sound economic reason. Moreover, he favors repeal of the estate tax, which will undermine our great private universities, hospitals, and foundations-a gift to those among the wealthy who oppose philanthropy over those who practice it.

And Greenspan finds himself opposed, for no less spurious reasons, to just the sort of tax cut that we do need: a substantial income transfer immediately to America's working households. A one-time rebate, an expanded earned income tax credit, a temporary cut in the payroll tax, or even the re-enactment of general revenue sharing so that states and localities can cut sales and property taxes-all these things would make good economic policy sense this year. They could be enacted now-indeed they could be made retroactive as Bush proposes for his income tax cuts. But Greenspan says no-and by obstructing these measures he makes it very difficult for any one else to propose them.

Greenspan, Bush and the majorities in Congress are bent on replaying the Reagan era. This may fit their faith. It may be good for some of their constituents. But it will not be good for their reputations in the long run-that much is quite sure.