



CONGRESSIONAL PROGRESSIVE CAUCUS CHAIRMAN

Dennis Kucinich



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

NEWS UPDATE - February 6, 2001

SUMMARY

In the News...

- TAXES: The Washington Post reports that despite Bush's rhetoric, his tax cut proposal skews most of benefits to the wealthy. As the article states, "no matter how the data is sliced in the upcoming debate in Congress and the country, most of the tax cut dollars go to wealthier Americans."
- TAXES: The Associated Press reports that Republicans and lobbyists are gearing up to add even more corporate backed provisions to the already top-heavy Bush Administration tax proposal.
- EDUCATION: CongressDaily reports that Senate Health, Education, Labor and Pensions Committee Chairman Jim Jeffords (R) will try to put Bush's education plan on the fast track, despite the fact that it does not address the major issue facing education: funding. Progressive Caucus officer Senator Paul Wellstone will be leading a press conference tomorrow outlining funding priorities that Progressives believe must be included in any education reform package.
- LABOR: The Wall Street Journal reports that the White House might be seeking to weaken organized labor. As the article states, the White House is circulating "drafts of proposed executive orders on major labor issues" including one that terminate a previous order allowing local governments using federal aid to negotiate union-only contracts.
- CONSUMER PROTECTION: The Center for Responsive Politics reports that Senate Majority Leader Trent Lott plans on bringing anti-consumer bankruptcy legislation to the floor as soon as possible. Not surprisingly, the so-called "National Consumer Bankruptcy Coalition" – a group of the largest banks and credit card companies – donated \$5 million to both political parties last election cycle – a 40% jump over the previous presidential election. The Progressive Caucus will be opposing bankruptcy reform.
- TRADE: CongressDaily reports that finally a few Democratic Senators voiced some concerns over the nomination of free trade zealot Robert Zoellick as U.S. Trade Representative.

From the Editorial Pages...

- THE NEW REPUBLIC writes that the Democrats must not cower in the face of Bush's massive, irresponsible tax plan. As the editors write, the fact that Democrats are already acquiescing to Bush without public support for his tax scheme "is just plain pathetic."
- DAVID BRODER writes that the Bush tax plan shows we are on a "Return to Regonomics."
- PROFESSOR STEVEN CONN writes in the Philadelphia Inquirer that if President Bush passes his tax cut to the wealthy, he should be prepared to face a firestorm when we have inadequate funds to address pressing national priorities. As he writes, "if we are unwilling to use tax dollars to pay for equitable health care or first-rate public education or clean water, then we should not be surprised when we don't get any of those things."
- WASHINGTON POST editorial board chastises the Bush Administration for using its first NATO negotiations to try to make our allies believe that a missile defense system is inevitable. Instead of addressing issues of major importance., Bush is beginning his relations with Europe with a "debate over a weapons system that has not yet been chosen, proven or paid for."
- THOMAS WALKOM of the Toronto Star says a recent report by an esteemed panel of scientists proves that industry and world governments cannot deny the simple fact that "genetically engineered foods are not necessarily safe."

Quote of the Day...

"Breux owes much of his reputation to dramatic compromises that go nowhere."

- Analysis of highly-touted and self-promoted "New Democrat" leader John Breux by the New Republic (2/6)

In the News on February 6, 2001

Payroll Tax: The Burden Untouched

Washington Post

President Bush has pitched his tax plan, which he unveiled yesterday, as a matter of fairness for overburdened American families, emphasizing how much he would deliver for middle-income Americans.

But, no matter how the data is sliced in the upcoming debate in Congress and the country, most of the tax cut dollars go to wealthier Americans who in fact pay the majority of income taxes.

The bigger problem for middle-income Americans since the Reagan tax cuts in the 1980s has been the payroll tax for Social Security and Medicare, which actually eats up much more of a worker's paycheck. Payroll taxes are not addressed by Bush's 10-year \$1.6 trillion tax cut.

Because 80 percent of federal income taxes are paid by the wealthiest 20 percent of Americans, they would receive the biggest tax cuts under any plan that cut overall rates.

Administration officials argue that giving Americans a tax credit against payroll taxes is a troublesome concept because it effectively means someone is not paying for benefits they will later receive. "We have concerns about that," said Lawrence B. Lindsey, Bush's chief economic adviser. "That's not paying the Social Security tax."

The president's tax cut, at its heart, is a broad reduction in almost all rate brackets. He would cut the 39.6 percent and 36 percent brackets to 33 percent, the 31 percent and 28 percent brackets to 25 percent, and leave the 15 percent bracket unchanged. He would also create a new bracket that would levy a 10 percent tax -- instead of 15 percent -- on the first \$6,000 a person makes, or \$12,000 for couples.

Bush argues that marginal rates -- the amount that goes to taxes for each extra dollar earned -- are a disincentive to work and productivity. Yesterday, he cited the example of a single mother making \$25,000 a year who gets a \$1,000 raise. Because this waitress receives a tax credit for the working poor that phases out as a person's salary increases, she would end up with little more than 50 cents of each additional dollar -- in other words, a \$500 raise after income taxes, payroll taxes and the partial loss of the tax credit.

That's "a higher marginal tax rate than a lawyer earning \$250,000," Bush said. "That's not right and that's wrong." Bush hasn't emphasized that the benefit from his plan ends when a worker no longer owes income tax. So, because the single mom making \$25,000 pays only at most a few hundred dollars in federal income tax, that would be the extent of her tax cut. The lawyer, now at the 36 percent rate, would benefit from the drop to 33 percent, and from most of the other rate cuts.

Some analysts and many Democrats argue that the problem is no longer high marginal rates -- which were 90 percent when President John F. Kennedy cut them and 70 percent when President Ronald Reagan cut them -- but instead the growing burden of the payroll tax. In the two decades since Reagan pushed through the last big tax cut, income taxes have fallen for many Americans while payroll taxes have soared. According to the Congressional Budget Office, 80 percent of working Americans pay more in payroll taxes than they do in income taxes.

"It's the great bait-and-switch in the great tax debate," said William Gale, a tax scholar at the Brookings Institution, previewing an argument that will be made by Democrats as debate commences on the Bush plan. "If you are going to cut taxes, you should look across the board" and include payroll taxes.

One example of the effect of payroll taxes is the Peterson family of Richmond, who stood with Bush yesterday as he touted his plan. Bush proudly noted that their \$1,055 in federal income taxes would be eliminated under his plan. But he did not mention that Paul Peterson and his employer, a supermarket chain, would still pay more than \$5,000 in payroll taxes on his income of about \$37,000. Most economists say that the more an employer doles out in payroll taxes, the less it has for salaries.

Another part of the Bush tax plan would double the per-child tax credit from \$500 to \$1,000 by 2006. Although Bush would expand the income limits (now at \$110,000) so couples making as much as \$200,000 could qualify for the credit, he does not allow families with no income tax liability to count the tax credit against payroll taxes.

During the election, former vice president Al Gore cast the Bush plan as a windfall for the rich, but Democrats increasingly view Bush's failure to address the tax burden of the payroll tax on low-income working Americans as the Achilles' heel of his plan.

"It is a flaw," said House Minority Leader Richard A. Gephardt (D-Mo.). "We want to extend tax relief to everyone but have it focused on people who are in the middle class and people trying to get into the middle class."

The emerging Democratic alternative, which would likely cost about \$900 billion, including interest costs from not paying down the debt, would likely provide some sort of credit for Social Security taxes. That would effectively reduce the payroll tax without hurting the old-age retirement program. While Bush would not reduce the 15 percent bracket, Democrats would reduce only the 15 percent bracket, most likely bringing it down to 12 or 13 percent, Gephardt said. A cut in the 15 percent bracket would still provide a tax cut even to the very rich, but it would be limited -- only about \$1,300.

GOP, Lobbyists Push Bush Tax Plan

Associated Press

WASHINGTON (AP) -- Congressional Republicans and lobbyists say they like President Bush's proposed tax cut, but they won't back down from plans to add their own priorities, even though Bush is promising to defend his proposal "mightily."

Beginning a week of selling his tax plan, Bush was visiting a Washington-area small business Tuesday to spotlight his argument that his proposal would spark greater economic growth.

Bush planned to send Congress an outline of his package on Thursday, and it was expected to mirror the \$1.6 trillion, 10-year tax reduction program he offered during his campaign for the White House. On Monday, Bush defended it against Democrats who would shrink the measure and Republicans who would like to expand or otherwise alter it.

"I want the members of Congress and the American people to hear loud and clear: This is the right-sized plan, it is the right approach, and I'm going to defend it mightily," he said at a White House appearance.

Democrats called Bush's plan too expensive, too tilted toward the rich and too risky. They said it would deplete projected federal budget surpluses without leaving adequate funds for a proposed Medicare prescription drug benefit, defense increases and other proposals.

"Let us not repeat the mistakes of the past," Senate Minority Leader Tom Daschle, D-S.D., said, citing Reagan-era tax cuts that helped produce record federal deficits. "If we do, shame on all of us."

Bush's plan would collapse the five current income-tax rates into four, and lower them. They currently range between 15 percent and 39.6 percent; the new rates would be between 10 percent and 33 percent. The president also would expand child credits, ease the so-called marriage penalty and gradually repeal estate taxes. And Monday, he said that to "help get money into the people's pockets quicker," he would like his package to be retroactive to Jan. 1.

"It's tax relief for everybody who pays taxes. That's what the times and basic fairness demand," Bush said. But with Congress only beginning its year, even GOP lawmakers said they were not ready to simply rubber-stamp his plan.

Senate Majority Whip Don Nickles, R-Okla., said there seemed to be a consensus among GOP senators attending a retreat last weekend in Williamsburg, Va., to live within Bush's \$1.6 trillion figure and to pass its major components, such as the cut in income-tax rates.

But from there, Nickles said, congressional proposals will compete with Bush's ideas.

"Obviously, there's going to be some compromises," he said.

Nickles said he would like to see the capital gains tax rate individuals pay for many investments cut from its current 20 percent to 15 percent, and other reductions for health care costs and other items.

House Majority Leader Dick Armey, R-Texas, said he believes that with the Congressional Budget Office upping its estimate of the federal surplus last week to \$5.6 trillion over 10 years, the tax cut should get bigger. He also favors easing the alternative minimum tax and enhancing tax breaks for contributions to pensions and 401(k) savings plans.

“You sit down as you’re moving the bill through the process and you review the situation in light of the new numbers,” Arney said in an interview. “And it would be our job to persuade the president.”

Further underlining that the tax fight is just beginning, a group of House conservatives led by Rep. Patrick Toomey, R-Pa., planned to unveil a tax package on Wednesday with a 10-year price tag exceeding \$2 trillion. Their plan will include all of Bush’s proposals but expand on them, such as accelerating the president’s plans for trimming income-tax rates and phasing out the estate tax and the marriage penalty, the higher taxes many couples must pay when they marry.

“This is what the whole process is all about,” Toomey said. “The president proposes and Congress disposes. We’ll see where we go.”

Business and conservative lobbyists also have their own ideas of what the tax cut should look like.

“The fact is this tax cut is not the right size. It’s too small given the latest budget surplus and the size of the economy,” said Stephen Moore, president of the Club for Growth, a group of conservatives that advocate deep tax reductions. Moore said Bush’s current plan “could actually fail in resuscitating the economy if it is not sped up and made larger.”

The National Manufacturers Association supports Bush’s proposals, but also wants repeal of the corporate alternative minimum tax and a permanent extension of the research and development tax credit, said Dorothy Coleman, the association’s vice president for tax policy.

“We do think additional tax relief is needed for the business community this year,” she said.

Jeffords Wants To Put Bush Education Proposal On Fast Track

CongressDaily

A key player in the emerging debate over President Bush’s education plan told local school board officials meeting in Washington Monday that Congress should move fast to get a bill to the White House by the end of March, National Journal News Service reported.

In a speech to the National School Boards Association, Senate Health, Education, Labor and Pensions Chairman Jeffords said he would try to move the complex legislation through the Senate by Feb. 28. Then he expected the House to speed it to Bush’s desk by the end of the following month.

But Health, Education, Labor and Pensions ranking member Edward Kennedy, D-Mass., and Sen. Paul Wellstone, D-Minn., made it clear in later talks to a crowded NSBA session that no education bill could pass until the president made room in his budget for “massive” new federal aid to public schools. That kind of pledge could run afoul of Bush’s top priority: a \$1.6 trillion tax cut.

Even Jeffords, amid cheers from the NSBA members, insisted that more money for education was warranted and promised over six years to “fully fund” the federal share of school aid for disabled students, at a cost of about \$15 billion. Wellstone and Kennedy said that is not nearly enough to provide all the resources that schools will need to ensure that, as Bush has promised, “no child is left behind.”

The three senators preceded an appearance by recently confirmed Education Secretary Paige, who defended the president’s commitment to education and urged the school board delegates—who generally oppose his proposed \$1,500 voucher for students who want to switch from substandard to better schools, both public and private—to keep an open mind about the idea.

To audible groans from the audience, Paige said the president’s plan “provides some flexibility to the student” who is trapped in a failing school. Just the threat of such a voucher approach, he explained, could induce poor-performing schools to improve.

“The president is a passionate supporter of public schools...(but) our public schools will not get stronger if we don’t do it better,” he said.

Wellstone, in a rousing speech that brought the large audience to its feet in delighted applause, contended that Bush’s arithmetic was defective if he thought he could cut taxes by \$1.6 trillion and still have money left over for all the nation’s unmet domestic needs—particularly aid to education.

At a minimum, Wellstone said, schools alone need \$16 billion to fully fund programs for disabled children, \$15 billion for Head Start, \$40 billion for new early childhood education programs, and \$24 billion for more targeted aid to needy children in rural and urban schools.

Unions allege payback for their strong support of Al Gore

Wall Street Journal

The White House circulates drafts of proposed executive orders on major labor issues. One would rescind a 1998 Clinton order allowing local governments building roads and other projects with federal aid to negotiate union-only construction contracts. Another would require notice at federally funded work projects that, under the Supreme Court's 1988 Beck decision, nonunion members may object if their union representation fees are used for political activities.

Nonunion contractors criticize the Clinton project labor-agreement order, saying it keeps them from bidding on billions of dollars in government work. "Reversing this is our No. 1 political priority," says Scott Brown, Associated Builders and Contractors spokesman. Officials at the AFL-CIO's building trades department want to meet with President Bush to plead their case. A White House official says the president hasn't ruled out such a meeting.

"This is retaliation for unions ... being such a dominant force in the last election," says AFL-CIO general counsel Jon Hiatt.

The National Consumer Bankruptcy Coalition and Congress

Center for Responsive Politics

Now that debate over President George W. Bush's cabinet picks is over, Congress this week looks to tackle issue No. 1 on a wish list of legislation proposed by some of Bush's biggest contributors: a long-proposed overhaul of the nation's bankruptcy laws.

Credit card companies, banks and a you-name-it list of interests, including car dealers, entertainment companies and casinos, have lobbied for years to make it harder for people to erase their debts, and Republicans, who saw such legislation vetoed by President Clinton late last year, want to include the measure among their first legislative accomplishments of the 107th Congress.

Senate Majority Leader Trent Lott (R-Miss) last month announced plans to bring a bankruptcy reform bill straight to the Senate floor as soon as possible, bypassing congressional committees. Last week, however, Republicans in both the House and Senate bowed to pressure from Democrats and agreed to schedule hearings before each chamber's Judiciary Committee this week.

Though the slate of those testifying in favor of the bill has not been announced, it likely will include some members of the National Consumer Bankruptcy Coalition, a lobbying group formed roughly two years ago for the sole purpose of pushing through an overhaul of the current system. The group's founders include Visa, Mastercard and several financial industry trade groups, including the American Banking Association and the American Financial Services Association.

NCBC's nine reported members contributed more than \$5 million to federal parties and candidates during the 1999-2000 election cycle, a 40 percent jump over giving during the last presidential election year. That doesn't include the hundreds of thousands, in some cases, millions of dollars contributed by members of each trade association -- a roster that includes major political givers like credit card giant MBNA America Bank, a \$3.1 million donor to political campaigns last year and the overall top contributor to Bush's presidential campaign.

But even that's not all the money that's being spent on this issue. Aside from banks, credit unions and finance and credit companies (which contributed at least \$30 million during the last elections, more than two-thirds to Republicans), gambling interests (\$9.4 million; 51 percent to Dems), including some of Las Vegas' biggest casinos, also are pushing for bankruptcy reform, according to their lobbying filings.

The Recording Industry Association of America (\$451,488; 51 percent to Dems) has asked Congress to crack down on recording artists who file bankruptcy to get out of their record deals. In response, Motown diva Gladys Knight in 1999 personally lobbied Senate Judiciary Chairman Orrin Hatch on behalf of artists' rights, just a few months after she had agreed to record two of the lawmaker/aspiring musician's songs on an upcoming gospel album, according to the Los Angeles Times.

Democrats unsuccessfully tried to amend last year's bill to include provisions that would stop gun manufacturers (who account for almost no political contributions) and tobacco companies (\$8 million; 83 percent to Repubs) from invoking bankruptcy protection to shield themselves from lawsuits filed by cities and the federal government over gun violence and health costs. The party, according to Senate Minority Leader Tom Daschle (D-SD), plans to revive those

amendments, along with a measure that would require those convicted of violence against abortion clinics to pay monetary judgments against them even in cases of bankruptcy.

Overall, the NCBC and other proponents of bankruptcy reform have pressed Congress to pass a bill similar to legislation approved last year. That measure said that anyone with the ability to make \$6,000 in payments to creditors over the next five years cannot receive bankruptcy relief -- a provision that critics contend would do more to harm indebted Americans than to crack down on fraud and abuse.

Whatever Congress decides, Bush widely is considered to sign such legislation.

Democrats Caution Zoellick On Various Trade Concerns

CongressDaily

Senate Finance ranking member Max Baucus of Montana and two fellow Democratic committee members, Sens. Kent Conrad of North Dakota and John Kerry of Massachusetts, gave some strong and little noticed advice to Trade Representative-designate Zoellick in the latter part of his confirmation hearing last week. Zoellick drew Conrad's ire by suggesting the European Union may be more inclined to cut its farm subsidies because "center-left governments with less of a base in the agriculture community" are ruling in several countries and it cannot afford to extend farm benefits to proposed Eastern European members. Conrad said he had "no confidence" in that view and that he "had heard that siren song for years. They won't do anything without leverage from us." Conrad also pushed Zoellick to continue the investigation of the Canadian Wheat Board launched by former Trade Representative Barshefsky.

Apparently referring to suggestions that the Bush administration present Congress with a fast track trade negotiating authority proposal before the hemispheric leaders Quebec meeting in April, Kerry pointed out it had taken the Reagan administration two years to get a fast track proposal passed and told Zoellick, "I caution you not to send it up too quickly. There's no reason not to take two, three, four, five months." Kerry also told Zoellick that the fast track proposal has to deal with labor and the environment if it is to have any chance of passing.

Recalling his over 10 years of experience in working on the Kyoto Protocol, Kerry said he had learned that developing countries have watched the "trillions" in wealth the United States and other developed countries have made through trade in recent years and believe the developed countries want to use the environmental issue to keep making money while making it more difficult for developing countries to compete. "The only way to keep the glue together," Kerry said, is to create an environmental development fund "in the billions" to help Third World countries improve their environments at the same time they are engaged in trade. Zoellick said he is usually a fiscal conservative, but pointed out that during his stint at Treasury, he had pushed the World Bank to make loans for environmental projects. Zoellick said he had "no particular time frame for fast track," but added, "We need to move. The whole world is watching."

Noting that Zoellick has held several foreign policy jobs in other administrations, Baucus told him not to get together with State Department officials and "come to agreement on how to manage the world to the detriment of the American people. Remember you are an American first."

On the Editorial Pages on February 6, 2001

The Pathetic Party

Washington Post

Barely a week into George W. Bush's presidency, his tax cut seems almost inevitable. The Democrats appear set to repeat their sordid performance of 20 years ago--when, instead of resisting Ronald Reagan's tax cut, they larded it with special-interest subsidies of their own. The size of the tax cut acceptable to Democrats edges up almost daily, from \$500 billion to (as we go to press) \$850 billion. Republicans, meanwhile, have begun predicting that the eventual tax cut might end up even *larger* than Bush's bloated proposal. "The chances of a tax-cut feeding frenzy," crows Lawrence Kudlow, a Bush adviser, "are growing daily." It's disturbing enough that fiscal policy is in the hands of people who use the phrase "feeding frenzy" to describe a process they see as beneficial. What's more disturbing is that Kudlow's prediction could be right.

We've come a long way in the last month--in exactly the wrong direction. When the Supreme Court made Bush president, it was widely assumed he would have to govern as a moderate, which would mean, at the very least, scaling back his enormous tax cut. The voting public, after all, had evinced no enthusiasm for it whatsoever. Al Gore had won the popular vote in part by hammering the tax cut as an irresponsible sop to the wealthy. Even before that, in the *Republican* primary, John McCain had condemned the Bush cut on similar grounds. GOP congressional candidates ran away from Bush's plan. Poll after poll showed tax cuts far down the list of public priorities.

There are several explanations for why the ground has shifted so quickly--and none of them makes fiscal or moral sense. First, Bush seized upon the slowing economy to justify his tax cut. But most economists (including those who work for Bush) say that it can't be implemented fast enough to have an impact and that business-cycle management should be left to the Federal Reserve. Then Fed Chairman Alan Greenspan gave his blessing, disheartening Democrats who shared his now-abandoned emphasis on debt reduction.

Greenspan's endorsement carried such political weight in part because he had spent the previous eight years urging fiscal restraint. And so his dramatic turnabout is taken as evidence that the budgetary outlook must have changed dramatically. In fact, surplus projections have not changed much since the last time Greenspan spoke. What has changed is the administration. During the Clinton era, the right-leaning Greenspan was afraid of spending hikes--a prospect he helped ward off with his advocacy of debt reduction. Now, with a Republican in the White House, he no longer needs to use fiscal conservatism as an argument against spending increases and can feel free to push for tax cuts.

Meanwhile, a stream of ever more optimistic budget-surplus projections has anesthetized deficit hawks, creating an expectation that federal revenues will expand forever, permanently obviating the need for painful trade-offs. And it is true that the budget has produced pleasant surprises for several years running. But the proper lesson to take from this is not that budget projections are always too conservative--indeed, historically they've usually erred on the side of optimism--but that they're not very accurate. The further into the future the number-crunchers gaze, the hazier their vision gets. Moreover, even if today's rosy forecasts do come to pass, the picture will almost certainly darken in ten years or so, when the baby-boomers' retirement begins to soak up a larger share of the budget. At that point, if Bush has blown the surplus on tax cuts, the government will plunge back into the deficit-ridden fiscal paralysis from which it has only recently escaped.

Given this prospect, the Democrats' acquiescence to the Bush tax cut is baffling. Their surrender to Reagan at least occurred at the apogee of a decade-long revolt against government. Today, no such hostility exists. The mania for large, upper-bracket tax cuts is largely a product of the Beltway echo chamber. In a recent national opinion poll on how best to direct the surplus, tax cuts came in dead last--behind social spending, shoring up Social Security, and debt reduction. Acceding to bad policy in the face of strong public sentiment--as the Democrats did in 1981--may be cowardly. But doing so in the absence of public pressure is just plain pathetic.

Return to Reaganomics

By David Broder
Washington Post

On Ronald Reagan's 90th birthday and the 20th anniversary of the launching of his big tax-cut initiative, President Bush is preparing to send Congress his own proposal for across-the-board reductions in tax rates.

This is more than a coincidence. It is a further certification -- if one is needed -- of the central and enduring role Reagan has played in the conservative politics that has dominated American government for a full generation.

You would not know that from looking at the makeup of the new administration. Alumni of the 1989-92 Bush White House and agencies and retirees from the Gerald Ford years in the 1970s far outnumber the Reaganauts around George W. Bush. There was burnout by the end of Reagan's eight years in office, and few who served with him have the energy or desire to return to government service.

But there's been no burnout for Reagan's ideas -- even when Democrats held power. President Clinton took up Reagan's effort to "end welfare as we know it," and saw it accomplished in 1996. Vice President Gore campaigned in 2000 on his "reinventing government" project, a variant of the Reagan plan to reduce the size of the federal bureaucracy and shift responsibilities to the states.

Now that the Republicans are back, Reagan's ideas will loom even larger in Washington. The Bush tax cut is 100 percent Reaganomics, resting on two ideas that Reagan taught his party.

The first is the proposition that wealth creation spurred by lowering marginal tax rates is the surest way to expand economic growth. Derided by Democrats as "trickle-down" economics and faulted by liberal critics for its contribution to America's uniquely high disparities in income, it nevertheless has become the bedrock principle of Republicanism. Larry Lindsey, Bush's White House economics adviser, believes it just as fervently as Arthur Laffer and Jack Kemp did when they sold Reagan on "supply side" economics a generation ago.

But Reagan was not content simply to argue the policy case for lowering taxes. He insisted that it was immoral for the government to take as much as it had been taking from Americans, because Washington is inherently a worse steward of financial resources than private individuals.

And that is a view with which Bush agrees. "I don't believe government should take more than 33 percent of anyone's income," he has said repeatedly. The one-third rule has no economic rationale; it is a moral proposition. And like any such statement, acceptance is a matter of faith.

Others may condemn the contrast between private affluence and the poverty of public services, comparing the sums that will be spent on lavish corporate entertainment at this weekend's National Basketball Association All-Star Game in Washington with the search for funds to prop up struggling D.C. General Hospital. But Bush, like Reagan, believes the journey of dollars from private bank accounts to government coffers is fraught with moral danger.

Like Reagan, Bush has learned to pitch his economics through populist anecdotes. Thus the frequent mentions of the waitress with two kids who will, in his telling, be the real beneficiary of his tax cuts. It's a great argument -- until you look at the numbers and see the financial bonanza that awaits the wealthiest Americans in the Bush plan.

But the combination of moralism, populist anecdote and the promise of economic growth is a powerful one. And this year, as in 1981, you can see congressional Democrats recalculating how far they have to bend their principles and suppress their doubts in order to avoid being caught on the losing side of the tax debate. They are raising the same arguments that were heard in 1981 about the effect these tax cuts will have on the budget and the government's ability to meet its other obligations. And, once again, these cautions do not seem likely to prevail.

All of which is, in a real sense, a tribute to Reagan's enduring influence. Nor is this the only one. It was also Reagan who introduced the idea of shooting down nuclear missiles -- the Strategic Defense Initiative, better known as "Star Wars." And now Bush wants to develop the "Son of SDI" in the form of theater missile defense systems. There will be a major debate about this, but Bush seems committed to carrying through on this Reagan notion as well.

It all goes to prove the point that Jeffrey Bell, a conservative author and campaign consultant, makes in his essay on Reagan in the Feb. 5 issue of the Weekly Standard. Calling Reagan "the great communicator" badly underestimates the man, Bell says. His voice is stilled by age and infirmity, but his ideas live on.

Use Our Taxes to Better Serve Nation's Interest

By Professor Steven Conn
Philadelphia Inquirer

Memo to President W: I don't want a tax cut.

To admit such a thing out loud is, I realize, as profoundly un-American as admitting to being a liberal. Tax-cutting has so dominated the political debate that one might get the sense that *not* to cut them would be unconstitutional.

Let me be clear: I'm not so wealthy that I don't miss the money that comes out of my paycheck. The wild-ride prosperity of the last several years largely bypassed the academic world where I make my living, and so I live modestly but comfortably on a perfectly middle-class income.

I'll also admit to feeling certain frustrations at tax time. I have two kids now, and their needs grow faster than my salary ever will. It might be nice to take home more of my pay.

So while mine could well serve as one of the poster families for tax cutting, here's why I don't want a tax cut.

The debate over taxation over the past generation has largely degenerated into a set of complaints that we all pay too much. Paying our taxes has come to be seen as something we are all forced to do at the point of some bayonet wielded by jackbooted IRS agents. Politicians, especially the current generation of Republicans, have stoked this sense of indignation by portraying taxation as something done *to* us rather than *by* us. The only thing more un-American than being a liberal, after all, is being a *tax-and-spend* liberal.

Obscured more often than not amid the cries over oppressive taxation is the more complicated question of who gets taxed, how much, and for what.

As we all ought to know by now, the tax "reforms" of the Reagan administration shifted the tax burden dramatically off the wealthy and off large businesses and placed it squarely on the shoulders of the middle class. Not coincidentally, after those adjustments, we witnessed the largest shift of wealth from the middle to the top tenth in the nation's history.

What deserves our outrage even more than the inequitable way in which taxes are apportioned, however, is how those taxes are spent. That can largely be summarized in a single word: defense. While military spending no longer eats up quite as much money as it did during the Reagan spending bonanza, when roughly 60 cents out of every income tax dollar was spent at the Pentagon, the defense budget remains gargantuan.

As a result, what we get for our taxes are things like Star Wars - *still* alive and kicking after \$60 billion and no appreciable results. Or the estimable Osprey tilt-rotor aircraft whose failures seem only to generate yet more spending - or a dozen other bloated, wasteful programs that do little to make the lives of Americans better. No wonder people feel angry about paying taxes.

In the face of this, however, the response ought to be not to cut taxes but to reassess what we do with them. Democracy can be defined as a process through which citizens with a variety of conflicting interests and concerns come together to work out what constitutes the public good. Taxes, in a democracy, are how we pay for that vision.

In this sense, the whomping tax cut that President W. has proposed, and which Federal Reserve Chairman Alan Greenspan has sort of/kind of/not really endorsed, represents nothing less than a failure of vision and an acknowledgment that we don't much care about defining the commonweal, much less funding it.

There are countless ways in which taxes might be used now to further the national interest for the future - endowing a national system of medical education; restoring a degraded environment; rebuilding America's educational infrastructure. My point isn't to advocate any of these but to suggest that history will not look kindly on a nation that, when faced with urgent problems to solve and possessed of money with which to solve them, decided instead to send us all off to the mall with a little more money to spend. We can do better than that.

In the debate over tax cutting, President W. seems to have forgotten the first rule of economics: You get what you pay for. If we are unwilling to use taxes to pay for equitable health care or first-rate public education or clean water, then we should not be surprised when we *don't get* any of those things. The quality of the society produced by our democracy will be measured by how broadly we can dream about the common good, and how willing we are to pay for those dreams.

The Missile Offensive

Washington Post

THE BUSH administration appears to have concluded that the best defense of security initiatives opposed by U.S. allies is a good offense. Over the weekend Defense Secretary Donald H. Rumsfeld insisted to a conference of skeptical NATO officials in Munich that the development and deployment of a ballistic missile defense system was nothing less than a moral imperative, "not so much a technical question as a matter of the president's constitutional responsibility." The United States, he said, is prepared to consult with Europe; but the Europeans need to get over their Cold War-era worries about an arms race or Russia and accept that America's defense needs have changed.

There is a strategy behind these statements. By creating a sense that missile defense is inevitable, the administration hopes to defuse a potentially divisive debate within NATO before it can get hot. That would have the added benefit of neutralizing an emerging Russian strategy of fomenting European opposition, and encourage Moscow to seriously negotiate the modification or scrapping of the Anti-Ballistic Missile Treaty, perhaps in conjunction with strategic nuclear arms reductions.

Still, it is striking how little seemed to lie behind Mr. Rumsfeld's opening gambit. On the plane to Munich, he conceded that he was not prepared to talk about any specifics of the missile defense initiative, and said that he had had only one meeting on it so far as defense secretary. Mr. Bush and his advisers have yet to spell out what sort of defense system they favor, and there seem to be sharply divided opinions about it within the Republican Party. Some want to proceed with the limited 100-interceptor system pursued by the Clinton administration, even though it has failed two out of three flight tests so far; other experts, including some close to Mr. Rumsfeld, back a sea-based system, a space-based system or some combination of all three. Only one thing seems certain so far: The Bush administration's first budget will contain nothing close to the massive spending increases that would be required to put any of the missile defense projects on the fast track.

Deferring any big spending or firm decision on missile defense until a thorough review can be conducted, and a workable technology found, seems a wise course. But it's worth noting the gap between that necessary process and the aggressive diplomatic posturing. Perhaps the new administration will succeed in convincing the world that a U.S. missile defense is inevitable if it declares it loudly and from the beginning. But as the Munich conference showed, Mr. Bush has much else to discuss with the Europeans, including the proposal for a European defense force separate from NATO and future deployments -- or withdrawals -- of American troops in the Balkans. The risk is that instead of resolving these difficult and pressing questions, Mr. Bush's relations with Europe will be shaped in their opening months by debate over a weapons system that has not yet been chosen, proven or paid for, and that, even in the best of circumstances, won't materialize for years.

Genetically-Modified Foods Get a Roasting

by Thomas Walkom

SCORE ONE for those of us who eat. A prestigious scientific panel has confirmed what critics have argued all along: Genetically engineered foods aren't necessarily safe.

Ottawa will find it difficult to ignore this report, prepared by a panel of scientists working under the auspices of the Royal Society of Canada.

Not only are the credentials of the 14 scientists impeccable, but the study was prepared at the request of the federal government itself.

Ten years ago, virtually no genetically modified (GM) foods existed. Now it is hard to find food that hasn't had an alien gene inserted. Roughly 60 per cent of food sold in supermarkets contains GM ingredients - usually corn, soy or canola. The biotech industry and its allies say these foods are as safe as their non-GM counterparts. Those who dare question this conclusion are labelled unscientific sensationalists.

Last year, for instance, when University of Guelph scientist Ann Clark publicly questioned the methods Ottawa uses to regulate GM foods, she was condemned as "unethical" by her boss.

Agriculture Dean Rob McLaughlin said Clark had no right to comment on GM foods because "she is not considered by us to be an expert in that area."

Fellow Guelph academic Doug Powell called her report "silly ... a superficial examination worthy of high school." Guelph's agricultural school, incidentally, is a prime recipient of the biotech industry's corporate largesse.

Now it seems that Clark may not have been so silly. Her main conclusion, that research into GM foods is based on unfounded assumptions and inadequate research, has been reinforced by the Royal Society's expert panel. Clark and other critics, such as Greenpeace and the Council of Canadians, have focused particularly on the notion of "substantial equivalence" used by the Canadian Food Inspection Agency, the ostensible federal regulator. Currently, if federal regulators deem that a GM variant of, say, corn is more or less the same - in look, taste, appearance and nutritional value - as the unmodified variety, they approve it without rigorous testing.

The Royal Society panel concludes that this approach is based upon "unsubstantiated assumptions" that genetically-modified foods are safe.

It recommends that regulators actually investigate whether GM crops are harmful to either human health or the environment instead of just assuming they aren't.

In particular, it calls on federal regulators to apply the precautionary principle - that is to err on the side of caution when approving new GM products instead of, as at present, doing the reverse.

As the report notes, "Mutations in single genes have long been known usually to produce multiple effects." But the most damning elements of the 245-page report are those describing the unholy trinity of the Canadian biotech industry - the corporations, university researchers and federal regulators.

The Canadian Food Inspection Agency, the report notes, is crippled by a profound internal contradiction. On the one hand, it has a mandate to protect the public; on the other, it is charged by government with promoting the interests of the Canadian biotech industry.

As well, the agency is so secretive that not even the Royal Society scientists could see the information it uses to evaluate GM products.

In the sole case the panel was able to examine - Ottawa's evaluation of Monsanto Co.'s Roundup-Ready canola - the Royal Society scientists found the data the government used was "scientifically inadequate for either a rational regulatory process or a peer-reviewed scientific publication."

As for independent academic research, the report was despairing. Because of government cutbacks, universities are increasingly dependent on corporate funding. But corporations, including those in the biotech sector, aren't anxious to fund research that might cast doubt on their products.

"Scientists who concentrate their research efforts on the environmental and health risks of new technologies ... are not likely to be prime candidates for research grants from industry partners," the report notes.

The result, the panel concludes, is that it is "more difficult to find funds for research aimed at the critique or evaluation of GM technology, or scientific researchers with the independence and objectivity to carry it out."

Curiously for scientists who have raised so many questions about the safety of GM food, panel members were split on the issue of whether Ottawa should require mandatory labelling of such products. That, however, was virtually its only concession to the biotech forces.

Otherwise, this report is a polite but scathing indictment - of the industry, the academic research community and, particularly, of the federal government itself.